SMBC AVIATION CAPITAL

SMBC Aviation Capital
Annual Report & Accounts 2016

Contents

2016 Highlights

Our Fleet
660+
owned/managed/committed

Our Rating
BBB+
Fitch & S&P rating, one of the highest rated lessors in the industry

Our Customers
150+
airline and investor customers in over 50 countries worldwide

Our Trading
300+
aircraft sold to 65 third party investors

Our People
160
professionals working worldwide

Our History
15
year track record of growth and profitability

Our Fleet
4.7
average weighted age of fleet

Our Utilisation
99.7%
average fleet utilisation since 2005

SMBC Aviation Capital is a leading aircraft leasing company. We are owned by Sumitomo Mitsui Financial Group and Sumitomo Corporation. We have the scale to offer a wide range of financing and investment solutions to airlines and aircraft investors worldwide. Our strategy is to focus on the most modern aircraft assets with continuous trading through the industry cycle to maximise profitability and manage risk.

Figures as at 31 March 2016

Shinichi Hayashida
Chairman

Chairman's Statement

I am pleased to report a year of strong revenue growth and a solid performance across all of our geographies, particularly in Asia. This growth has been driven by a continued rise in global passenger travel and the resulting requirement for new and replacement aircraft to meet that demand. Our focus on investing in the most liquid, technologically advanced aircraft has continued as we took delivery of our first Boeing 787 and negotiated our first sale and leaseback of the Airbus A350, involving the placement of six A350s to be delivered in 2017.

It is now four years since the acquisition of this business by The Sumitomo Mitsui Financial Group (SMFG) and Sumitomo Corporation (SC). I am pleased to report that over this time SMBC Aviation Capital has become a strategically important part of the Group with the closeness of the working relationship evidenced in mutual synergies in the development and growth of new opportunities in a number of areas.

In particular, we have been successful in opening new channels to a large investor base in Japan and have worked with our shareholder to provide JOLCO (Japanese operating leases with call options) solutions to a number of our airline customers. This channel has also delivered us increased trading and aircraft management opportunities.

As aircraft continue to develop as an increasingly popular asset class, demand for aircraft investment in this market has increased, helping us adhere to our goal of maintaining a young fleet with a weighted average age of just 4.7 years, one of the youngest in the industry.

With the support of our shareholders, we have the financial strength and resources to remain open to expansion opportunities. Our recent capital markets debut, which saw our $500 million notes offer oversubscribed by eight times, reflects the market's confidence in our proposition, as does our BBB+ corporate rating by both Fitch and S&P.

Finally, on behalf of the Board, I would like to pay tribute to the employees of SMBC Aviation Capital. Under the leadership of the senior management team the company has delivered a consistent financial return, maintained its focus on owning a young liquid fleet and continued to grow its customer base.

I have every confidence that with its disciplined and professional approach the company will continue to retain its position as one of the world's leading aircraft leasing companies.

Shinichi Hayashida
Chairman

Chief Executive's Statement

Overall performance

The financial year under review was a landmark one for SMBC Aviation Capital. During the year demand for air travel continued to grow across the globe, which has translated into demand for both new and replacement aircraft. As one of the world's major aircraft leasing companies, we have continued to play a pivotal role in meeting this need.

For the first time in our history, our revenues surpassed the $1 billion[1] mark and our aircraft assets exceeded $10 billion[1]. Now in our 15th year, we have a track record of consistent profitability. Last year was no exception, with operating profits increasing by 10% to $539[1] million.

The quality and commitment of our people throughout the organisation, has been the differentiating factor behind this success. Our employees have pioneered and delivered our strategy which serves this company well.

Continued over.

[1] Figures relate to all owned and managed entities.

Peter Barrett
CEO

John Grehan, Head of our Commercial Negotiation team

We now have over 65 investor partners world-wide with whom we trade aircraft, ranging from other large aircraft leasing companies to family funds purchasing aircraft as long term investments.

Strategy
This strategy revolves around owning and leasing the most modern, efficient and desirable aircraft and working closely with our airline and investor customers to determine and meet their needs. Our fleet plan has been designed to maintain liquidity levels through careful transitioning into new technologies.

During the year, we strengthened relationships with existing airline customers and established new ones - from well-established national carriers to dynamic start-ups - over 100 in total. Our aircraft were placed across the globe, demonstrating the scale and breadth of our business.

We now have over 65 investor partners world-wide with whom we trade aircraft, ranging from other large aircraft leasing companies to family funds purchasing aircraft as long term investments. Our active trading strategy has enabled us to maintain one of the youngest fleets in the industry, with a weighted average age of just 4.7 years.

Quality of our portfolio
Today our fleet comprises over 660 owned, managed and committed aircraft. To put that in context, we estimate that every minute an aircraft managed by SMBC Aviation Capital takes off or lands somewhere in the world.

Our order book of 110 Airbus A320neo family and 90 Boeing 737 MAX aircraft means that we will be able to satisfy our customers' evolving requirements for many years to come.

Our approach to risk management and assessment, tried and tested through various economic cycles, is one of the cornerstones of our strategy. It has resulted in an average fleet utilisation rate over the last 10 years of 99.7%, meaning that our aircraft are constantly generating rental income.

Operational
This was a year of milestones.

– We took delivery of 57 aircraft, including our first ever Boeing 787-8 Dreamliner. Delivered to Air Europa in March 2016, this was a first both for the airline and Spain.

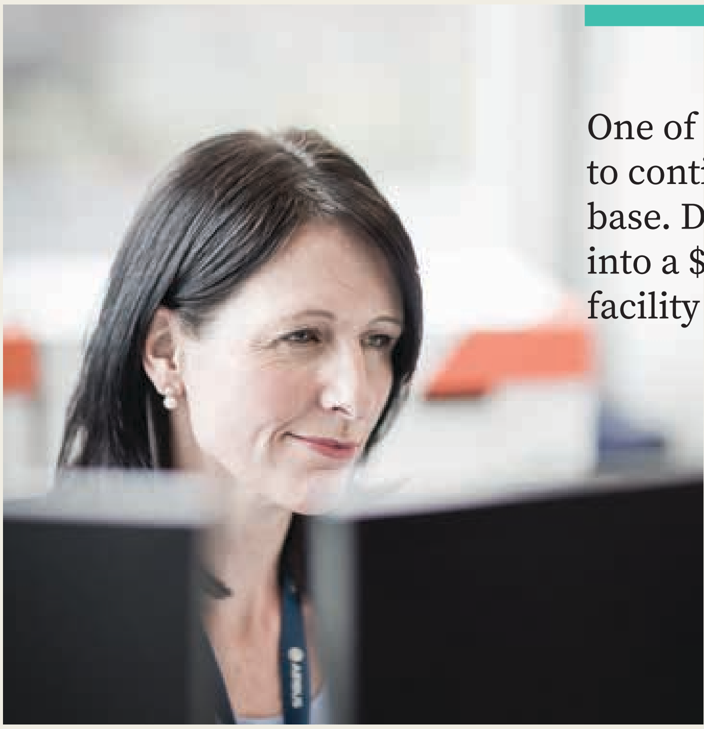
– 45 new lease agreements were negotiated, including our first A350 sale and leasebacks, involving the placement of six A350s with Asiana Airlines to be delivered in 2017.

– In addition, we extended 50 existing lease agreements on owned and managed aircraft and completed sales of 27 owned and managed aircraft in the secondary market.

– $1.1 billion of Japanese operating leases with call options (JOLCOs) were arranged in collaboration with our shareholder.

– We also invested in our future by concluding one of our most significant business transformation projects to date, undertaken over a two year timeframe. This involved harnessing all of our collective industry knowledge and expertise and developing it into a leading information technology platform. This has had a considerable impact across the business, improving the quality of our information and resulting in greater efficiencies.

Jacqueline McFadden,
Head of our Transaction
Management team



One of our key objectives has been to continue to diversify our funding base. During the year, we entered into a $600 million revolving credit facility with five major banks.

Ownership and funding
It is now four years since our principal shareholders, Sumitomo Mitsui Financial Group and Sumitomo Corporation acquired this business. They have combined to bring substantial experience, global perspective and financial strength to our operations enabling us to provide our customers with a wider range of financing solutions to meet their needs.

In December 2015, SMBC Aviation Capital was upgraded by Fitch Ratings from BBB to BBB+, affirming our position as one of the highest rated aircraft leasing companies in the industry.

One of our key objectives has been to continue to diversify our funding base. During the year, we entered into a $600 million revolving credit facility with five major banks.

Since the financial year end we have also completed our capital markets debut with the sale of $500 million of senior unsecured notes. The level of interest in this coupled with the pricing achieved is testament to the work undertaken over many years to build and deliver on our strategy.

People
Our people are our best asset. We will continue to develop and strengthen our team over the coming years by placing a significant emphasis on recruiting the most capable individuals to join this business and take it forward. We also encourage advancement at every level of the organisation by providing the necessary supports and training and development to our employees across the company.

SMBC Aviation Capital's Graduate Recruitment Programme, now entering its fourth year, enables us to attract the brightest graduates while our mentoring programme is designed to help them to achieve their full potential. Our commitment to the development of future generations of aviation leasing professionals is also reflected by our sponsorship of the new Masters in Aviation Finance offered by the Smurfit Business School at University College Dublin, one of the first such courses offered worldwide.

CSR
Corporate Social Responsibility is important to us. This year, we continued to contribute to those less fortunate in our society by supporting existing projects and embracing new ones. Our employees take pride in volunteering to support these projects both through fundraising and at a hands-on level. This year we have been involved in a number of initiatives which have assisted children and have also supported educational development both in Ireland and overseas.

Future
Every day in this organisation, we challenge ourselves to be the best aircraft leasing company in the world. This means investing in and developing the best team, maintaining long-lasting customer relationships and preserving the quality of our portfolio.

I would like to thank our staff, our customers and our shareholders for their continued support which positions us well for the next phase of our development.

Peter Barrett
CEO

A new beginning with Nesma

June 2016 marked the beginning of a relationship with Nesma Airlines, one of our newest customers. A small but growing airline, the delivery of the Airbus A319 (MSN 1952) was the solution to an immediate requirement for the airline to extend its reach.

Nesma, based in Cairo, is one of the leading operators between the Kingdom of Saudi Arabia and the Arabic Republic of Egypt. Delivery of the A319 took place in Dublin Airport and was attended by representatives from both SMBC Aviation Capital and Nesma. Ashraf Lamloum, who is the Principal of Nesma was also a pilot on the aircraft's inaugural flight from Dublin to Cairo. The delivery, achieved in a very short timeframe, demonstrated a successful and smooth transition of an aircraft based in Latin America to Egypt.

