

**Celebrating  
twenty years  
in flight.**



## About Us

SMBC Aviation Capital is a leading global aircraft leasing company. Through the hard work of our dedicated team, SMBC Aviation Capital has developed an unrivalled reputation in the market and is now one of the largest lessors in the sector, delivering over 20 consecutive years of growth and profitability. We put our customers at the heart of our business.

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# 2021 highlights.

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## \$4.9bn

AVAILABLE LIQUIDITY

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## \$11.8bn

SHAREHOLDER SUPPORT

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## €100k

DONATED TO COVAX AMC

- joined aviation coalition that donated \$400K to support COVID-19 vaccination in 92 countries

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## 3,000+

VOLUNTEER HOURS

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## 83%

PORTFOLIO COMPRISED OF  
NARROWBODY AIRCRAFT

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## A-/A-

FITCH AND S&P RATING

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## 57%

NEW TECHNOLOGY AIRCRAFT

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## Net Zero

OFFSET OF OUR TOTAL  
OPERATIONAL CARBON EMISSIONS  
- for the year ended 31 March 2021



# Chairman's Statement.

**A KEY ELEMENT** of our response to the crisis was a shift in strategy from one based on direct aircraft orders to a focus on sale and leaseback of aircraft already owned by the airlines. That would not have been possible without the support of our shareholders and the strong relationships we had built with airlines over the previous 20 years.

From a financial perspective, shareholder support increased by \$1.2bn to \$11.8bn during the year comprising \$3.1bn equity and \$8.7bn debt. That represents a strong commitment which is based on a very close relationship which has been strengthened during the course of the year through mutual trust and respect.

That relationship with our shareholders also allowed us to provide important support to our OEM partners. For example, since year end, we have signed a deal to purchase 14 Boeing 737MAX with delivery scheduled to commence in late 2021. This transaction took place at an attractive price for both parties and at a time when traditional airline customers were conserving cash rather than purchasing new aircraft for their fleets. It would have been difficult to arrive at a deal like that without our exemplary track record in the market and our very long relationship with Boeing.

**This was an unprecedented year of challenges for SMBC Aviation Capital, from a human and business point of view. Like every other company in the aviation sector, we had to deal with the extraordinary downturn, but we achieved and learnt a lot from this experience. We are confident that we can turn these challenges to our advantage in the future and that the experience will stand our business in good stead.**

## Chairman's Statement.



### We stuck to our principles and continued to look for ways to add value for our customers – that's one of the strengths of SMBC Aviation Capital.

While the market was challenging, it did not disappear. Many opportunities presented themselves and we took a proactive approach to capitalise on them. We were fortunate in being well structured financially to do that and to have a business model based on a deep understanding of our customers and the market.

But the market did change. Prior to the pandemic we saw an intensely competitive market with airlines frequently receiving between 30 and 40 offers to finance an aircraft. At the beginning of the pandemic airlines could struggle to find any offers of finance at all. But we stuck to our principles and continued to look for ways to add value for our customers – that is one of the strengths of SMBC Aviation Capital.

The switch to remote working was another challenge. I have been working remotely since taking over as Chairman in April 2020 and have been highly impressed by the response of our people to the changed arrangements. At SMBC Aviation Capital we have a very good teamworking culture and that came to the fore during the pandemic when everyone cooperated to ensure that business operations continued effectively and efficiently.

The quality of our leadership team was also very important. Everyone had a clear understanding of their role and responsibilities in the new environment and this proved of great assistance in overcoming the challenges we faced.

While everyone in the organisation played their part in our success over the past year, I believe that the people looking after the more challenging customer situations deserve a special mention. Their role is vitally important but necessarily tends to happen in the background. During the past year they have delivered successful outcomes to many difficult situations and that is worthy of note.

We will learn from our experience of dealing with these challenges and use that to take advantage of opportunities in future. However, we operate in a very competitive market and we understand the need to continuously reinvent our business when appropriate in order to respond to changing market circumstances.

Those changing circumstances include the requirement to deal with climate change. SMBC Aviation Capital fully understands that the airline industry does have responsibility to reduce CO<sub>2</sub> emissions and we have a very important role to take a lead in that by purchasing the most fuel-efficient aircraft, purchasing carbon offsets and continuous engagement with our customers on ways to further reduce the industry's impact on the environment.

As we face these challenges, we are fortunate that we have a singular focus shared by our shareholders, board, and senior leadership team. We believe that this unity will prove valuable as SMBC Aviation Capital looks to take advantage of the opportunities that will present themselves as we emerge from the pandemic.

**TOM TANAKA**  
CHAIRMAN

We are a leading global aircraft leasing company. Our principal activity is leasing and trading aircraft, with a clear focus on young commercial jet aircraft. Over the last 20 years, we have built our reputation by closely aligning our business to the needs of our customers. Using this approach, SMBC Aviation Capital has delivered 20 consecutive years of growth and profitability.

# Celebrating twenty years in flight.



**2001**

**Lombard Aviation Capital created by RBS Group.**

HEADCOUNT 11

**2002**

**First portfolio purchase – 36 aircraft.**

**Establish New York and Hong Kong offices.**

**2004**

**Change of name from Lombard Aviation Capital to RBS Aviation Capital.**

**2006**

**Delivery of 200th aircraft.**

HEADCOUNT 64

**2007**

**Closed first securitisation – 36 aircraft.**

HEADCOUNT 75

**2008**

**Delivery of 300th aircraft and placed order with Airbus and Boeing for 95 aircraft.**

HEADCOUNT 84

**2009**

**Executed 3rd party financing of \$750m on 28 aircraft.**

HEADCOUNT 75

**2012**

**\$7.3 billion acquisition by two of Japan's biggest companies, Sumitomo Mitsui Financial Group and Sumitomo Corporation. Then the largest sale of an aircraft leasing business. Change of name from RBS Aviation Capital to SMBC Aviation Capital.**

HEADCOUNT 69

## 2014

**Placed order with Airbus and Boeing for 195 aircraft worth \$20 billion. Obtained BBB+ rating from S&P and BBB rating from Fitch. CSR Committee formed.**

HEADCOUNT 109

## 2015

**Fitch ratings upgrade to BBB+. \$600 million revolving credit facility established.**

HEADCOUNT 148

## 2016

**Launch of \$500 million unsecured inaugural bond.**

HEADCOUNT 156

## 2017

**Fitch ratings upgrade to A-. Delivery of first A350 Aircraft.**

HEADCOUNT 161

## 2018

**Closing of \$600 million syndicated financing. Received \$1bn in capital from our shareholders. S&P upgrade to A-.**

HEADCOUNT 176

## 2019

**Announced order with Airbus for 65 aircraft worth \$7.4 billion. CSR Legacy Project with The Belvedere Youth Club & Community Foundation Ireland Partnership is launched.**

HEADCOUNT 186

## 2020

**Our Equality Diversity and Inclusion (EDI) Committee is formed and named 'Mosaic'. Over 2,954 CSR volunteer hours recorded.**

## 2021

**Celebrating twenty years in flight.**

HEADCOUNT 204

**SMBC Aviation Capital generated profit before tax of \$15.2m during the financial year ended 31 March 2021, despite the significant challenges presented by the pandemic. Our performance maintains our 20-year record of continuous operating profitability and reflected the exceptional efforts of all of our people, as well as the support of our shareholders.**

**I AM PLEASED** to report that SMBC Aviation Capital is working through the crisis with remarkable resilience.

Not only have we developed a business model which is capable of performing well through industry cycles, we have also nurtured a strong culture and put in place robust systems which have enabled us to continue operating efficiently in the most challenging of circumstances. These are things that can often be taken for granted. We know they matter but we don't appreciate just how important they are until something like COVID-19 comes along. What we saw during the year was many years of hard work bearing fruit.

#### **Supporting our customers and partners**

While the pandemic has hit the entire aviation industry, the impact has been most significant on our airline customers. Different segments of the industry operate to different temporal horizons. Manufacturers build aircraft that last for decades. For leasing companies, the horizon might be five to 10 years. For airlines, the impact of any event is much more immediate - an airline seat is a perishable product.

Most airlines went into survival mode and retrenched in response to the pandemic. They went from seeking ways of growing their business to looking at how to get cash in to survive. Cash generation and preservation became the order of the day.

We worked with our customers to help them achieve those objectives. We have been as supportive as possible and have had very constructive engagement with them. While challenging at times, we have always worked towards a shared objective to achieve a positive outcome.



**Chief  
Executive's  
Review.**

## Chief Executive's Review.



### That positive engagement with airlines was built on a solid foundation of strong relationships built up over a period of 20 years.

Our approach differed depending on the circumstances and strategy adopted by each airline. In some cases, the airlines were in a restructuring process; in others they were seeking delivery deferrals; some also looked for ways to keep aircraft beyond the lease expiry; and in a significant number seeking to raise funding for their business.

SMBC Aviation Capital worked with airlines in all of these situations. In particular, we assisted airlines in generating cash by stepping in to buy aircraft and leasing them back to our customers. These sale and leaseback and other arrangements saw us invest \$3 billion with our customers during the year.

This activity represented a win-win for SMBC Aviation Capital and our airline customers. We acquired some very attractive assets at competitive prices while the airlines generated much needed cash.

### Solid foundations

That positive engagement with airlines was built on a solid foundation of strong relationships built up over a period of 20 years. Our world changed completely following the imposition of the public health restrictions in March 2020. Before that, we travelled around the world to meet our customers and suppliers and all that activity has ground to a halt and has yet to fully restart.

We have learnt to work with our customers and suppliers remotely and virtually. It is clear to me that the time invested in building relationships over the past 20 years was very well spent.

I know that my colleagues and I are keen to get back on the road: we are a people business in the airline industry and travelling to meet our customers and clients is important, but we have learnt how to do things more efficiently and that will benefit the business in the future.

### Our people

The speed at which COVID-19 impacted our operations was one of the most challenging aspects of the pandemic. We went from a position where most of us were in the office on 11 March 2020 to all of us working remotely the next day. All of my colleagues have shown themselves to be enormously resilient as they adapted, stepped up and rose to the challenge.

That is a tribute to the character and quality of our people as well as the exceptionally strong culture we have built at SMBC Aviation Capital. We are all excited to get back into the office and see familiar faces again – sustaining that culture and renewing our bonds is among the many reasons we need to get back together.

From an operational point of view, we move billions of dollars a year between bank accounts and buy, sell and lease hundreds of airplanes. Despite this complexity, we haven't missed a beat during the entire pandemic.



## Chief Executive's Review.



### Shareholder support

Our shareholders have been exceptionally supportive and our relationship with them has withstood the severe stresses and strains experienced since the onset of the pandemic. This is in part due to the way our shareholders see the world. They take a long-term view and remain calm in the face of a crisis.

It is also due to the work we put in together on building a relationship based on trust over the past eight years. It is my firm belief that our business has done well in relative terms during the pandemic because of all the work we did beforehand to ensure our people, processes, systems and customer and shareholder relationships were resilient.

We have always been very prudent in ensuring the financial strength of our business. In addition, we have been disciplined on the aircraft we have invested in, focusing on new technology, narrowbody assets that are the aircraft our airline customers want to fly and our investor customers want to own. We have a conservative financial profile and this is reflected in our strong investment rating which we have maintained throughout the crisis.

### CSR

We are very conscious that the crisis has impacted all of society and therefore we have maintained our commitment to corporate social responsibility (CSR) during the pandemic. Some of the highlights include a virtual global event to raise funds for mental health charities, donating to Women's Aid assisting domestic abuse victims, donations of food and PPE to homeless charities in Dublin and our involvement in the COVAX initiative - an aviation coalition which has jointly donated \$400,000 to support COVID-19 vaccine donations in 92 countries.

### ESG

Environmental concerns have risen to the top of the corporate agenda in recent years, and the fallout from the pandemic has accentuated the emphasis on climate action. Decarbonisation remains a pressing issue for the entire aviation industry.

The industry is continuing to improve on reducing its carbon footprint. SMBC Aviation Capital has always invested in the newest, most fuel efficient, lowest polluting technology on the market and we will see continual improvement in the carbon footprint of our fleet over the coming years. We are also looking at other innovative solutions to reduce our climate emissions and help our customers meet their emission reduction goals.