Delivery of our first aircraft to Nesma Airlines at Dublin airport on June 2nd 2016


Nesma Airlines
نسما للطيران
Arwa
A321-200

Michael Littleton

SVP Aircraft Trading

Aircraft is an attractive investment class and trading aircraft is an important part of our business as it enables us to deliver on our fleet strategy which is to maintain a young portfolio of the most technologically advanced aircraft. The Aircraft Trading team is responsible for maintaining relationships with existing lessors and other investors across the world on both the buy and sell side. The team are also responsible for developing new sources of equity to invest in the aircraft leasing industry. To ensure that we are close to the markets in which we operate, the team of seven is spread globally with people based in Dublin, Miami, Beijing and Tokyo. We have a policy of trading through the industry cycle and have sold aircraft every year since we implemented our trading strategy 12 years ago, resulting in a total of over 300 aircraft sold to a diversified investor base of over 65 trading partners globally.

Michael Littleton, SVP of our Aircraft Trading team

Delivery of our first A320neo

A valued customer since 2007, Mumbai based GoAir is a low cost Indian airline in a growing market which has been steadily expanding its fleet. We commenced working with the airline in 2007, when we placed two aircraft. In 2012, we financed and delivered an A320ceo, all of which was achieved within 30 days.

This was a coming together of GoAir, Airbus, Pratt and Whitney and SMBC Aviation Capital to deliver one of the most technologically advanced aircrafts in the market. A second A320neo was delivered a month later.

Our first A320neo to GoAir departs from Toulouse in June 2016

www.GoAir.in
go
AIR
AIRBUS A320neo

Danielle Keogh

AVP Technical Asset Management

A team of 21 engineers are responsible for the technical asset management function which centres on managing an aircraft from factory new until the end of service, along with all of the changes that are required over its life cycle.

Our teams visit our aircraft in locations around the world. Aircraft are inspected as they are assembled in the factory, monitored while on lease and we project manage their transition to the next airline when the lease expires.

The transition typically involves inspecting the aircraft at the end of the lease to ensure that it meets redelivery conditions and sourcing materials including seats, avionics, in-flight entertainment systems, galley equipment and components for the new lessee. A key part of this is ensuring that the aircraft maintenance records have been properly maintained and are complete and reflect the work that has been accomplished throughout its life. We will finally oversee rebranding the aircraft with a new livery and deliver it “service ready” to the next operator.

Multiple airlines, airworthiness authorities and maintenance organisations are all involved in this process and we ensure that it happens efficiently and on-budget.

Danielle Keogh, AVP Technical Asset Management with our colleagues from Dublin Aerospace at the hangar in Dublin airport

Rolling out Air Europa's new Dreamliner

In March 2016, Air Europa, Spain's third largest airline and part of the Globalia travel group took delivery of its first Boeing 787 Dreamliner. This was the first aircraft of its type for the Spanish market and the first of a five Boeing 787-8 aircraft deal with Air Europa, all to be delivered in 2016 to fly on routes between Spain and Latin America. The Dreamliners are equipped with Rolls Royce Trent 100-D engines.

The deal was structured by SMBC Aviation Capital and Air Europa in co-operation with our partners at Boeing and Rolls Royce and showcases our financial strength and that of our shareholders in providing innovative financing solutions for large aircraft deals.

Pictured at the delivery of our first Boeing 787 to Air Europa were Conor Burns, SVP Airline Marketing & OEM relationships, Mateo Sanchez, Director of Fleet, Fuel and Insurance, Air Europa and Brian Harvey, Chief Marketing Officer.

Nick Hazeldine

Head of Credit Risk

Our Credit Risk team is one of the most developed in the industry and consists of 12 analysts based in 4 global offices who work across different geographies to analyse airlines and the markets they operate in. We take a rigorous approach at the outset to assess their financial and operational track record and outlook, strategy, management capability, ownership and jurisdiction. We also evaluate the environment airlines operate in such as the competitive dynamic, regulation, currency and oil price fluctuations, general consumer confidence and demand. We work with 110 airlines in 50 countries. Our team spends time on the ground with these airlines, meeting them face to face while also meeting equity analysts, currency and commodity specialists and economists in different jurisdictions. This mix of quantitative and qualitative analysis is highly valued and gives us a more rounded picture of each market.

Nick Hazeldene, Head of our Credit Risk team

Busy preparing Jeju Air's expanded fleet

The low cost Korean airline Jeju Air was seeking to expand its existing fleet in 2015 with the addition of seven Boeing 737s. Jeju Air wanted more than aircraft at the right price. It was seeking a new partner with the ability to deliver a complete package which would bring significant cost reductions and greater efficiency.

We offered the airline seven well-maintained seven-year-old aircraft coming off lease from a leading European low cost carrier, offering the advantages of common configuration, engines, operating records and manuals.

We also worked on a comprehensive cabin refurbishment and the installation of additional avionics. Jeju Air had also just engaged the popular pop icon Song Joongki (from the mega-hit TV series "Descendants of the Sun") to be its new brand ambassador. We worked with the airline to install a large decal of Song Joongki on one of their Boeing 737s in the hangar in Dublin airport.

Jeju Air management have been impressed by our desire to work with them as equal partners and our ability to understand and meet their needs.

Our first delivery of a Boeing 737 to one of our newest customers, Jeju Air in April 2016


HL8063

Directors' Report and Consolidated Financial Statements 2016

31 March 2016

Directors and other information

Directors
P Barrett (Irish)
C A Ennis (Irish)
B Flannery (Irish)
D Swan (Irish)
B Harvey (American)
S Hayashida (Japanese)
Y Kawamura (Japanese)
M Takashima (Japanese)
M Hosokawa (Japanese)
T Murata (Japanese)
I Sakata (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
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10 Upper Bank Street
London
E14 5JJ
United Kingdom

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

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99 Queen Victoria Street
London EC4V 4EH
United Kingdom

Sumitomo Mitsui Banking Corporation
New York Branch
277 Park Avenue
New York, NY10172
USA

Directors' report

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 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union.

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 provide financial advice and brokerage services to the airline and airline related industry in connection with financing and refinancing.

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

Performance and strategy
This has been another period of strong performance for the Group and Company, with increased revenues and profitability. The Group has been profitable each year since inception, with the exception of the year ended 31 March 2013 during which we incurred one time charges of $321 million relating to refinancing transactions in connection with the sale of our business to our current shareholders, accumulating $1.11 billion in net profits as at 31 March 2016 ($1.39 billion[1] on removal of such one time charges). The consistent profitability and growth confirm the Group's position as a leading player in the global aircraft leasing industry.

The Group and Company's strategy over the past fifteen years has been to own and lease the most modern, efficient and desirable aircraft while working closely and building strong relationships with its airline and investor customers to meet their specific requirements. The Group and Company continues to actively trade its aircraft and, as a result, have maintained a young fleet with an average weighted age of 4.7 years. The Group and Company has also expanded its business across the world, particularly in Asia, which demonstrates both the strength of its strategy as well as its position as a truly global business.

At the end of the financial year, the financial position showed total assets of $9,922 million (2015: $9,714 million). The net book value of property, plant and equipment was $9,551 million at the financial year end (2015: $9,233 million). There was no property, plant and equipment classified as assets held for sale at the end of the year (2015: $nil).

The Directors do not recommend the payment of a dividend (2015: $nil).

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.co.jp/english/ir/report/annual_report.html
Sumitomo Mitsui Financial Group - http://www.smfg.co.jp/english/investor/financial/latest_statement.html.

Financing
The Group and Company continues to benefit from its ownership structure noted above, which combines one of the world's largest financial institutions, Sumitomo Mitsui Financial Group and Company, with one of the world's largest trading companies, Sumitomo Corporation. This brings substantial financial strength and scale to the Group and Company's offering and in December 2015, it received a credit ratings upgrade by Fitch Ratings from BBB to BBB+, affirming the Group and Company's position as one of the highest rated aircraft leasing companies in the industry. The Group and Company also agreed a $600 million revolving credit facility with a consortium of five major banks during the year.

Operational
The Group's fleet consists of 660 owned, managed and committed aircraft. During the year, the Group took delivery of and placed on lease 57 owned and managed aircraft including its first Boeing 787-8 Dreamliner aircraft, which was delivered to Air Europa in March 2016 and was also the first 787 for the Spanish market.

The Group also successfully negotiated 45 new lease agreements, including its first sale and leaseback of the A350 which was concluded with Asiana Airlines and involves the placement of six A350s to be delivered in 2017, as well as 50 extensions of existing lease agreements in relation to owned and management aircraft. Furthermore, the Group concluded sales of 27 owned and managed aircraft in the secondary market, added 12 new customers overall to its portfolio during the year and arranged $1.1 billion of JOLCO financing (Japanese Operating Lease with Call Option) in collaboration with the Group's shareholder.

The Group continues to be optimistic about its growth prospects over the longer term and have also concluded a major investment in its IT infrastructure during the period to prepare for the Group's expected growth.

Together with the support of its shareholders, a solid pipeline and commitments to purchase aircraft with the latest and newest technologies, mean that the Group is well positioned to take advantage of strong industry fundamentals.

Directors' report (continued)

People
The Group has made a number of key additions to its team over the year, resulting in an average number of people in the organisation during the year of 150 (2015: average of 131). 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 not fully 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

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 2016 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. The current economic conditions create risks and uncertainties associated with the airline industry. However, the Group has considerable long-term contracts with a number of customers. Past experience indicates that airline risk can be managed carefully and successfully.

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

Directors and Secretary
The present directors and secretary are listed on page 26. The following changes took place during the year:

Directors	Appointed
I Sakata	Appointed 6 April 2016
M Hosokawa	Appointed 20 April 2015
T Murata	Appointed 20 April 2015

Directors	Resigned
K Kobayashi	Resigned 20 April 2015
M Tabuchi	Resigned 20 April 2015
T Tanaka	Resigned 6 April 2016

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, International Financial Services Centre, Dublin 1, Ireland.

Political donations
The Company did not make any political donations in the year ended 31 March 2016 (2015: $nil).

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

Post balance sheet events
On 6 April 2016, Mr. T. Tanaka resigned as Director. On the same day, Mr. I. Sakata was appointed as Director.

On 19 May 2016, the Group announced its selection of an additional 10 CFM International LEAP-1A engines at a list price of $140 million to power 5 of its Airbus A320neo aircraft as part of its existing capital commitments (see note 29), adding to the Group's initial selection of 60 LEAP-1A engines confirmed as part of the new orders placed in 2015.

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

P Barrett
Director
27 May 2016

B Flannery
Director
27 May 2016

Statement of directors' responsibilities in respect of the Group and Company financial statements

The Directors are responsible for preparing the Directors' Report and the Group and Company financial statements in accordance with Irish law and regulations.

The Group and Company Financial Statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company. The Companies Act 2014 provide in relation to such Financial Statements the references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

Irish company law requires the Directors to prepare Group and Company Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Company Financial Statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Act 2014.

In preparing these Group and Company financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and accounting estimates that are reasonable and prudent;
– state that the financial statements comply with IFRSs as adopted by the European Union;
– and prepare the group and Company financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRSs, 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 the 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.

The Directors are responsible for the maintenance and integrity of corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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

P Barrett
Director
27 May 2016

B Flannery
Director
27 May 2016

Independent Auditor's Report to the members of SMBC Aviation Capital Limited

We have audited the Group and Company financial statements ("financial statements") of SMBC Aviation Capital Limited ("the Company") for the year ended 31 March 2016 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes. 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, and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

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 2016 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 2016;
– the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
– the Company statement of financial position has 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 financial statements and Company statement of financial position have been properly prepared in accordance with the requirements of the Companies Act 2014.

2. Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

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.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

3. We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In addition, 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.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and. express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply - with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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.

Paul Dobey
for and on behalf of KPMG Chartered Accountants,
Statutory Audit Firm
27 May 2016

1 Harbourmaster Place
IFSC, Dublin 1

Consolidated statement of comprehensive income

for the year ended 31 March 2016

	Note	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
Continuing operations			
Income			
Revenue	2	899,258	823,443
Other operating income	3	75,222	56,410
		974,480	**879,853**
Expenses			
Depreciation	9	(320,967)	(285,801)
Impairment	9	(61,279)	(52,237)
Operating expenses	4	(118,027)	(103,653)
Net trading (expense)/income		(811)	2,356
Profit from operating activities	5	**473,396**	**440,518**
Finance costs			
Interest income	7	37,219	56,328
Interest expense	7	(292,050)	(296,487)
Break losses	7	(14,700)	(6,115)
Net finance costs		**(269,531)**	**(246,274)**
Profit before taxation		**203,865**	**194,244**
Tax expense	8	(28,823)	(29,763)
Profit from continuing operations		**175,042**	**164,481**
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	14	(30,258)	(7,813)
Movement in fair value of available for sale assets		–	(272)
Tax on other comprehensive income		3,784	1,047
Other comprehensive income for the year, net of tax		**(26,474)**	**(7,038)**
Total comprehensive income for the year		**148,568**	**157,443**

P Barrett
Director

B Flannery
Director

Consolidated statement of financial position

as at 31 March 2016

	Note	31 March 2016 $'000	31 March 2015 $'000
Non–current assets			
Property, plant and equipment	9	9,550,921	9,232,836
Goodwill and intangible assets	10	22,017	24,768
Loan receivables	15	–	78,524
Derivative financial instruments	13	420	2,947
Lease incentive asset	18	69,695	55,802
		9,643,053	9,394,877
Current assets			
Loan receivables	15	–	1,564
Trade and other receivables	16	51,524	39,074
Cash and cash equivalents	17	204,737	255,859
Derivative financial instruments	13	235	2,199
Lease incentive asset	18	22,449	20,594
		278,945	319,290
Total assets		9,921,998	9,714,167
Current liabilities			
Trade and other payables	19	485,983	307,071
Obligations under finance leases	20	54,723	48,389
Borrowings	21	612,745	994,529
Derivative financial instruments	13	547	586
		1,153,998	1,350,575
Non–current liabilities			
Trade and other payables	19	482,818	515,915
Obligations under finance leases	20	286,584	340,999
Borrowings	21	6,223,833	5,930,002
Deferred tax liabilities	23	259,902	236,997
Derivative financial instruments	13	43,799	17,183
		7,296,936	7,041,096
Total liabilities		8,450,934	8,391,671
Net assets		1,471,064	1,322,496
Equity			
Share capital	24	187,513	187,513
Other components of equity	25	171,244	197,718
Profit and loss account		1,112,307	937,265
Total equity		1,471,064	1,322,496

P Barrett
Director

B Flannery
Director

Company statement of financial position

as at 31 March 2016

	Note	31 March 2016 $'000	31 March 2015 $'000
Non-current assets			
Property, plant and equipment	9	9,065,169	8,661,241
Intangible assets	10	9,080	8,035
Loan receivables	15	90,942	138,608
Investments in subsidiaries	11	212,922	212,922
Derivative financial instruments	13	420	2,947
Lease incentive asset	18	66,555	53,021
		9,445,088	9,076,774
Current assets			
Loan receivables	15	2,444	2,767
Trade and other receivables	16	115,000	139,795
Cash and cash equivalents	17	151,672	191,110
Derivative financial instruments	13	235	2,199
Lease incentive asset	18	20,471	19,028
		289,822	354,899
Total assets		9,734,910	9,431,673
Current liabilities			
Trade and other payables	19	470,767	272,582
Obligations under finance leases	20	54,723	48,389
Borrowings	21	721,596	1,026,272
Derivative financial instruments	13	547	586
		1,247,633	1,347,829
Non-current liabilities			
Trade and other payables	19	444,444	493,114
Obligations under finance leases	20	286,584	340,999
Borrowings	21	6,055,360	5,722,885
Deferred tax liabilities	23	223,070	204,234
Derivative financial instruments	13	43,458	16,853
		7,052,916	6,778,085
Total liabilities		8,300,549	8,125,914
Net assets		1,434,361	1,305,759
Equity			
Share capital	24	187,513	187,513
Other components of equity	25	169,532	195,996
Profit and loss account		1,077,316	922,250
		1,434,361	1,305,759

P Barrett
Director

B Flannery
Director

Consolidated statement of changes in equity

as at 31 March 2016

	Note	Share Capital $'000	Other Reserves $'000	Cash Flow Hedge Reserve $'000	Available for Sale Reserve $'000	Profit and loss account $'000	Total Equity $'000
Balance at 1 April 2014		187,513	209,453	(4,935)	238	772,784	1,165,053
Profit for the year		–	–	–	–	164,481	164,481
Available for sale reserve	25	–	–	–	(238)	–	(238)
Cash flow hedge reserve	25	–	–	(6,800)	–	–	(6,800)
		–	–	(6,800)	(238)	164,481	157,443
Balance at 31 March 2015		187,513	209,453	(11,735)	–	937,265	1,322,496
Profit for the year		–	–	–	–	175,042	175,042
Cash flow hedge reserve	25	–	–	(26,474)	–	–	(26,474)
		–	–	(26,474)	–	175,042	148,568
Balance at 31 March 2016		187,513	209,453	(38,209)	–	1,112,307	1,471,064

Company statement of changes in equity

as at 31 March 2016

	Note	Share Capital $'000	Other Reserves $'000	Cash Flow Hedge Reserve $'000	Available for Sale Reserve $'000	Profit and loss account $'000	Total Equity $'000
Balance at 1 April 2014		187,513	207,486	(4,903)	238	722,779	1,113,113
Profit for the year		–	–	–	–	199,471	199,471
Available for sale reserve	25	–	–	–	(238)	–	(238)
Cash flow hedge reserve	25	–	–	(6,587)	–	–	(6,587)
		–	–	(6,587)	(238)	199,471	192,646
Balance at 31 March 2015		187,513	207,486	(11,490)	–	922,250	1,305,759
Profit for the year		–	–	–	–	155,066	155,066
Cash flow hedge reserve	25	–	–	(26,464)	–	–	(26,464)
		–	–	(26,464)	–	155,066	128,602
Balance at 31 March 2016		187,513	207,486	(37,954)	–	1,077,316	1,434,361

Consolidated statement of cash flows

for the year ended 31 March 2016

	Note	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
Net cash from operating activities	28	753,891	612,638
Investing activities			
Proceeds on disposal of property, plant and equipment		643,785	748,072
Purchases of property, plant and equipment		(1,303,558)	(2,215,597)
Purchases of intangible assets		(3,844)	(9,233)
Proceeds from sale of investments		–	2,617
Net cash used in investing activities:		(663,617)	(1,474,141)
Financing activities			
Payments to restricted cash accounts		(24,212)	(2,955)
Repayment of obligations under finance leases		(48,081)	(54,753)
(Repayments of)/Proceeds from indebtedness		(93,585)	777,502
Net cash (used in)/from financing activites		(165,878)	719,794
Effect of exchange rate changes on cash and cash equivalents		269	(2,909)
Net decrease in cash and cash equivalents		(75,335)	(144,618)
Cash and cash equivalents at beginning of the year		234,898	379,516
Cash and cash equivalents at end of the year	17	159,563	234,898

Company statement of cash flows

for the year ended 31 March 2016

	Note	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
Net cash from operating activities	28	650,147	568,897
Investing activities			
Proceeds on disposal of property, plant and equipment		619,660	484,779
Proceeds from sale of investments		–	2,617
Increased investment in share capital of subsidiary		–	(6,000)
Movements in subsidiary undertakings		–	87,174
Purchases of intangible assets		(3,844)	(8,956)
Purchases of property, plant and equipment		(1,360,464)	2,090,602)
Net cash used in investing activities:		(744,648)	(1,530,988)
Financing activities			
Payments to restricted cash accounts		(24,212)	(2,955)
Repayment of obligations under finance leases		(48,081)	(54,753)
Proceeds from indebtedness		102,825	951,676
Net cash from financing activities		30,532	893,968
Effect of exchange rate changes on cash and cash equivalents		318	(2,602)
Net decrease in cash and cash equivalents		(63,651)	(70,725)
Cash and cash equivalents at beginning of the year		170,149	240,874
Cash and cash equivalents at end of the year	17	106,498	170,149

Notes to the financial statements

1 SIGNIFICANT ACCOUNTING POLICIES

SMBC Aviation Capital (the "Company") is a company incorporated and domiciled in Ireland. The address of its registered office is IFSC House, International Financial Services Centre, Dublin 1, Ireland.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and the Companies Act 2014. The Group and Company, in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, also complies with IFRS as issued by the International Accounting Standards Board.

a Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis. 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 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 Group and Company's functional currency is the US Dollar, being the currency of the primary economic environment in which the Group and Company operates. All financial information presented in US Dollar has been rounded to the nearest US Dollar 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.

b Estimates and judgements

The preparation of Consolidated Financial Statements in conformity with IFRS requires management to make use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the Consolidated Statement of Financial Position 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 Consolidated 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. Estimates also include the intervals used (currently 5 years) to determine future market values for the purposes of setting depreciation rates for individual aircraft.

Note 23 – Deferred Tax:
Deferred tax assets and liabilities are measured using enacted tax rates and laws expected to be in effect in the years in which those temporary differences are expected to be recovered or settled. Any change in the timing or level of future changes in tax rates can result in substantial differences between the tax charge in the consolidated income statement and tax payments.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Although these estimates are based on management's best knowledge of the amount, event or action, actual results may differ from those estimates.