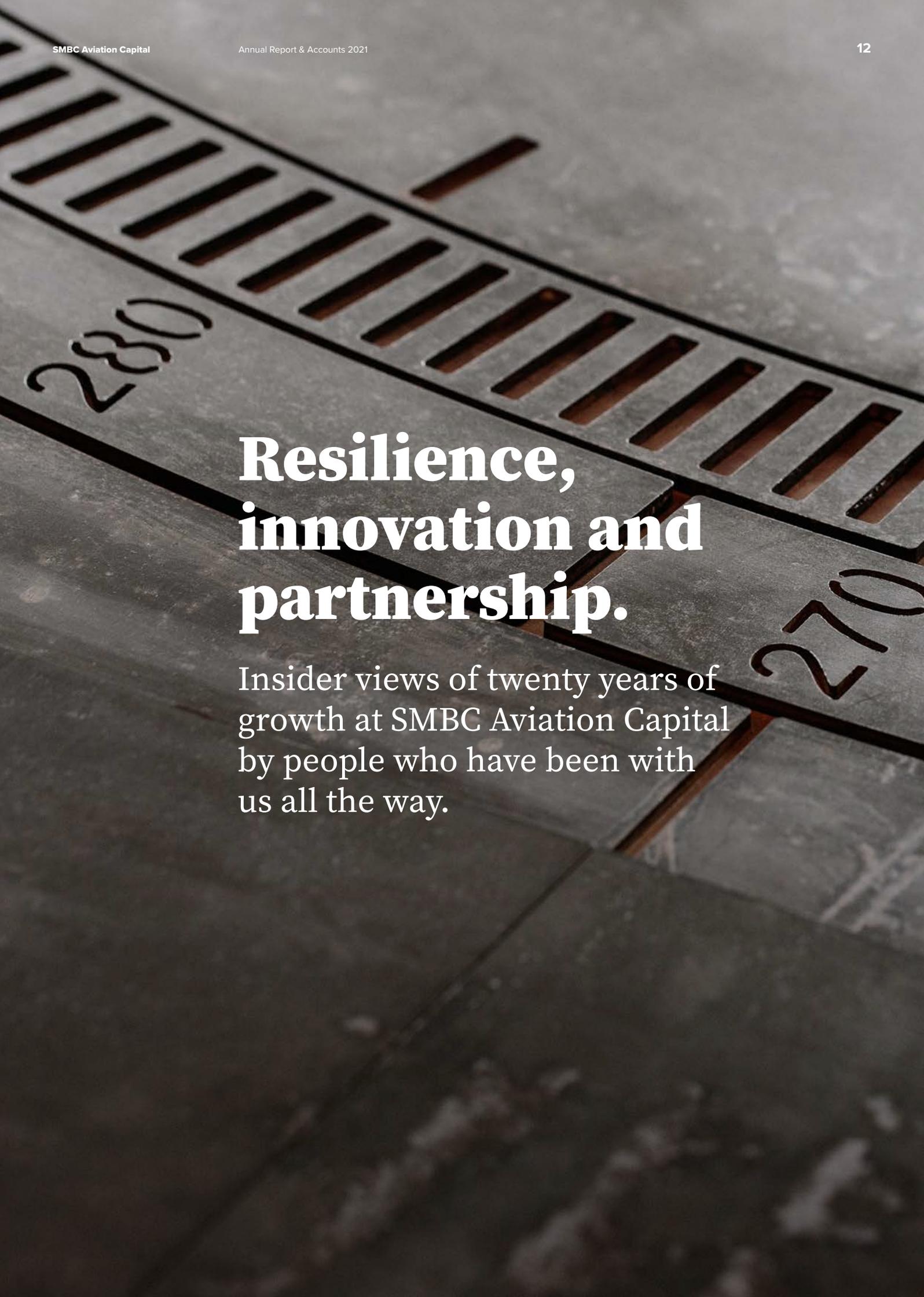
### Outlook

Looking ahead, the enormous scientific and human achievement represented by the rapid development of COVID-19 vaccines gives us hope of a continuing recovery in the course of the coming year, but the economic and social fallout of the pandemic remains unclear and there will be challenges ahead.

I am confident that our tested business model combined with our strong financial position and supportive shareholders and our great team of people positions us to prosper and thrive in the new environment, whatever form it takes.

I would like to conclude by expressing my personal gratitude to all of my colleagues for the exceptional way they responded and rose to the challenges presented by COVID-19. I could not have asked for more.

**PETER BARRETT**  
CHIEF EXECUTIVE



# **Resilience, innovation and partnership.**

Insider views of twenty years of growth at SMBC Aviation Capital by people who have been with us all the way.

## Resilience, innovation and partnership.



## 20-years of success – celebrating our anniversary

JACQUELINE MCFADDEN |  
HEAD OF CUSTOMER MANAGEMENT  
START DATE MAY 2002

I feel privileged to work with a great team and to have experienced many challenges and opportunities along the way; from crises including SARS and COVID-19, to the growth of the business and the change in ownership in 2012 following the global financial crisis. Our 20-year track record gives us the perspective to see through shorter-term cycles. Mindful that our success is dependent on the health of the societies in which we operate, making a positive contribution has always been one of our key long-term objectives. This year we expanded our CSR footprint by increasing donations and support for our charity partners. We are rightly regarded as a premier employer and developer of the widest bench of talent and we are committed to increasing the diversity of our business and the wider sector.

## What will change over the next 20 years?

SHANE WILSON | SVP THE NEST  
START DATE JANUARY 2007

This is the industry's switch from analogue to digital, with new technologies reducing our environmental impact and a more thoughtful consumer base encouraging the industry to act. We will see the acceleration of new aircraft designs, as well as new fuel solutions that will change the long-established norms of our industry. On the critical issue of sustainability, we believe the leasing sector will play a key enabling role in helping the industry achieve a transition to more sustainable technologies and we are committed to working with our customers, aircraft manufacturers and other stakeholders to deliver positive and enduring change.



## Resilience, innovation and partnership.

### Delivering for our customers in extraordinary times

AMY LI | SVP AIRCRAFT TRADING  
START DATE FEBRUARY 2011

SMBC Aviation Capital has continued to stay close to its customers through this challenging year, holding a lantern to find a path, for both us and our customers. We are confident that we can help our customers emerge stronger and we consistently work with them to find constructive solutions. Many challenges remain, but we are certain that we will conquer any obstacles in our path to emerge stronger, together.



### Aviation as a positive contributor to the global economy

DAVID SWAN | CHIEF OPERATING OFFICER  
START DATE JUNE 2002

Video calls are a good replacement for telephone calls but will never replace genuine human interaction. We survive through human interaction and we thrive through experiencing new things and discovering new places. That's why air travel is a vital facilitator of living in a global village, bringing people together and driving economies forward. The key challenge for all of us is to ensure it is done in a sustainable way and I am proud that SMBC Aviation Capital is at the forefront of our industry in this regard.

## Resilience, innovation and partnership.



## Resilience in adversity throughout 2020

**CATHARINE ENNIS** | CHIEF LEGAL OFFICER  
START DATE JUNE 2002

COVID-19 has led to an unprecedented market dislocation which has had a deep impact on every aspect of our industry including airlines and lessors. However, despite these challenges SMBC Aviation Capital's inherent strengths and swift response means that it is well placed to emerge from the crisis backed by our supportive Japanese Shareholders and led by our experienced senior management team. Our overarching priority since the onset of the pandemic has been to ensure the safety and wellbeing of our employees across the globe. We are very proud of our employees who have shown great fortitude, commitment and agility, continuing to work with, and deliver for, our customers, investors and other stakeholders in fundamentally changed working environments and we thank them for their dedication and commitment.

## Well positioned to support, and benefit from the recovery of the sector

**BRIAN HARVEY** | CHIEF MARKETING OFFICER  
START DATE JULY 2002

With the successful roll-out of vaccination programs in several countries, the market recovery is underway and we are seeing a resurgence in demand for aircraft from our airline clients, underpinned by demand for consumer and business air travel. With our strong capital base and our young, fuel efficient fleet we are capitalizing on opportunities to fund aircraft delivering to our clients through sale and lease-back transactions, from our portfolio, as well as from our Airbus and Boeing order-books, to help our customers achieve their re-fleeting and growth goals. Over the past 20 years SMBC Aviation Capital has been supporting the airline community with capital and aircraft to modernize and grow their fleets. Emerging from the pandemic, we are exceptionally positioned to assist our customers and continue to grow our portfolio of modern aircraft on lease to valued clients.



# Financial Review.



**DURING THE YEAR**, we closed \$3bn of new transactions with leading airline credits. That equates to 28% of our pre-COVID portfolio and includes \$1.1bn of transactions in North America. We executed transactions on a global basis with well-known airline counterparties including EasyJet, Wizz, Turkish Airlines, Southwest, Delta, United, and Peach.

Without doubt, the COVID-19 pandemic has been the biggest shock to the global economy and the aviation industry experienced in modern times. The scale and impact have been unprecedented and caused significant distortions for financial markets, aircraft lessors, OEMs, and airlines.

Against that backdrop, SMBC Aviation Capital has performed well to remain profitable, with a number of factors helping us to achieve that positive outcome.

In the first instance, there was the response of our people who all pulled together despite the challenges of working remotely. They worked diligently and delivered for our customers and for the company.