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 2016. The Group does not have investments in associates or joint ventures as defined in IFRS.

In applying IFRS 10, the standard introduces 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 financial statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

c Basis of consolidation (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 presently are exercisable 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. The Company's investments in subsidiaries are carried at cost less impairment. 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.

Common control transactions

Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the Group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the financial statements of the entity transferred. Assets and liabilities are adjusted, if necessary, to reflect Group accounting policies and any difference between the net assets acquired, based on book values adjusted for accounting policy differences, is reflected in other reserves.

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.

For past due rentals on all leases, an impairment provision may be established on the basis of managements assessment of collectability and to the extent such past due rentals exceed security deposit. Such provisions for bad debts for lease receivables are expensed through profit or loss and included in operating expenses.

Rentals received, but unearned under lease agreements are recorded as 'Payments received on account' in trade and other payables.

f Fee income

Fee income is recognised by reference to the stage of completion of the service provided.

g Borrowing costs

Borrowing costs directly 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 Statement of Comprehensive Income 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/year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the Consolidated Statement of Financial Position 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 Statement of Financial Position date.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

i Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each Consolidated Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the Consolidated Statement of Financial Position date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. Gains and losses arising on retranslation are included in the Consolidated Statement of Comprehensive Income 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 Comprehensive Income over their estimated useful economic lives, as follows:

Aircraft for hire under operating leases
– to the next Useful Economic Life 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 trading policy 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 useful economic life points.

j Property, plant and equipment (continued)

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 of the aircraft are reviewed annually, including 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 as a change in estimate and depreciation charges over the remaining useful life are adjusted to take account of the revised estimate.

The carrying amounts of the Group's 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 Statement of Comprehensive Income.

k Goodwill and impairment

Goodwill is the excess of the cost of an acquisition over the Group share of the fair value of the identifiable assets and liabilities acquired. When the fair value of the identifiable assets and liabilities acquired exceeds the cost of a combination the values are reassessed and any remaining gain is recognised immediately in profit or loss. Goodwill is allocated to the groups of cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination. This is the lowest level at which goodwill is monitored for internal management purposes. After initial recognition goodwill is measured at cost less any accumulated impairment losses.

Goodwill is subject to impairment testing on an annual basis, at a consistent time each year and, at any time an impairment indicator is considered to exist. Impairment is determined by comparing the carrying amount to the recoverable amount of the groups of CGUs to which the goodwill relates. The recoverable amount is the greater of; fair value less costs to sell, and value-in-use. When the recoverable amount of the groups of CGUs is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the group of CGUs retained.

In the year in which a business combination occurs, and the goodwill arising affects the goodwill allocation to CGUs, the groups of CGUs are tested for impairment prior to the end of that year. Impairment losses on goodwill are recognised in profit or loss and are not reversed following recognition.

Notes to the financial statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

l Intangible assets (other than goodwill)

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 (other than goodwill)

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 Financial Statements 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 Current assets held for sale

Current asset (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.

p Financial instruments

The Group and Company's financial asset categories are either 'loans and receivables' or 'financial assets at fair value through the profit or loss' or "available for sale assets". Loans and receivables comprise 'finance lease receivables', 'trade and other receivables' and 'cash and cash equivalents' in the Consolidated Statement of Financial Position. Available for sale assets comprise listed shares (equity and preference) and claims to be converted into shares held at fair value with the movement in fair value included within other comprehensive income.

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

The purchase of financial assets is recognised using trade date accounting. The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financials asset and the transfer qualifies for derecognition in accordance with IAS39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

All financial assets and liabilities at fair value through the profit or loss are derivative financial instruments classed as 'held for trading' and hedge accounting instruments under IAS 39.

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 amount at which an asset can be traded or a liability settled between knowledgeable, willing parties in an arm's length transaction.

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 Consolidated Statement of Comprehensive Income. Gains and losses arising from changes in fair value of a non-hedging derivative are recognised as they arise in the Consolidated Statement of Comprehensive Income under trading income/expense.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

q Derivatives and hedge accounting (continued)

The Group and Company designated 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 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.

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 Consolidated Statement of Comprehensive Income in the same period as the hedged cash flows affect the Consolidated Statement of Comprehensive Income, and in the same line item in the Consolidated Statement of Comprehensive Income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Consolidated Statement of Comprehensive Income.

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 Equity to Statement of Comprehensive Income 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 Consolidated Statement of Comprehensive Income as a reclassification adjustment.

Determination of fair values of derivative financial instruments

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 by 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, liquidity risk and future operational costs.

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 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.

Notes to the financial statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

t Loans receivable

Loan receivables are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Consolidated Statement of Comprehensive Income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

u 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.

v Lease incentive accounting

A lessor contribution balance 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 Consolidated Statement of Comprehensive Income where they are due.

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.

ab 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.

ac New standards adoption and amendments to IFRS

The following standards/amendments to standards have been adopted by the Group and Company during the year ended 31 March 2016.

Annual improvements 2011 - 2013
This set of amendments impacts four standards:
– IFRS 1, 'First time adoption';
– IFRS 3, 'Business combinations';
– IFRS 13, 'Fair value measurement';
– IAS 40, 'Investment property'.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

ac New standards adoption and amendments to IFRS (continued)

IFRIC 21 Levies
The improvements are effective from 1 July 2014. This interpretation is on IAS 37 "Provisions, contingent liabilities and contingent assets". IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

IFRS 3 Business combination
The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exclusion only applies in the financial statements of the joint arrangement itself. The adoption of this standard did not have any impact on the financial position or performance of the Group and Company.

IFRS 13 Fair value measurement
The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. The adoption of this standard did not have any impact on the financial position or performance of the Group and Company.

IAS 40 Investment property
The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The adoption of this standard did not have any impact on the financial position or performance of the Group and

A number of new standards, amendments to standards and interpretations have been issued but not yet EU endorsed and have not been applied in preparing these Consolidated Financial Statements: The Directors have determined that the following may have relevance for the Group:

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures
The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The revised standard is still subject to EU endorsement. The mandatory effective date has been deferred indefinitely until the IASB research project on the equity method has been concluded.

Amendment to IFRS 11 Joint Arrangements
This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendment specifies the appropriate accounting treatment for such acquisitions and will be effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The effective date will be annual periods beginning on or after 1 January 2016.

Amendments to IAS 27 Separate Financial Statements
These amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The effective date will be annual periods beginning on or after 1 January 2016.

Amendments to IAS 1 Presentation of financial statements
These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The effective date will be annual periods beginning on or after 1 January 2016.

Notes to the financial statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

ac New standards adoption and amendments to IFRS (continued)

Annual improvements 2014
This set of amendments impacts four standards:
– IFRS 5, 'Non –current assets held for sale and discontinued operations' regarding methods of disposal;
– IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts;
– IAS 19, 'Employee benefits' regarding discount rates;
– IAS 34, 'Interim financial reporting' regarding disclosure of information.

The effective date will be annual periods beginning on or after 1 January 2016.

IAS 7 Statement of cash flows
The IASB has issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The effective date will be annual periods beginning on or after 1 January 2017.

IAS 12 Income taxes
The IASB has issued amendments to IAS12 'Income taxes'. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The effective date will be annual periods beginning on or after 1 January 2017.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 specifies how and when revenue will be recognised as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The effective date will be annual periods beginning on or after 1 January 2018.

IFRS 9 Financial Instruments
This standard will replace the guidance in IAS 39 and includes requirements on the classification and measurement of financial assets and liabilities. The effective date will be annual periods beginning on or after 1 January 2018.

IFRS 16 Leases
IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on-balance sheet for lessees. The accounting for lessors will not materially change. The standard replaces IAS 17 'Leases' and related interpretations. The effective date will be annual periods beginning on or after 1 January 2019.

The extent of the impact for future accounting periods is still under review by the Group and the new standards, amendments to standards and interpretations will be applied in the Consolidated Financial Statements from the EU endorsed effective date.

2 REVENUE

	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
Finance leases:		
Rentals receivable	–	16
Operating leases:		
Rentals receivable	866,250	795,835
Lease incentive amortisation	(25,466)	(27,787)
Maintenance income	58,240	55,104
Fee income	234	275
	899,258	823,443
Total revenue distribution by geographical region:	%	%
Developed Europe	27.7	32.7
Emerging Asia	21.8	21.2
South America	16.6	15.3
Emerging Europe	12.4	11.5
North America	9.9	10.9
Asia	6.2	1.7
Middle East & Africa	5.4	6.7
	100.0	100.0
Included in the above are the following amounts:		
Contingent rentals	(11,287)	(25,825)

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.

3 OTHER OPERATING INCOME

	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
Profit on disposal of property, plant and equipment	51,500	36,617
Aircraft management fees	17,561	15,960
Other operating income	6,161	3,833
	75,222	56,410

4 OPERATING EXPENSES

	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
Administration expenses	(105,132)	(84,859)
Amortisation of intangible assets (note 10)	(6,595)	(6,552)
Portfolio management project costs	(6,300)	(2,900)
Revision of lessor contribution liability	–	(9,342)
	(118,027)	(103,653)

The lessor contribution liability was increased during the prior year to reflect the maximum potential exposure of the Group as currently assessed through an additional charge of $9,342,000 (2016: $nil).

Notes to the financial statements (continued)

5 PROFIT FROM OPERATING ACTIVITIES

	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
Operating profit has been arrived at after charging/(crediting):		
Depreciation	320,967	285,801
Impairment of assets	61,279	52,237
Negative goodwill realised	–	(1,801)
Fees and commissions	1	9
Group service fee	26,411	30,774
Auditors remuneration	1,518	946
Rent on property	2,083	2,308
Staff costs (note 6)	74,176	57,112
Other operating expenses	40,249	43,278
Foreign exchange gain	(121)	(4,327)
Auditors remuneration:		
Audit of the Group accounts	421	322
Other assurance services	296	109
Tax advisory services	801	515
	1,518	946
Of which related to the Company	1,414	799

6 STAFF COSTS

	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
Staff costs	66,396	49,195
Social security costs	4,953	5,206
Other pension costs	2,827	2,711
	74,176	57,112

During the year, a long term incentive plan was established which is payable to selected employees based on the achievement of certain key performance targets (mainly financial and some operational targets) at the end of a pre-determined period. Bonuses are accrued and recognised in the statement of comprehensive income in the period in which the employees render their services to us and are included in the Staff costs noted above. Payment of accrued bonuses will be made over a period after each pre-determined period.

The average number of employees for the financial year was 150 (2015: 131), of which 31 employees were dedicated to commercial & strategy functions, 59 to operational and the remainder to finance, compliance and other support functions.