Another key factor was the continued unwavering support of our shareholders. We were able to take a long-term view because we had prepared ourselves for an anticipated downturn in the industry before entering the crisis. We had already bolstered our balance sheet and had the necessary liquidity in place.

**SMBC Aviation Capital generated profit before tax of \$15.2m during the financial year ended 31 March 2021. While this represented a very significant fall from the previous year's record achievement of \$364.5m, this has to be seen in the context of the public health restrictions which all but grounded the aviation industry for much of the year.**

## Financial Review.



### Since year end, we have seen increased demand for new build aircraft and we have signed a deal to purchase 14 aircraft from Boeing at attractive prices.

This included direct financial support from our shareholders and having access to other sources of funding, if required, including the Japan Bank for International Cooperation (JBIC). That placed us in a strong position and allowed us to take advantage of opportunities in the market. The opportunities which manifested themselves were largely attractive sale and leaseback deals with \$3bn in sale and leaseback business transacted, delivering better returns than would have been achieved in the market prior to COVID-19. Indeed, we had \$4.9bn in available liquidity at end of the financial year.

Our focus on primarily narrow-body aircraft which are core to our customer's fleets meant that we had restructurings rather than many aircraft repossession during the financial year, which also allowed us to maintain profitability.

We have also been prudent in our approach and took a number of steps in anticipation of the temporary reduced demand for new order aircraft. These included the reprofiling of our order books with manufacturers, as we deferred aircraft orders with both Boeing and Airbus through the year.

Since year end, we have seen increased demand for new build aircraft and we have signed a deal to purchase 14 aircraft from Boeing at attractive prices. We are now focussed on our next financial year and beyond and are confident of a recovery in the industry which will be initially led by the short haul and low-cost sector, which complements our portfolio which is over 80% narrow-body aircraft. We believe we will start to see a reasonable uptick in demand for aircraft in 2021 and into 2022.

Lessors typically acquire aircraft from one of three channels, namely: (i) the direct purchase of aircraft from OEMs, (ii) sale and leasebacks with airlines and (iii) purchases from existing lessors. We have typically used all of those channels during the past 20 years with different levels of emphasis at different points in the market cycle.

The disrupted market conditions have allowed us in one month to order new aircraft; purchase aircraft from other lessors while concluding a number of sale and leaseback agreements directly with airlines. This was the first time we have used all three channels in such a tight timeframe and demonstrates our ability to identify and execute on different opportunities as they arise.

The other significant area of activity for us during the year was working with our airline customers that were dealing with severe financial difficulties. We worked closely with them to help them get through the crisis and we are pleased that we were in a position to help some of our longest standing and most trusted partners.

From our own point of view our primary focus was on cash flow collection and this improved steadily over the year with collection rates from rental deferrals rising to 99% by year end.

During the year, the average age of our portfolio reduced to four years with an average lease term remaining of 7.3 years. We are in a period of transition to the most environmentally friendly aircraft with 57% of the portfolio comprised of the newest technology available. We see this rising to above 80% newest technology aircraft over the next three years as part of our strategy.

## Financial Review.

That is all the more important in a world where environmental consciousness is rising to new levels. SMBC Aviation Capital wants to be at the vanguard of leading the change to new, more environmentally friendly aircraft. We already have one of the youngest and most fuel-efficient portfolios in our industry and we ultimately want to get to a carbon neutral position.

Like the broader industry, we are on a journey towards achieving that goal and we are initially working with airlines in areas like carbon offsets, we are also playing our part supporting the development of more sustainable aviation fuels and will be working with the OEMs on the development and financing of lower carbon emitting aircraft.



**We already have one of the youngest and most fuel-efficient portfolios in our industry and we ultimately want to get to a carbon neutral position.**



COVID-19 also highlighted the importance of the communities in which we operate and where our customers operate. We have continued to support those communities during the year and as travel increases again it will be even more important to continue to play a role in those communities.

Along with my role as Chief Financial Officer, I also have the privilege of sponsoring our equality, diversity and inclusion (EDI) initiative. EDI is much more embedded in people's consciousness now and we have made great progress on that during the year. Our EDI committee, MOSAIC, hosted a number of virtual events and training sessions through the year on unconscious bias as well as celebrating our cultural diversity by publishing a book for our employees which included snapshots of the many cultures and religions that make up SMBC Aviation Capital. We also celebrated Pride this year, hosting a number of sessions on themes of Support & Awareness while introducing the concept of Allyship to create a more comfortable, supportive & accepting place to work for all. We recognise that we have more to do but we are making strides as a business that champions equality, diversity and inclusion.

Thanks to the efforts of everyone involved – our employees, our board, our shareholders, our suppliers and our customers – the 2021 financial year finished in a better position than it may well have been given the industry background. We have succeeded in positioning the business strongly for the future during an unprecedented and challenging year.

**BARRY FLANNERY**  
CHIEF FINANCIAL OFFICER

# SMBC Aviation Capital Limited

## Directors' Report and Consolidated Financial Statements

**31 March 2021**

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## Directors and Other Information

### Directors

P Barrett (Irish)  
C A Ennis (Irish)  
B Flannery (Irish)  
D Swan (Irish)  
B Harvey (American)  
T Tanaka (Japanese; appointed 3 April 2020)  
M Tachibana (Japanese)  
E Ishida (Japanese)  
K Tanaka (Japanese)  
S Watanabe (Japanese)  
S Oka (Japanese)  
A Fukutome (Japanese; appointed 6 May 2021)

### Secretary

C A Ennis

### Registered Office

IFSC House  
IFSC  
Dublin 1  
Ireland

### Independent Auditor

KPMG  
Chartered Accountants  
1 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

### Solicitors

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

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

### Banks

SMBC Bank International plc  
99 Queen Victoria Street  
London EC4V 4EH  
United Kingdom

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

Citibank Europe plc  
1 North Wall Quay  
Dublin 1  
Ireland

## Directors' Report

The Directors present their report and the audited consolidated financial statements of SMBC Aviation Capital Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 March 2021. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

### Principal Activities

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

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

The Group and Company is a member of the Japanese consortium of Sumitomo Mitsui Financial Group ("SMFG") and Sumitomo Corporation ("SC") (the "Consortium"). The annual reports of these entities can be obtained at:

Sumitomo Corporation – <http://www.sumitomocorp.com/en/jp/ir>

Sumitomo Mitsui Financial Group – [http://www.smfg.co.jp/english/investor/financial/latest\\_statement.html](http://www.smfg.co.jp/english/investor/financial/latest_statement.html)

### Performance and Strategy

The Group and Company's strategy is to work closely and build strong relationships with its airline and investor customers to meet their specific requirements, while owning and leasing the most modern, fuel efficient and desirable aircraft. The Group and Company continues to actively manage the profile of its aircraft portfolio and, as a result, has maintained a young fleet with a weighted average age of 4.0 years as at 31 March 2021 (31 March 2020: 4.1 years).

At the end of the financial year, the financial position showed total assets of \$15.97 billion (31 March 2020: \$14.10 billion). The net book value of property, plant and equipment, including aircraft classified as finance lease and loan receivables of \$501.6m (31 March 2020: \$nil), was \$14.14 billion at the year-end (31 March 2020: \$12.66 billion including assets classified as held for sale). No aircraft assets or other property, plant and equipment were classified as held for sale as at 31 March 2021 (31 March 2020: aircraft assets of \$173.7 million).

The Group generated profit before tax of \$15.2 million during the year ended 31 March 2021 (year ended 31 March 2020: \$364.5 million). The performance of the Group and Company has been negatively impacted in the current financial period by the ongoing Covid-19 pandemic. The pandemic has resulted in significantly reduced operations for certain of our airline customers and in many cases the continued grounding of aircraft. This has put significant financial strain on a portion of our customer base and has resulted in (i) requests for lease rent deferrals, (ii) rental restructuring requests and (iii) in some cases, lease terminations. Approved requests for lease deferrals and other delays in payments by airlines have resulted in an increase in trade receivables and deferred lease receivables during the period to \$260.8 million (31 March 2020: \$85.5 million; note 17) and \$68.7 million (31 March 2020: \$18.4 million) respectively. In addition, a number of lessees have entered lease restructurings (both as part of or separate to formal restructuring processes), which have resulted either in credit provisions, impairment provisions or a combination of both. These events resulted in higher overall credit impairment provisions at 31 March 2021 of \$152.9 million (31 March 2020: \$12.2 million). These restructurings and terminations also contributed to additional asset impairment provisions of \$176.4 million during the year (year ended 31 March 2020: \$19.3 million; note 9), of which \$157.1 million related to aircraft where lessees were in default or restructuring processes (year ended 31 March 2020: \$17.36 million).

During the period, the Group and Company did sell its interest in the pre-petition claims against one of these lessees by way of sub-participation, resulting in an initial recognition of partial recovery of these claims of \$18.0 million in the current period.

The continued operation of most airlines at lower capacity than before the outbreak of the pandemic means demand for newly manufactured aircraft has also remained lower than expected. The Group and Company has mitigated this capacity risk by (i) cancelling the scheduled delivery of 21 aircraft on direct order with Boeing, with deliveries originally due in 2020, and (ii) deferring the delivery of 68 aircraft from their previously scheduled dates in the 2020 – 2022 period to the 2025 – 2027 period. The associated pre-delivery payments ("PDPs") for these cancellations and deferrals have been reclassified under Advances to Original Equipment Manufacturers ("OEMs"). An amount of \$741.2 million (note 15) is available as a credit against the purchase of other Boeing aircraft, goods or services or ultimately against the purchase of the deferred aircraft, with any remaining balances repayable between 2021 - 2024.

Separately, the Group also deferred the delivery of 23 aircraft on direct order with Airbus from their previously scheduled delivery dates in the 2021 - 2022 period to revised dates during the 2021 – 2026 period, as well as a further 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. The PDPs already paid in respect of these deferred aircraft will be applied against future PDP obligations on aircraft as they arise. The Group and Company has also temporarily paused the capitalisation of interest to the cost of these aircraft.

Management continues to assess any potential additional impact from the pandemic on the future performance of the Group.

The Directors do not recommend the payment of a dividend (31 March 2020: \$nil).

## Directors' Report (continued)

### Principal Risks and Uncertainties

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

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

The Covid-19 pandemic has had a significant impact on the aircraft leasing industry due to the widespread grounding of our airline customers' fleets and the resulting pressures on airline liquidity.

Additional risks that have been highlighted by the outbreak include:

- reduced demand for aircraft and negative impact on lease rates
- increased lease rent deferrals and potential aircraft return requests
- increased lessee defaults / bankruptcy and associated impairment risk
- further delays in aircraft deliveries
- increased costs of borrowings
- reduced sale proceeds due to the decrease in demand in the secondary market

For further detail on the principal financial risks and the Group and Company's policy for minimising these financial risks, refer to note 24.

### Financing

The Group and Company continues to benefit from its ownership structure noted above, which combines one of the world's largest financial institutions with one of the world's largest trading companies. This brings substantial financial strength and scale to the Group and Company's offering, which we were able to leverage during the current year. The Group's financial strength is also reflected in the Group and Company's credit rating of A- from both Fitch Ratings and Standard & Poor's (31 March 2020: Fitch: A-; Standard & Poor's: A-), positioning the business well to execute on its growth plans in the coming years.

Furthermore, the Group and Company is focussed on ensuring that it has sufficient available liquidity to meet its obligations as they fall due. As at 31 March 2021, the Group and Company had put in place \$5.0 billion of available capacity through a combination of undrawn credit approved shareholder funding (\$2.8 billion), third party availability (\$1.7 billion) and unrestricted cash balances.

The Group has short-term debt repayment obligations (due within 12 months) totalling \$1.31 billion and other current liabilities of \$381.2 million. The short-term debt obligations include shareholder funding repayments of \$361.8 million, which will become available as additional capacity on repayment. Other current liabilities include prepaid lease rentals and fee income of \$117.5 million and amounts payable to direct affiliates and other parent group undertakings of \$90.9 million. Maintenance reserves and lessor contributions totalling \$75.6 million are also included and fall due during the remaining term of each respective lease based on the timing of expected maintenance events. These events may occur later than expected due to the high level of grounding of lessee aircraft at the moment.

### Operational

The Group has 85 airline customers in 36 countries. The Group's fleet consists of 725 owned, managed and committed aircraft, including aircraft classified as finance lease and loan receivables.

During the financial year, the Group delivered an additional 20 aircraft from its order book across a diversified mix of customers in Europe, Asia and the Americas, while demand from stronger credit airlines for the sale and lease back of their aircraft assets increased as airlines sought to shore up liquidity to manage the impact of Covid-19 on their business.

Since 31 March 2020, we have entered into additional contracts or letters of intent to acquire 55 aircraft, including sale and lease back transactions, of which 48 had delivered during the period under review. These aircraft have replaced a significant portion of the aircraft from our order book which were due to deliver in this period, but which have been deferred or cancelled.

The Group continues to transition the portfolio into new technology aircraft with the delivery of \$2.5 billion of new technology aircraft, including aircraft classified as finance lease and loan receivables, in the period, which resulted in 58% of our portfolio now consisting of the newest technology aircraft, compared to 46% as at March 2020.

### People

The Group continues to develop our team to service the increased activity within our expanding aircraft operating lease base, resulting in an average number of people in the organisation during the year of 201 (2020: average of 192), consisting of both direct employees and representatives. The quality and commitment of staff in the Group, at all levels of the organisation, has been a key driving factor behind its ongoing growth and success.

### 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 24 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 2021 and the preceding year.

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

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of current developments in the Covid-19 situation on the Group and its customers. As noted above, there have been a number of requests for deferrals from customers during the year. The Group has ten aircraft off-lease at year-end, and twelve aircraft on lease (comprising \$40.2 million or 3.7% of annualised rentals) which are scheduled to complete their lease term within the next twelve months.

The Directors consider the cash position and resources available to the Group from its shareholders and third parties as highlighted in the Financing section as key, which, along with related forecasts, provide comfort over the sustainability of the Group and Company given the strong financial position. If the effects of the Covid-19 outbreak are deeper or more prolonged than currently expected, there would be a likely impact on future reporting periods. The Directors continue to keep the situation and the impact on the Group under review, with the support of the key service providers.