7 FINANCE COSTS

	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
Finance income:		
Interest income on swaps	35,752	53,438
Interest income on intergroup loans	1,370	2,688
Interest income on deposits	97	202
Total interest income	37,219	56,328
Finance costs:		
Interest payable on swaps	(42,894)	(63,158)
Interest payable on borrowings	(229,644)	(216,294)
Interest payable on security deposits	(72)	(28)
Bank charges, guarantee & other fees on borrowings	(19,440)	(17,007)
Total interest payable and related charges	(292,050)	(296,487)
Net interest payable	(254,831)	(240,159)
Break costs related to disposal of aircraft	(14,700)	(6,115)

8 TAXATION

	Year ended 31 March 2016 $'000	Year ended 31 March 2015 $'000
a Analysis of tax charge for the year		
Current tax charge:		
- Current year	2,148	6,772
Deferred tax - origination and reversal of temporary differences:		
- Current year	26,675	22,991
Tax charge	28,823	29,763
b Factors affecting the tax charge for the year		
Profit before tax subject to tax at 12.5%	179,680	160,349
Profit before tax subject to tax at 33.33%	323	2,628
Profit before tax subject to tax at 25%	23,862	31,267
	203,865	194,244
Tax on profit at the rate of 12.5% (2015: 12.5%)	22,460	20,044
Tax on profit at the rate of 33.33% (2015: 33.33%)	108	876
Tax on profit at the rate of 25% (2015: 25%)	5,966	7,817
Other differences	(117)	(321)
Permanent difference - non-taxable income	–	(461)
Permanent difference - disallowed expenses	406	1,808
Tax charge	28,823	29,763

Notes to the financial statements (continued)

9 PROPERTY, PLANT AND EQUIPMENT

	Group aircraft for hire under operating leases $'000	Group office equipment and fixtures & fittings $'000	Group Total $'000	Company aircraft for hire under operating leases $'000	Company office equipment and fixtures & fittings $'000	Company Total $'000
Cost or valuation						
At 1 April 2014	9,178,229	13,323	9,191,552	8,405,445	12,782	8,418,227
Additions	2,221,409	3,803	2,225,212	2,095,990	3,794	2,099,784
Disposals	(892,915)	(12,218)	(905,133)	(546,839)	(12,176)	(559,015)
At 31 March 2015	10,506,723	4,908	10,511,631	9,954,596	4,400	9,958,996
Additions	1,466,095	6,208	1,472,303	1,362,075	6,208	1,368,283
Disposals	(873,654)	(216)	(873,870)	(683,631)	–	(683,631)
At 31 March 2016	11,099,164	10,900	11,110,064	10,633,040	10,608	10,643,648
Accumulated depreciation and impairment						
At 1 April 2014	1,119,325	8,716	1,128,041	1,075,777	8,383	1,084,160
Charge for the year	281,417	4,384	285,801	267,578	4,317	271,895
Impairment charge for the year	52,240	–	52,240	42,799	–	42,799
Disposals	(175,352)	(11,935)	(187,287)	(89,147)	(11,952)	(101,099)
At 31 March 2015	1,277,630	1,165	1,278,795	1,297,007	748	1,297,755
Charge for the year	319,245	1,722	320,967	313,693	1,680	315,373
Impairment charge for the year	61,279	–	61,279	61,279	–	61,279
Disposals	(101,725)	(173)	(101,898)	(95,928)	–	(95,928)
At 31 March 2016	1,556,429	2,714	1,559,143	1,576,051	2,428	1,578,479
Carrying amount						
Net Book Value at 31 March 2016	9,542,735	8,186	9,550,921	9,056,989	8,180	9,065,169
Net Book Value at 31 March 2015	9,229,093	3,743	9,232,836	8,657,589	3,652	8,661,241

Within 'assets for hire under operating leases' are pre-delivery payments of $308,354,000 (31 March 2015: $744,225,000), which decreased during the period mainly due to the refinancing of existing pre-delivery payments of $188,570,000 in relation to 5 aircraft by another Sumitomo Mitsui Banking Corporation Group entity (see also notes 27 and 31).

The carrying amount of assets included above subject to obligations under finance leases is $750,519,000 (31 March 2015: $798,505,000).

During the year, assets in the Group with a carrying value of $785,074,000 (year ended 31 March 2015: $569,651,000) and average age of 7.5 years (year ended 31 March 2015: 9.5 years) were subject to impairment 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 discount rates ranging between 5%-6% (year ended 31 March 2015: 5%-6%) depending on the nature of the cash flows assessed.

The carrying amount of $846,353,000 (year ended 31 March 2015: $621,888,000) of aircraft was determined to be higher than the value in use of $785,074,000 (year ended 31 March 2015: $569,651,000) and an impairment loss of $61,279,000 (year ended 31 March 2015: $52,237,000) was recognised during the year.

Value in use includes cash flow projections of contracted and estimated lease rentals in line with market participant expectations. Residual values are projected based on management's view of expected return conditions of the aircraft which is based on current or expected lease redelivery conditions.

10 GOODWILL AND INTANGIBLE ASSETS

	Group $'000	Company $'000
Movements during the year:		
Goodwill:		
At 1 April 2014	275	–
Negative goodwill realised during the year	1,801	–
At 31 March 2015	2,076	–
Negative goodwill realised during the year	–	–
At 31 March 2016	2,076	–
Intangible assets:		
At 1 April 2014	19,419	–
Acquisition of intangible assets	9,397	9,548
Amortisation of intangible assets	(6,552)	(1,513)
Accelerated amortisation of intangibles on disposal of aircraft	428	–
At 31 March 2015	22,692	8,035
Acquisition of intangible assets	3,844	3,844
Amortisation of intangible assets	(6,595)	(2,799)
Accelerated amortisation of intangibles on disposal of aircraft	–	–
At 31 March 2016	19,941	9,080
Total goodwill and intangible assets		
At 31 March 2016	22,017	9,080
At 31 March 2015	24,768	8,035

At the date of acquisition of the entities to which the goodwill relates, goodwill consisted of both positive and negative amounts.

Amortisation of intangible assets is included in 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 operating income, see note 3.

Notes to the financial statements (continued)

11 INVESTMENT IN SUBSIDIARIES - COMPANY

	31 March 2016 $'000	31 March 2015 $'000
At cost	212,922	212,922

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	Leasing	Ireland
SMBC Aviation Capital Ireland Leasing 4 Limited	Leasing	Ireland
SMBC Aviation Capital Aircraft Holdings B.V.	Leasing	Netherlands
SMBC Aviation Capital Netherlands B.V.	Leasing	Netherlands
SMBC Aviation Capital Paris Leasing 1 SARL	Leasing	France
SMBC Aviation Capital GAL Holdings Limited	Intermediate leasing company	Bermuda
SMBC Aviation Capital Finance Designated Activity Company	Debt issuance	Ireland

SMBC Aviation Capital Finance Designated Activity Company was set up during the year for the purpose of debt issuance within the Group.

Interest in structured entities:		
Mallorca Aviation Limited	PDP financing company	Cayman Islands
Soller Aviation Limited	PDP financing company	Cayman Islands

Mallorca Aviation Limited and Soller Aviation Limited are PDP financing companies, which were set up during the year for the purpose of financing 4 aircraft from Airbus set to deliver on various dates during 2017 and 2 aircraft from Airbus set to deliver on various dates during 2018 respectively.

During the year, balances receivable of $188,570,000 from Palma Limited, a PDP financing company ("structured entity") in which the Group had an interest as at 31 March 2015, were refinanced by Sumitomo Mitsui Banking Corporation, Brussels Branch, 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 2016.

Movements during the year:	$'000
At 1 April 2014	233,053
Addition during the year	6,000
Reduction in value during the year	(26,130)
Subsidiaries dissolved during the year	(1)
At 31 March 2015	212,922
Addition during the year	–
Subsidiaries dissolved during the year	–
At 31 March 2016	212,922

On 23 September 2014, SMBC Aviation Capital Paris Leasing 2 SARL and SMBC Aviation Capital Paris Leasing 3 SARL were dissolved by their sole shareholder, SMBC Aviation Capital Paris Leasing 1 SARL, a subsidiary of the Company.

During the prior year, the Company increased its investment in one of its subsidiaries by $6.0m when it subscribed for additional share capital with a nominal value of the same amount. In the same period, the Company also received distribution of $87.2m (2016: $nil) from two subsidiary companies, recognised in other income, and consequently recognised a part-reduction in value of the investment in these subsidiaries totalling $21.0m (2016: $nil). Furthermore, the Company wrote down its investment in another subsidiary by $5.1m (2016: $nil) during the prior year.

12 FINANCIAL INSTRUMENTS

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

31 March 2016	Group Carrying Value $'000	Group Fair Value $'000	Company Carrying Value $'000	Company Fair Value $'000
Financial assets at fair value through profit and loss				
Derivative financial instruments	655	655	655	655
Financial assets measured at amortised cost				
Loans receivable	–	–	93,386	110,367
Trade and other receivables	51,524	51,524	115,000	115,000
Cash and cash equivalents	204,737	204,737	151,672	151,672
Financial assets	256,916	256,916	360,713	377,694
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	(44,346)	(44,346)	(44,005)	(44,005)
Financial liabilities measured at amortised cost:				
Obligations under finance leases	(341,307)	(385,385)	(341,307)	(385,385)
Trade and other payables	(968,801)	(968,801)	(915,211)	(915,211)
Borrowings	(6,836,578)	(7,754,997)	(6,776,956)	(7,791,372)
Financial liabilities	(8,191,032)	(9,153,529)	(8,077,479)	(9,135,973)

31 March 2015	Group Carrying Value $'000	Group Fair Value $'000	Company ırrying Value $'000	Company Fair Value $'000
Financial assets at fair value through profit and loss				
Derivative financial instruments	5,146	5,146	5,146	5,146
Financial assets measured at amortised cost				
Loans receivable	80,088	95,543	141,375	169,930
Trade and other receivables	39,074	39,074	139,795	139,795
Cash and cash equivalents	255,859	255,859	191,110	191,110
Financial assets	380,167	395,622	477,426	505,981
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	(17,769)	(17,769)	(17,439)	(17,439)
Financial liabilities measured at amortised cost:				
Obligations under finance leases	(389,388)	(444,361)	(389,388)	(444,361)
Trade and other payables	(822,986)	(822,986)	(765,696)	(765,696)
Borrowings	(6,924,531)	(7,695,705)	(6,749,157)	(7,498,679)
Financial liabilities	(8,154,674)	(8,980,821)	(7,921,680)	(8,726,175)

Where financial assets and liabilities are designated at fair value through profit and loss as per defined criteria under IAS 39, IFRS require these financial assets to be classified by three levels of hierarchy. IFRS 13 defines each level of hierarchy by the lowest level of input into the derivatives as shown below.

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.