## Directors' Report (continued)

### Going Concern (continued)

Based on these factors, the Directors have a reasonable expectation that the Group has adequate liquidity and financial resources to continue in operation for at least the next twelve months and that the going concern basis of preparation remains appropriate.

### Directors' Compliance Statement

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

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

### Directors and Secretary

The present Directors and Secretary are listed on page 2. The following changes took place during the year:

Directors	Appointed
T Tanaka	Appointed 3 April 2020
A Fukutome	Appointed 6 May 2021

Directors	Resigned
S Hayashida	Resigned 3 April 2020
M Oshima	Resigned 6 May 2021

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

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

### Accounting Records

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

### Political Donations

The Company did not make any political donations in the year ended 31 March 2021 (2020: \$nil).

### Audit Committee

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

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

### Independent Auditor

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

### Relevant Audit Information

The Directors in office at the date of this report have each confirmed that as far as they are aware, there is no relevant audit information of which the Group's auditor is unaware; and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Post Balance Sheet Events

On 6 May 2021, Mr. M. Oshima resigned as Director. On the same day, Mr A. Fukutome was appointed as Director.

No other significant events affecting the Group and Company have occurred since 31 March 2021, which require adjustment to or disclosure in the Consolidated Financial Statements.

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



**P Barrett**  
Director

6 May 2021



**B Flannery**  
Director

6 May 2021

Company Registration No: 270775

## Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

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

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

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

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

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

On behalf of the Board:



**P Barrett**  
Director  
6 May 2021



**B Flannery**  
Director  
6 May 2021

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of SMBC Aviation Capital Limited ("the Company") and its consolidated undertakings (together "the Group") for the year ended 31 March 2021 set out on pages 27 to 75, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

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

### Opinions on other matters prescribed by the Companies Act 2014

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

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

### Matters on which we are required to report by exception

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

## Respective Responsibilities and Restrictions on Use

### Responsibilities of Directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## **Independent Auditor's Report to the members of SMBC Aviation Capital Limited (continued)**

### ***Auditor's responsibilities for the audit of the financial statements***

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

A fuller description of our responsibilities is provided on IAASA's website at [https://www.iaasa.ie/getmedia/b2389013%2D1cf6%2D458b%2D9b8f%2Da98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](https://www.iaasa.ie/getmedia/b2389013%2D1cf6%2D458b%2D9b8f%2Da98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf)

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

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Killian Croke**  
6 May 2021

for and on behalf of:

**KPMG**  
Chartered Accountants, Statutory Audit Firm  
1 Harbourmaster Place  
IFSC  
Dublin 1

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
<b>Continuing Operations</b>			
<b>Income</b>			
Lease revenue	2	1,130,832	1,154,215
Other revenue	2	13,721	15,334
Total revenues	2	1,144,553	1,169,549
Other operating income	3	22,697	46,591
		<b>1,167,250</b>	<b>1,216,140</b>
<b>Operating expenses</b>			
Depreciation	9	(442,094)	(413,162)
Asset impairment charge	9	(176,439)	(19,311)
Credit impairment charge	17	(153,872)	(8,230)
Operating expenses	4	(85,941)	(109,373)
		<b>308,904</b>	<b>666,064</b>
<b>Profit from Operating Activities</b>			
Finance income	7	95,208	127,572
Finance expense	7	(388,489)	(432,537)
Break (losses) / gains	7	(836)	4,533
Net trading gain / (expense)	7	442	(1,114)
		<b>(293,675)</b>	<b>(301,546)</b>
<b>Profit before Taxation</b>			
		<b>15,229</b>	<b>364,518</b>
Tax expense	8	(1,674)	(45,384)
		<b>13,555</b>	<b>319,134</b>
<b>Other Comprehensive Income</b>			
Cash flow hedges - effective portion of changes in fair value	14	275,269	(461,618)
Cash flow hedges - reclassified to profit or loss		820	(400)
Movement in fair value of available for sale assets		(1,260)	-
Tax on other comprehensive income		(34,512)	57,752
		<b>240,317</b>	<b>(404,266)</b>
<b>Other Comprehensive Income / (Expense) for the year, net of tax</b>			
		<b>253,872</b>	<b>(85,132)</b>
<b>Total Comprehensive Income / (Loss) for the year</b>			

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



**P Barrett**  
Director  
6 May 2021



**B Flannery**  
Director  
6 May 2021

# Consolidated Statement of Financial Position

As at 31 March 2021

	Note	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	9	13,638,022	12,486,910
Intangible assets	10	3,081	1,293
Advances to OEMs	15	364,577	-
Finance lease and loan receivables	16	475,532	-
Lease incentive assets	19	13,604	23,782
Derivative financial instruments	13	-	2,813
		<u>14,494,816</u>	<u>12,514,798</u>
<b>Current Assets</b>			
Advances to OEMs	15	376,602	-
Assets held for sale	20	-	173,677
Finance lease and loan receivables	16	26,040	-
Trade and other receivables	17	242,029	160,286
Cash and cash equivalents	18	817,055	1,242,356
Lease incentive assets	19	8,348	9,494
Derivative financial instruments	13	1,373	11
		<u>1,471,447</u>	<u>1,585,824</u>
<b>Total Assets</b>		<u>15,966,263</u>	<u>14,100,622</u>
<b>Equity</b>			
Share capital	27	887,513	887,513
Other components of equity	28	193,714	(47,863)
Profit or Loss Account		2,025,671	2,013,376
<b>Total Equity</b>		<u>3,106,898</u>	<u>2,853,026</u>
<b>Non-Current Liabilities</b>			
Trade and other payables	21	597,805	613,518
Obligations under finance leases	22	2,389	5,561
Borrowings	23	9,602,958	8,521,237
Deferred tax liabilities	25	355,840	319,969
Derivative financial instruments	13	312,393	588,100
Subordinated liabilities	26	300,000	300,000
		<u>11,171,385</u>	<u>10,348,385</u>
<b>Current Liabilities</b>			
Liabilities associated with assets held for sale	20	-	17,187
Trade and other payables	21	380,297	388,439
Obligations under finance leases	22	3,171	3,052
Borrowings	23	1,303,567	490,017
Derivative financial instruments	13	945	516
		<u>1,687,980</u>	<u>899,211</u>
<b>Total Liabilities</b>		<u>12,859,365</u>	<u>11,247,596</u>
<b>Total Equity and Liabilities</b>		<u>15,966,263</u>	<u>14,100,622</u>

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



**P Barrett**  
Director  
6 May 2021



**B Flannery**  
Director  
6 May 2021

# Company Statement of Financial Position

As at 31 March 2021

	Note	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	9	13,476,017	12,485,302
Intangible assets	10	3,081	1,293
Advances to OEMs	15	364,577	-
Loan receivables	16	603,005	-
Investment in subsidiaries	11	56,697	15,509
Lease incentive assets	19	13,604	23,782
Derivative financial instruments	13	-	2,813
		<u>14,516,981</u>	<u>12,528,699</u>
<b>Current Assets</b>			
Advances to OEMs	15	376,602	-
Assets held for sale	20	-	173,677
Loan receivables	16	32,626	-
Trade and other receivables	17	238,811	162,951
Cash and cash equivalents	18	811,893	1,242,001
Lease incentive assets	19	8,348	9,494
Derivative financial instruments	13	1,373	11
		<u>1,469,653</u>	<u>1,588,134</u>
<b>Total Assets</b>		<u>15,986,634</u>	<u>14,116,833</u>
<b>Equity</b>			
Share capital	27	887,513	887,513
Other components of equity	28	191,747	(49,830)
Profit or loss account		1,982,363	1,973,306
<b>Total Equity</b>		<u>3,061,623</u>	<u>2,810,989</u>
<b>Non-Current Liabilities</b>			
Trade and other payables	21	588,620	612,892
Obligations under finance leases	22	2,389	5,561
Borrowings	23	9,652,957	8,521,237
Deferred tax liabilities	25	355,848	319,977
Derivative financial instruments	13	312,393	588,100
Subordinated liabilities	26	300,000	300,000
		<u>11,212,207</u>	<u>10,347,767</u>
<b>Current Liabilities</b>			
Liabilities associated with assets held for sale	20	-	17,187
Trade and other payables	21	410,433	447,304
Obligations under finance leases	22	3,171	3,052
Borrowings	23	1,298,255	490,018
Derivative financial instruments	13	945	516
		<u>1,712,804</u>	<u>958,077</u>
<b>Total Liabilities</b>		<u>12,925,011</u>	<u>11,305,844</u>
<b>Total Equity and Liabilities</b>		<u>15,986,634</u>	<u>14,116,833</u>

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



**P Barrett**  
Director  
6 May 2021



**B Flannery**  
Director  
6 May 2021

## Consolidated Statement of Changes in Equity

As at 31 March 2021

	Note	Share Capital US \$'000	Other Reserves (incl. Share Premium) US \$'000	Cash Flow Hedge Reserve US \$'000	Retained Earnings US \$'000	Total Equity US \$'000
<b>Balance at 31 March 2019</b>		887,513	470,555	(114,152)	1,694,310	2,938,226
Adjustment on initial application of IFRS16 (net of tax)		-	-	-	(68)	(68)
<b>Adjusted balance at 1 April 2019</b>		887,513	470,555	(114,152)	1,694,242	2,938,158
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	319,134	319,134
Other comprehensive expenses for the year	28	-	-	(404,266)	-	(404,266)
		-	-	(404,266)	319,134	(85,132)
<b>Balance at 31 March 2020</b>		887,513	470,555	(518,418)	2,013,376	2,853,026
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	13,555	13,555
Other comprehensive expenses for the year	28	-	-	241,577	(1,260)	240,317
		-	-	241,577	12,295	253,872
<b>Balance at 31 March 2021</b>		887,513	470,555	(276,841)	2,025,671	3,106,898

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

## Company Statement of Changes in Equity

As at 31 March 2021

	Note	Share Capital US \$'000	Other Reserves (incl. Share Premium) US \$'000	Cash Flow Hedge Reserve US \$'000	Retained Earnings US \$'000	Total Equity US \$'000
<b>Balance at 31 March 2019</b>		887,513	468,588	(114,152)	1,654,603	2,896,552
Adjustment on initial application of IFRS16 (net of tax)		-	-	-	(56)	(56)
<b>Adjusted balance at 1 April 2019</b>		887,513	468,588	(114,152)	1,654,547	2,896,496
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	318,759	318,759
Other comprehensive expenses for the year	28	-	-	(404,266)	-	(404,266)
		-	-	(404,266)	318,759	(85,507)
<b>Balance at 31 March 2020</b>		887,513	468,588	(518,418)	1,973,306	2,810,989
<b>Total comprehensive income</b>						
Profit for the year		-	-	-	10,317	10,317
Other comprehensive expenses for the year	28	-	-	241,577	(1,260)	240,317
		-	-	241,577	9,057	250,634
<b>Balance at 31 March 2021</b>		887,513	468,588	(276,841)	1,982,363	3,061,623

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

# Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
<b>Profit before Tax</b>		15,229	364,518
Adjustments for:			
Depreciation of property, plant and equipment	9	442,094	413,162
Impairment of property, plant and equipment	9	176,439	19,311
Amortisation of computer software intangible assets	10	755	1,667
Lease incentive asset amortisation	19	15,924	16,326
Credit impairment charge	17	153,872	8,230
Net interest expense		293,656	300,183
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(442)	1,114
Profit on disposal of assets held under operating leases	3	(1,857)	(33,604)
		<hr/>	<hr/>
		1,095,670	1,090,907
Increase in receivables		(247,632)	(74,198)
(Decrease) / increase in payables		(40,145)	13,839
		<hr/>	<hr/>
<b>Cash generated by Operations</b>		807,893	1,030,548
Income taxes paid		(400)	(852)
Interest paid		(357,148)	(352,966)
		<hr/>	<hr/>
<b>Net Cash from Operating Activities</b>		450,345	676,730
<b>Investing Activities</b>			
Proceeds on disposal of property, plant and equipment		90,802	956,313
Purchases of property, plant and equipment		(2,851,456)	(2,051,184)
Purchases of intangible assets		(2,543)	(978)
		<hr/>	<hr/>
<b>Net Cash used in Investing Activities</b>		(2,763,197)	(1,095,849)
<b>Financing Activities</b>			
Receipts from / (payments to) restricted cash accounts		240,100	(444,800)
Repayment of obligations under finance leases		(7,703)	(23,274)
Proceeds from indebtedness		2,595,900	2,225,587
Repayments of indebtedness		(701,568)	(1,065,816)
		<hr/>	<hr/>
<b>Net Cash from Financing Activities</b>		2,126,729	691,697
<b>Effect of Exchange Rate Changes on Unrestricted Cash and Cash Equivalents</b>		922	(532)
<b>Net (Decrease) / Increase in Unrestricted Cash and Cash Equivalents</b>		(185,201)	272,046
<b>Unrestricted Cash and Cash Equivalents at beginning of the period</b>		640,556	368,510
<b>Unrestricted Cash and Cash Equivalents at end of the period</b>	18	455,355	640,556
Unrestricted cash and cash equivalents as above	18	455,355	640,556
Restricted cash as reported	18	361,700	601,800
		<hr/>	<hr/>
Total cash and cash equivalents	18	817,055	1,242,356