Notes to the financial statements (continued)

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 and 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.

Loan receivables measured at amortised cost all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

Available for sale assets fall within Level 1 as fair values are based on publicly available quoted prices in an active market for identical assets. These assets were sold during the year and were included in trade and other receivables in the prior year.

Obligations under finance leases and borrowings 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 Consolidated Statement of Financial Position date are with Sumitomo Mitsui Banking Corporation Capital Markets Inc., and are in both US Dollars and Euro. All derivatives entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IAS39 criteria are held for economic hedging purposes. The value of derivatives designated as a cash flow hedge relationships is $43,691,000 (2015: $12,623,000). There were no derivatives designated as a fair value hedge (2015: $nil). The total amount of the change in fair value estimated in the profit or loss during the period was an $811,000 loss (2015: $2,356,000 gain) in respect of certain ineffective cashflow hedges.

	Group Notional Contract	Group Fair values		Company Notional Contract	Company Fair values	
		Assets	Liabilities		Assets	Liabilities
As at 31 March 2016	$'000	$'000	$'000	$'000	$'000	$'000
Derivatives - Non Hedge Accounting						
Interest rate swaps	33,873	26	–	33,873	26	–
Cross currency swaps	–	–	–	–	–	–
	33,873	26	–	33,873	26	–
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	1,504,155	–	(44,187)	1,481,149	–	(43,846)
Cross currency swaps	65,510	629	(159)	65,510	629	(159)
	1,569,665	629	(44,346)	1,546,659	629	(44,005)
Total	1,603,538	655	(44,346)	1,580,532	655	(44,005)
As at 31 March 2015						
Derivatives - Non Hedge Accounting						
Interest rate swaps	39,430	109	–	39,430	109	–
Cross currency swaps	5,388	728	–	5,388	728	–
	44,818	837	–	44,818	837	–
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	1,185,500	77	(17,769)	1,160,171	77	(17,440)
Cross currency swaps	25,329	4,232	–	25,329	4,232	–
	1,210,829	4,309	(17,769)	1,185,500	4,309	(17,440)
Total	1,255,647	5,146	(17,769)	1,230,318	5,146	(17,440)

Summary	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Assets due within one year	235	2,199	235	2,199
Assets due after one year	420	2,947	420	2,947
Liabilities due within one year	(547)	(586)	(547)	(586)
Liabilities due after one year	(43,799)	(17,183)	(43,458)	(16,853)
Total	(43,691)	(12,623)	(43,350)	(12,293)

Notes to the financial statements (continued)

14 HEDGE ACCOUNTING

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

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

Group

	Notional contract amount	Fair values	
As at 31 March 2016	$'000	Assets $'000	Liabilities $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	1,504,155	–	(44,187)
Cross currency swaps	65,510	629	(159)
	1,569,665	629	(44,346)
As at 31 March 2015			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	1,185,500	77	(17,769)
Cross currency swaps	25,329	4,232	–
	1,210,829	4,309	(17,769)

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 2016	Less than 1 year $'000	In the 2nd year $'000	3 to 5 years $'000	Over 5 years $'000
Cash inflows	25,756	24,781	65,785	26,708
Cash outflows	(25,756)	(24,781)	(65,785)	(26,708)

During the financial year ended 31 March 2016, $30,258,000 (2015: $7,813,000) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedge. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income.

Company

	Notional contract amount	Fair values	
As at 31 March 2016	$'000	Assets $'000	Liabilities $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	1,481,149	–	(43,846)
Cross currency swaps	65,510	629	(159)
	1,546,659	629	(44,005)

14 HEDGE ACCOUNTING (continued)

As at 31 March 2015	Notional contract amount $'000	Fair values Assets $'000	Fair values Liabilities $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	1,160,171	77	(17,440)
Cross currency swaps	25,329	4,232	–
	1,185,500	4,309	(17,440)

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 2016	Less than 1 year $'000	In the 2nd year $'000	3 to 5 years $'000	Over 5 years $'000
Cash inflows	24,966	23,826	64,919	26,708
Cash outflows	(24,966)	(23,826)	(64,919)	(26,708)

During the financial year ended 31 March 2016, $30,244,000 (2015: $7,578,000) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedge. There was no amount recognised as hedge ineffectiveness in the Statement of Comprehensive Income (2015: $nil).

15 LOAN RECEIVABLES

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Amounts due from affiliated undertakings	–	80,088	93,386	141,375
Current asset	–	1,564	2,444	2,767
Non-current asset	–	78,524	90,942	138,608
	–	80,088	93,386	141,375

16 TRADE AND OTHER RECEIVABLES

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Trade debtors - net	7,773	11,540	6,520	9,617
	7,773	11,540	6,520	9,617
Amounts due from group undertakings	10,643	–	78,241	106,620
Prepayments	14,456	3,904	14,337	3,764
Other debtors	18,652	23,630	15,902	19,794
	51,524	39,074	115,000	139,795

Notes to the financial statements (continued)

17 CASH AND CASH EQUIVALENTS

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Bank account	17,916	14,570	17,014	13,370
Bank account with group undertakings	139,764	94,269	97,458	45,855
Short-term deposits with group undertakings	47,057	147,020	37,200	131,885
	204,737	255,859	151,672	191,110
Restricted cash	(45,174)	(20,961)	(45,174)	(20,961)
Cash and cash equivalents net of restricted cash	159,563	234,898	106,498	170,149

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

18 LEASE INCENTIVE ASSET

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Lease incentive asset	76,396	61,522	72,049	53,104
Amortised during the year	(25,466)	(27,787)	(23,763)	(23,717)
Additions of lease incentive assets	41,214	51,735	38,740	51,736
Release of lease incentive asset on disposal of aircraft	–	(9,074)	–	(9,074)
	92,144	76,396	87,026	72,049
Current lease incentive asset (amortising within 12 months)	22,449	20,594	20,471	19,028
Non-current lease incentive asset (amortising after 12 months)	69,695	55,802	66,555	53,021
	92,144	76,396	87,026	72,049

The lease incentive asset is amortised over the respective lease term and recorded as a reduction of lease income.

19 TRADE AND OTHER PAYABLES

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Security deposits	99,895	102,532	97,302	100,161
Maintenance reserve	504,363	427,163	466,186	393,746
Lessor contributions	129,255	102,712	118,519	94,152
Payments received on account	64,948	58,983	61,782	54,788
Trade creditors	37,850	61,978	36,693	60,201
Accrued interest - non-group undertakings	9,309	7,049	9,309	7,049
Amounts due to group undertakings	40,170	25,926	44,198	25,357
Other creditors	83,011	36,643	81,222	30,242
	968,801	822,986	915,211	765,696

	31 March 2016 $'000	31 March 2015 $'000	31 March 2016 $'000	31 March 2015 $'000
Analysed as:				
Non-current trade and other - payables (payable after 12 months)	482,818	515,915	444,444	493,114
Current trade and other - payables (payable within 12 months)	485,983	307,071	470,767	272,582
	968,801	822,986	915,211	765,696

20 OBLIGATIONS UNDER FINANCE LEASES

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Amounts payable under finance leases				
Minimum lease payments:				
Within one year	70,421	66,189	70,421	66,189
In the second to fifth years inclusive	292,293	288,373	292,293	288,373
After five years	28,730	102,765	28,730	102,765
	391,444	457,327	391,444	457,327
Less: future finance charges	(50,137)	(67,939)	(50,137)	(67,939)
Present value of lease obligations	341,307	389,388	341,307	389,388
Present value of minimum lease payments:				
Within one year	54,723	48,389	54,723	48,389
In the second to fifth years inclusive	258,648	242,752	258,648	242,752
After five years	27,936	98,247	27,936	98,247
	341,307	389,388	341,307	389,388
Analysed as:				
Amounts due within 12 months	54,723	48,389	54,723	48,389
Amounts due after 12 months	286,584	340,999	286,584	340,999
	341,307	389,388	341,307	389,388

Notes to the financial statements (continued)

20 OBLIGATIONS UNDER FINANCE LEASES (continued)

Terms and conditions of Group obligations under finance leases:

As at 31 March 2016	Average interest rate %	Year of maturity	$'000
Secured			
Floating rate obligations	0.96	2016	5,647
Fixed rate obligations	4.65	2021	315,941
Unsecured			
Fixed rate obligations	6.09	2022	19,719
			341,307

As at 31 March 2015	Average interest rate %	Year of maturity	$'000
Secured			
Floating rate obligations	1.17	2016	19,143
Fixed rate obligations	4.65	2021	348,004
Unsecured			
Fixed rate obligations	6.09	2022	22,241
			389,388

These finance lease obligations relate to export credit financing (net of unamortised facility fees), of which the secured facilities were used to finance 22 aircraft (2015: 22). These facilities are provided by banks against the guarantees of the export credit agencies.

21 BORROWINGS

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Loan amounts due to third party undertakings	2,500,000	2,600,000	2,500,000	2,600,000
Loan amount due to group undertakings	4,336,578	4,324,531	4,276,956	4,149,157
	6,836,578	6,924,531	6,776,956	6,749,157
The borrowings are repayable as follows:				
On demand or within one year	612,745	994,529	721,596	1,026,272
In the second year	592,297	648,000	557,470	629,129
In the third to fifth year inclusive	1,555,744	1,492,144	1,436,444	1,359,849
After five years	4,075,792	3,789,858	4,061,446	3,733,907
	6,836,578	6,924,531	6,776,956	6,749,157
Less: Amounts due for settlement within 12 months	(612,745)	(994,529)	(721,596)	(1,026,272)
Amounts due for settlement after 12 months	6,223,833	5,930,002	6,055,360	5,722,885

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

21 BORROWINGS (continued)

The amount of borrowing costs that were capitalised in the period in the Group and Company was $8,903,000 (2015: $10,909,000). The rate at which borrowing costs are capitalised is determined by the rate attached to available floating rate funding and is adjusted on an ongoing basis.

Terms and conditions of Group borrowings before impact of derivatives:

As at 31 March 2016	Average interest rate %	Year of maturity	$'000
Floating rate borrowings			
Loan amounts due to third party undertakings	1.60	2020-2027	2,500,000
Loan amount due to group undertakings	3.32	2019-2028	304,263
Fixed rate borrowings			
Loan amount due to group undertakings	4.72	2016-2028	4,032,315
			6,836,578

As at 31 March 2015	Average interest rate %	Year of maturity	$'000
Floating rate borrowings			
Loan amounts due to third party undertakings	1.39	2020-2027	2,600,000
Loan amount due to group undertakings	2.70	2015-2026	241,510
Fixed rate borrowings			
Loan amount due to group undertakings	4.68	2015-2027	4,083,021
			6,924,531

22 FINANCIAL RISK MANAGEMENT

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's and the Company's risk management framework. The Board of Directors in conjunction with the Aviation Credit Department ("ACD") on behalf of the Consortium develops and monitors the Group's and the Company's risk management policies which are established to identify and analyse the risks faced by the Group and the 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 the Company minimises 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.

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

Notes to the financial statements (continued)

22 FINANCIAL RISK MANAGEMENT (continued)

a Currency Risk (continued)

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

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Euro assets	15,357	9,757	14,049	8,354
Sterling assets	202	205	202	205
Japanese yen assets	364	25	364	25
Australian dollar assets	–	23	–	23
Swiss franc assets	5	5	5	5
Canadian dollar assets	–	18	–	18
Euro liabilities	(12,979)	(22,670)	(16,052)	(23,769)
Sterling liabilities	(31)	(215)	(31)	(200)
Japanese yen liabilities	(293)	(45)	(293)	(45)
Australian dollar liabilities	(23)	(47)	(23)	(47)
Swiss franc liabilities	(16)	(26)	(16)	(26)
Canadian dollar liabilities	(8)	(18)	(8)	(18)

At 31 March 2016, 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 $128,883 higher/lower, and for the Company would have been $90,134 higher/lower, mainly as a result of foreign exchange gains/losses on retranslation of EUR denominated loans.

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's and Company's policy is 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's and Company's interest –bearing financial instruments was as follows:

Interest rate risk:	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Financial assets				
– variable rate	45,174	101,050	45,174	101,050
– fixed rate	9,857	147,029	93,386	180,080
– non-interest bearing	201,885	132,088	222,153	196,296
Total Financial Assets	256,916	380,167	360,713	477,426
Financial liabilities				
– variable rate	(2,655,329)	(2,860,674)	(2,757,323)	(2,860,082)
– fixed rate	(4,522,556)	(4,453,245)	(4,360,940)	(4,278,463)
– non-interest bearing	(1,013,147)	(840,755)	(959,216)	(783,135)
Total Financial Liabilities	(8,191,032)	(8,154,674)	(8,077,479)	(7,921,680)

22 FINANCIAL RISK MANAGEMENT (continued)

b Interest Rate Risk (continued)

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 2016, 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 $1,061,000 lower/higher; other components of equity would have been $5,082,000 lower/higher as a result of a decrease/increase in the fair value of cash flow hedge reserve.

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's 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. Any maturity mis-match within the overall long-term structure of the Group's 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's 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 2016 $'000	Group Contracted cashflows 31 March 2016 $'000	Group Carrying value 31 March 2015 $'000	Group Contracted cashflows 31 March 2015 $'000
Trade and other payables	968,801	968,801	822,986	822,986
Obligations under finance leases	341,307	391,444	389,388	457,326
Bank borrowings	6,836,578	8,568,673	6,924,531	8,585,201
Currency swaps	159	–	–	–
Interest rate swaps	44,187	122,173	17,769	68,288
	8,191,032	10,051,091	8,154,674	9,933,801

31 March 2016	Group Less than 1 year $'000	Group 1 to 2 years years $'000	Group 3 to 5 years $'000	Group Over 5 years $'000
Non-derivative financial instruments				
Trade and other payables	(485,984)	(147,443)	(179,472)	(155,903)
Obligations under finance leases	(70,421)	(72,536)	(219,757)	(28,730)
Bank borrowings	(837,367)	(824,513)	(2,189,830)	(4,716,963)
Total non-derivative financial instruments outflows	(1,393,772)	(1,044,492)	(2,589,059)	(4,901,596)

Notes to the financial statements (continued)

22 FINANCIAL RISK MANAGEMENT (continued)

c Liquidity Risk (continued)

	Group Less than 1 year $'000	Group 1 to 2 years years $'000	Group 3 to 5 years $'000	Group Over 5 years $'000
Derivative financial instruments (gross)				
Currency Swaps				
Gross Settled - Inflow	13,640	2,440	–	–
Gross Settled - Outflow	(13,097)	(2,517)	–	–
Interest Rate Swaps				
Net Settled - inflow	–	–	10,805	5,747
Net Settled - outflow	(9,713)	(2,062)	–	–
Total Outflows	(1,402,942)	(1,046,631)	(2,578,254)	(4,895,849)

	Group Less than 1 year $'000	Group 1 to 2 years years $'000	Group 3 to 5 years $'000	Group Over 5 years $'000
Non-derivative financial instruments				
Trade and other payables	(307,071)	(124,700)	(120,051)	(271,164)
Obligations under finance leases	(66,188)	(70,115)	(218,258)	(102,765)
Bank borrowings	(1,196,670)	(842,975)	(2,056,691)	(4,488,865)
Total non-derivative financial instruments outflows	(1,569,929)	(1,037,790)	2,395,000)	(4,862,794)
Derivative financial instruments (gross)				
Currency Swaps				
Gross Settled - Inflow	43,984	10,760	–	–
Gross Settled - Outflow	(39,901)	(9,787)	–	–
Interest Rate Swaps				
Net Settled - inflow	–	–	8,707	2,759
Net Settled - outflow	(7,228)	(2,545)	–	–
Total Outflows	(1,573,074)	(1,039,362)	(2,386,293)	(4,860,035)

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

	Company Carrying value 31 March 2016 $'000	Company Contracted cashflows 31 March 2016 $'000	Company Carrying value 31 March 2015 $'000	Company Contracted cashflows 31 March 2015 $'000
Trade and other payables	915,211	915,211	765,696	765,696
Obligations under finance leases	341,307	391,444	389,388	457,326
Bank borrowings	6,776,956	8,490,250	6,749,157	8,375,871
Currency swaps	159	–	–	–
Interest rate swaps	43,846	120,085	17,440	65,314
	8,077,479	9,916,990	7,921,681	9,664,207

22 FINANCIAL RISK MANAGEMENT (continued)

c Liquidity Risk (continued)

31 March 2016	Less than 1 year $'000	1 to 2 years years $'000	3 to 5 years $'000	Over 5 years $'000
Non-derivative Financial Instruments				
Trade and other payables	(470,767)	(129,512)	(163,912)	(151,019)
Obligations under finance leases	(70,421)	(72,536)	(219,757)	(28,730)
Bank borrowings	(940,948)	(782,840)	(2,064,000)	(4,702,462)
Total Non-derivative Financial Instruments Outflows	(1,482,136)	(984,888)	(2,447,669)	(4,882,211)
Derivative Financial Instruments (gross)				
Currency Swaps				
Gross Settled - Inflow	13,640	2,440	–	–
Gross Settled - Outflow	(13,097)	(2,517)	–	–
Interest Rate Swaps				
Net Settled - inflow	–	–	10,514	5,747
Net Settled - outflow	(9,702)	(2,304)	–	–
Total Outflows	(1,491,295)	(987,269)	(2,437,155)	(4,876,464)

31 March 2015	Company Less than 1 year $'000	Company 1 to 2 years years $'000	Company 3 to 5 years $'000	Company Over 5 years $'000
Non-derivative Financial Instruments				
Trade and other payables	(272,582)	(124,700)	(118,791)	(249,623)
Obligations under finance leases	(66,188)	(70,115)	(218,258)	(102,765)
Bank borrowings	(1,221,146)	(815,675)	(1,908,867)	(4,430,183)
Total Non-derivative Financial Instruments Outflows	(1,559,916)	(1,010,490)	(2,245,916)	(4,782,571)
Derivative Financial Instruments (gross)				
Currency Swaps				
Gross Settled - Inflow	43,984	10,760	–	–
Gross Settled - Outflow	(39,901)	(9,787)	–	–
Interest Rate Swaps				
Net Settled - inflow	–	–	8,174	2,759
Net Settled - outflow	(7,033)	(2,613)	–	–
Total Outflows	(1,562,866)	(1,012,130)	(2,237,742)	(4,779,812)

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

Notes to the financial statements (continued)

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 has been managed with assistance from the ACD 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 company 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, compliance with affordability tests, 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 limits. 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 migration.

The Group's maximum credit exposure is $235 million. The Group's principal financial assets are trade receivables ($31 million) and bank accounts ($205 million; including $187 million with group companies). The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At 31 March 2016, the Group's significant cash and deposit counterparties were:

	$'000
SMBC (credit rating A+ (S&P))	186,821
Wells Fargo (Credit rating A (S&P))	7,974
Citibank (Credit rating BBB+ (S&P))	9,942
	204,737

Credit risk with respect to trade receivables is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2016, the Group was exposed to trade debtors of $7,773,000 (2015: $11,540,000) and held a bad debt provision against these for $nil (2015: $nil). At 31 March 2016 the Group held Letters of Credit of $264,950,000 (2015: $259,666,000).

22 FINANCIAL RISK MANAGEMENT (continued)

d Credit Risk (continued)

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

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The table below provides an analysis of the age of financial assets that are past due at the end of the reporting period but not impaired and an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period.

31 March 2016	Group Less than one month $'000	Group One to two months $'000	Group More than two months $'000	Company Less than one month $'000	Company One to two months $'000	Company More than two months $'000
Amounts past due but not impaired						
Lease receivables	6,598	680	495	5,871	154	495
Amounts deemed to be Impaired						
Lease receivables	–	–	–	–	–	–
31 March 2015						
Amounts past due but not impaired						
Lease receivables	6,482	430	4,628	5,399	10	4,208
Amounts deemed to be Impaired						
Lease receivables	–	–	–	–	–	–

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

Impairment Losses	Group $'000	Company $'000
The movement in the provision for bad debts in respect of lease receivables is as follows:		
Balance at 1 April 2014	–	–
Provision for bad debts	–	–
Balance at 31 March 2015	–	–
Provision for bad debts	–	–
Balance at 31 March 2016	–	–

e 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.

Notes to the financial statements (continued)

23 DEFERRED TAX

Movements during the year:	Group $'000	Company $'000
At 1 April 2014	214,842	185,097
Charge to income from continuing operations	22,991	20,101
Charge to other comprehensive income	(957)	(964)
Refunds / (Payments)	121	–
At 31 March 2015	236,997	204,234
Charge to income from continuing operations	26,675	22,616
Charge to other comprehensive income	(3,784)	(3,780)
Reclassification to current tax	14	–
Refunds/(Payments)	–	–
At 31 March 2016	259,902	223,070

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

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Accelerated capital allowances on assets financed, less carried forward tax losses	259,902	236,997	223,070	204,234
Other temporary differences	–	–	–	–
	259,902	236,997	223,070	204,234

24 SHARE CAPITAL

	31 March 2016 $	31 March 2015 $
Ordinary shares of $1		
Authorised:	245,000,000	245,000,000
Issued, called up and fully paid:	187,512,770	187,512,770
	Number of shares	
Authorised:	245,000,000	245,000,000
Issued, called up and fully paid:	187,512,770	187,512,770

The Company has one class of ordinary voting shares which carry no right to fixed income.

25 OTHER COMPONENTS OF EQUITY

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Capital contribution	207,486	207,486	207,486	207,486
Other reserve	1,967	1,967	–	–
AFS reserve	–	–	–	–
Cash flow hedge reserve	(38,209)	(11,735)	(37,954)	(11,490)
Total other reserves	171,244	197,718	169,532	195,996

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 RBS 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, 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 Netherlands 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 Holdings B.V. have been reduced by $2.633m at 31 March 2013, with a related increase in deferred tax liabilities of $0.658m and the difference being a transaction with shareholder that was reflected in the other reserve of $1.967m.

Notes to the financial statements (continued)

26 OPERATING LEASE ARRANGEMENTS

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

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Within one year	938,967	849,480	895,160	807,101
In the second to fifth years inclusive	3,422,063	2,752,342	3,336,247	2,644,683
After five years	3,109,208	2,501,649	3,105,067	2,489,538
	7,470,238	6,103,471	7,336,474	5,941,322

27 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.

Transactions with parent companies:	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	2,669	–	2,669	–
Interest expense	5,684	8,288	–	–
Operating expenses	494	37	494	37
Balances at period end:				
Borrowings	106,857	152,655	–	–
Sundry debtors	675	39	870	302
Other creditors	–	–	–	–
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	1,541	303	1,211	–
Balances at period end:				
Sundry debtors	273	115	250	–
JRI America, Inc.				
Transactions during the period:				
Operating expenses	–	1,008	–	1,008
Balances at period end:				
Other creditors	2,601	2,601	2,601	2,601

27 RELATED PARTIES (continued)

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	5,494	6,927	5,494	6,927
Fee income	4,740	3,174	4,740	3,174
Interest Income	1,370	2,688	1,370	2,688
Balances at period end:				
Amounts due to / (from) group undertakings	1,520	(86,516)	1,520	(86,516)
SMBC Aviation Capital Australia Leasing				
Transactions during the period:				
Fee income	45	530	45	530
Balances at period end:				
Amounts due from group undertakings	109	476	109	476
SMBC Capital Markets Inc.				
Transactions during the period:				
Fee expense	110	110	107	107
Gain/(loss) on derivative fair value	811	2,356	811	2,356
Interest expense	12,560	9,711	12,268	9,344
Balances at period end:				
Cash	37,200	13,100	37,200	13,100
Amounts due to group undertakings	231	121	223	116
Derivative Financial Instruments	48,914	16,868	48,907	16,530
SMBC Leasing and Finance, Inc.				
Transactions during the period:				
Operating expenses	–	2,235	–	2,235
Balances at period end: Other Creditors	–	475	–	475
SMBC Europe Limited				
Transactions during the period:				
Interest income	37	164	14	83
Operating expenses	815	827	815	811
Balances at period end:				
Cash	108,544	216,805	57,696	153,348
Sundry Creditors	980	802	982	803
SMBC (Japan)				
Transactions during the period:				
Operating expenses	24,186	30,295	24,186	30,295
Balances at period end:				
Amounts due to group undertakings	10,618	11,824	10,618	11,824

Notes to the financial statements (continued)

27 RELATED PARTIES (continued)

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
SMBC (New York)				
Transactions during the period:				
Interest expense	201,739	180,106	201,400	179,563
Balances at period end:				
Borrowings	4,147,632	4,056,359	4,134,678	4,043,405
Cash	41,077	11,351	39,762	11,285
Amounts due to group undertakings	9,697	9,026	9,677	9,015
SMBC (Paris)				
Transactions during the period:				
Interest expense	1,320	1,468	1,320	1,468
Balances at period end:				
Obligations under Finance Leases	2,618	2,522	2,618	2,522
Non-current liabilities	17,231	19,869	17,231	19,869
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	883	900	883	900
Balances at period end:				
Other Creditors	158	155	158	155
SMFL (Hong Kong) Limited.				
Transactions during the period:				
Operating expenses	1,384	1,400	1,384	1,400
Balances at period end:				
Other Creditors	149	239	149	239
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	859	565	859	565
Balances at period end:				
Other Creditors	205	121	205	121
SMBC Aviation Capital Japan Co., Ltd.				
Transactions during the period:				
Fee income	2,591	1,251	2,591	1,230
Balances at period end:				
Amounts due (from)/to group undertakings	(36)	79	(36)	79
SMBC Aviation Capital Labuan Leasing 1 Limited				
Transactions during the period:				
Lease rental income	9,619	8,740	9,619	8,740
Balances at period end:				
Amounts due (from)/to group undertakings	(1,559)	(5)	(1,559)	(5)

27 RELATED PARTIES (continued)

Transactions with subsidiaries	Company 31 March 2016 $'000	Company 31 March 2015 $'000
SMBC Aviation Capital Ireland Leasing 3		
Transactions during the period:		
Fee income	34	36
Interest income	2,815	2,397
Balances at period end:		
Amounts due from group undertakings	71,577	40,080
SMBC Aviation Capital Ireland Leasing 4		
Transactions during the period:		
Fee income	42	42
Interest income	617	692
Balances at period end:		
Amounts due from group undertakings	19,566	20,433
SMBC Aviation Capital Netherlands		
Transactions during the period:		
Fee income	333	660
Fee expense	2,831	3,406
Interest income	–	189
Balances at period end:		
Amounts due to/(from) group undertakings	1,887	19,269
SMBC Aviation Capital Paris Leasing 1		
Transactions during the period:		
Fee expense	–	1,498
Lease rental income	20,438	30,066
Balances at period end:		
Amounts due from group undertakings	–	13
SMBC Aviation Capital Holdings		
Transactions during the period:		
Interest expense	1,778	119
Fee income	1,578	3,239
Balances at period end:		
Amounts due to / (from) group undertakings	127,729	79,981
Mallorca Aviation Limited		
Transactions during the period:		
Interest income	908	–
Balances at period end:		
Amounts due from group undertakings	67,286	–
Soller Aviation Limited		
Balances at period end:		
Amounts due from group undertakings	2,995	–

During the period under review, balances receivable of $188,570,000 from Palma Limited, a PDP financing company ("structured entity") in which the Group had an interest as at 31 March 2015, were refinanced by Sumitomo Mitsui Banking Corporation, Brussels Branch, 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 2016. The impact on pre-delivery payments previously recognised is set out in note 9.

Notes to the financial statements (continued)

27 RELATED PARTIES (continued)

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

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:

	31 March 2016 $'000	31 March 2015 $'000
Salaries and other short-term employee benefits	9,583	11,938
Post-employment benefits	377	420
Other long-term benefits	18,915	–
Total	28,875	12,358

28 NOTES TO THE STATEMENT OF CASH FLOWS

	Group 31 March 2016 $'000	Group 31 March 2015 $'000	Company 31 March 2016 $'000	Company 31 March 2015 $'000
Profit before tax	203,865	194,244	177,683	219,573
Adjustments for:				
Depreciation and impairment on property, plant and equipment	382,246	338,038	376,653	314,633
Amortisation of intangible assets	6,595	6,552	2,799	1,513
Goodwill realised during the year	–	(1,801)	–	–
Impairment of other assets	–	987	–	–
Impairment of investment in subsidiaries	–	–	–	26,131
Movements in subsidiaries	–	–	–	(87,174)
Lease incentive asset amortisation	25,466	27,787	23,762	23,717
Bad debt provision	–	–	–	–
Revision of lessor contribution liability	–	9,342	–	8,740
Interest expense	256,005	247,566	253,967	233,155
Movement in fair value of derivatives and fair value hedges	811	(2,356)	811	(2,356)
Profit on disposal of assets held under operating leases	(51,500)	(36,617)	(53,634)	(33,196)
Operating cash flows before movements in working capital	823,488	783,742	782,041	704,736
Decrease/(Increase) in receivables	79,177	18,719	1,785	6,509
Increase in payables	119,479	71,765	123,373	96,313
Cash generated by operations	1,022,144	874,226	907,199	807,558
Income taxes paid	(5,836)	(6,848)	(183)	86
Interest paid	(262,417)	(254,740)	(256,869)	(238,747)
NET CASH FLOW FROM OPERATING ACTIVITIES	753,891	612,638	650,147	568,897

29 CAPITAL COMMITMENTS

During 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consists of 110 A320neo aircraft and 5 A321ceo aircraft, while the Boeing order consists of 90 Boeing 737 MAX 8 aircraft. The Group also has other capital commitments totalling $1.4 billion (31 March 2015: $1.8 billion, including remaining purchase commitments from previous orders), which decreased during the period mainly due to subsequent deliveries as well as the refinancing of existing pre-delivery payments in relation to 5 aircraft by another Sumitomo Mitsui Banking Corporation Group entity.

The combined purchase commitment for these orders total $25.1 billion and delivery dates are currently scheduled between 2016 and 2022. These commitments are based upon fixed price agreements with the manufacturers, an element of which are adjusted for inflation and include price escalation formulas, but are also subject to agreed price concessions where applicable. As a result, the effective purchase price of each aircraft will be lower than the combined purchase commitment disclosed above.

The Group also has a commitment to future rentals of office premises of $14.8 million to March 2024.

30 CONTINGENT LIABILITIES

The Group and Company had a contingent liability at 31 March 2016 of $nil (2015: $0.6m). This contingent liability as at 31 March 2015 arose from specific conditions attached to the contracted sale of a number of aircraft during the prior year and expired on 31 May 2015.

31 RECLASSIFICATION OF PRIOR YEAR COMPARATIVE FIGURES

Certain prior year comparatives have been reclassified to conform to the current year's presentation.

32 SUBSEQUENT EVENTS

On 6 April 2016, Mr. T. Tanaka resigned as Director. On the same day, Mr. I. Sakata was appointed as Director.

On 19 May 2016, the Group announced its selection of an additional 10 CFM International LEAP-1A engines at a list price of $140 million to power 5 of its Airbus A320neo aircraft as part of its existing capital commitments (see note 29), adding to the Group's initial selection of 60 LEAP-1A engines confirmed as part of the new orders placed in 2015.

33 APPROVAL OF FINANCIAL STATEMENTS

The Directors approved these Financial Statements on 27 May 2016.

Acronyms and abbreviations

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
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	Irish 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 and SMBC Aviation Capital Australia Leasing PTY Limited
MSN	Manufacturers Serial Number
neo	New engine option
OEM	Original equipment manufacturer
PDP	Pre-delivery payment
S&P	Standard & Poor's
SC	Sumitomo Corporation
SMBC	Sumitomo Mitsui Banking Corporation
SMFG	Sumitomo Mitsui Financial Group
Structured entity	PDP financing company
UEL	Useful economic life

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