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

# Company Statement of Cash Flows

For the year ended 31 March 2021

	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
<b>Profit before Tax</b>	11,618	363,840
Adjustments for:		
Depreciation of property, plant and equipment	439,962	412,068
Impairment of property, plant and equipment	176,439	19,311
Amortisation of computer software intangible assets	755	1,667
Impairment of investment in subsidiary	12	-
Lease incentive asset amortisation	15,924	16,326
Credit impairment charge	153,872	8,230
Net interest expense	292,851	301,584
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges	(442)	1,114
Profit on disposal of assets held under operating leases	(1,748)	(34,852)
	<hr/> 1,089,243	<hr/> 1,089,288
Increase in receivables	(360,610)	(3,665)
(Decrease) / increase in payables	(17,032)	34,053
	<hr/> 711,601	<hr/> 1,119,676
<b>Cash generated by Operations</b>	711,601	1,119,676
Income taxes paid	57	(19)
Interest paid	(350,768)	(357,633)
	<hr/> 360,890	<hr/> 762,024
<b>Net Cash from Operating Activities</b>	360,890	762,024
<b>Investing Activities</b>		
Proceeds on disposal of property, plant and equipment	90,693	956,313
Purchases of property, plant and equipment	(2,202,113)	(2,124,142)
Purchases of intangible assets	(2,543)	(978)
Investment in subsidiary	(41,200)	-
Loans provided to subsidiaries	(510,632)	-
	<hr/> (2,665,795)	<hr/> (1,168,807)
<b>Net Cash used in Investing Activities</b>	(2,665,795)	(1,168,807)
<b>Financing Activities</b>		
Receipts from / (payments to) restricted cash accounts	240,100	(444,800)
Repayment of obligations under finance leases	(7,703)	(23,274)
Proceeds from indebtedness	2,640,588	1,728,240
Repayments of indebtedness	(759,020)	(581,102)
	<hr/> 2,113,965	<hr/> 679,064
<b>Net Cash from Financing Activities</b>	2,113,965	679,064
<b>Effect of Exchange Rate Changes on Unrestricted Cash and Cash Equivalents</b>	932	(368)
<b>Net (Decrease) / Increase in Unrestricted Cash and Cash Equivalents</b>	(190,008)	271,913
<b>Unrestricted Cash and Cash Equivalents at beginning of the period</b>	640,201	368,288
<b>Unrestricted Cash and Cash Equivalents at end of the period</b>	18 450,193	640,201
Unrestricted cash and cash equivalents as above	18 450,193	640,201
Restricted cash as reported	18 361,700	601,800
Total cash and cash equivalents	18 811,893	1,242,001

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

# Notes to the Consolidated Financial Statements

## 1 Significant Accounting Policies

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

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

### a Basis of preparation

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

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

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

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

The Group's activities are capital intensive by their nature, and have been funded with a combination of equity and debt capital provided by its shareholders and third party debt financing. The ability of the Group to continue to operate is dependent upon (among other matters) its ability to meet (i) its debt repayment obligations under the respective loan agreements as set out in note 23 'Borrowings' and (ii) its future aircraft purchases as set out in note 31 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 24 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 29 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

### b Estimates and judgements

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

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

#### *Note 9 - Property, Plant and Equipment:*

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

#### *Note 17 – Credit impairment provisions*

The Group recognizes an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables, loan receivables and finance lease receivables include the estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

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.

## Notes to the Consolidated Financial Statements (continued)

### 1 Significant Accounting Policies (continued)

#### 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 2021. The Group does not have investments in associates or joint ventures as defined in IFRS.

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

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

#### Subsidiaries

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

#### Common control transactions

Business combinations under common control are accounted for in the consolidated financial statements 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 transferor. 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.

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

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

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

#### f Fee income

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

#### g Borrowing costs

Borrowing costs attributable to the acquisition of aircraft not yet delivered are capitalised as part of aircraft cost, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### h Taxation

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

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

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

## Notes to the Consolidated Financial Statements (continued)

### 1 Significant Accounting Policies (continued)

#### i Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

##### *i. As a lessor*

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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Group and Company's net investment outstanding in respect of the leases.

##### *ii. As a lessee*

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

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

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

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group and Company present lease liabilities in 'trade and other payables' in the statement of financial position.

#### j Foreign currency

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

#### k Property, plant and equipment

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

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

##### *Aircraft for hire under operating leases*

— to the next useful economic life ("UEL") point, maximum of 5 years

##### *Office equipment and fixtures & fittings*

— 3 to 10 years from date when brought into use

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

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

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

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

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

#### l Maintenance component assets

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

## Notes to the Consolidated Financial Statements (continued)

### 1 Significant Accounting Policies (continued)

#### m Inventory

Inventory consists primarily of engines and airframes which are valued at the lower of cost or market value. Cost is primarily determined using the specific identification method for individual part purchases and on an allocated basis for engines and airframes. Costs are allocated using the relationship of the cost of the engine or airframe to estimated retail sales value at the time of purchase.

#### n Intangible assets

Intangible assets are initially recognised at cost which is their fair value at the date of acquisition or capitalisation of related staff costs. 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.

#### o Impairment of non-financial assets

Long-term tangible and intangible assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value in use includes cash flow projections of contracted and estimated lease rentals, with probabilities assigned to such cash flows where expected outcomes may vary. 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.

#### p Pre-delivery payments

Pre-delivery payments ("PDPs") are recorded in the Consolidated Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. As aircraft which are subject to PDPs are delivered, all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment. The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid.

#### q Non-current assets and liabilities held for sale

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

#### r Financial instruments

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

Financial assets at fair value through other comprehensive income include investments in equity instruments which are not held for trading. All other financial assets are classified as measured at fair value through profit or loss ("FVTPL").

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

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

#### s Derivatives and hedge accounting

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

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

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

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

## Notes to the Consolidated Financial Statements (continued)

### 1 Significant Accounting Policies (continued)

#### s Derivatives and hedge accounting (continued)

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

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

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

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

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

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. The Group and Company's pricing and valuation methods are managed in conjunction with Sumitomo Mitsui Banking Corporation Capital Markets Inc.

The current pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices. Values established from pricing models are adjusted for credit risk and liquidity risk.

#### t 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.

#### u Amounts receivable under finance leases

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

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

#### v Loans receivable and advances to OEMs

Loan receivables and advances to OEMs 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 profit or loss 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.

#### w 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.

#### x Restricted cash

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

## Notes to the Consolidated Financial Statements (continued)

### 1 Significant Accounting Policies (continued)

#### y Lease incentive accounting

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

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

#### z 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.

#### aa 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.

#### bb Pensions

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

#### cc Short term employee benefits

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

#### dd Profit from operating activities

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

#### ee 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.

### ff New standards adoption and amendments to IFRS

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

#### *Definition of Material – Amendments to IAS 1 and IAS 8*

These amendments make it easier for companies to define materiality judgements.

#### *IFRS 3 Business Combinations (amendment) (IFRS 3)*

This amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

#### *IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (amendments) (IFRS 9) and IAS 39 Financial Instruments: Recognition and Measurement (IAS 39)*

Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs") on hedge accounting.

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform.

In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

#### *Conceptual Framework for Financial Reporting (revised) (Conceptual Framework)*

The revised Conceptual Framework includes a comprehensive set of concepts for financial reporting, replacing the previous version of the Conceptual Framework. These concepts are used by the IASB as the framework for setting IFRS standards. The revision did not result in any changes to IFRS standards.

#### *Other standards, amendments to standards and interpretations not yet effective*

The following amended standards and interpretations approved by the IASB will be relevant to the Group and Company, but were not effective at 31 March 2021, and have not been applied in preparing these financial statements:

#### — IFRS 17 Insurance Contracts

These are all effective for annual periods beginning on or after 1 January 2021 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

## Notes to the Consolidated Financial Statements (continued)

### 2 Revenue

	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
Operating lease revenue		
Rentals receivable	1,084,454	1,092,548
Lease incentive amortisation (note 19)	(15,924)	(16,326)
Maintenance income	62,302	77,993
	<hr/>	<hr/>
Lease revenue	1,130,832	1,154,215
Fee income		
Aircraft management fees	13,721	15,334
	<hr/>	<hr/>
Other revenue	13,721	15,334
	<hr/>	<hr/>
	1,144,553	1,169,549
	<hr/>	<hr/>

Rentals receivable for the period include the net release of a provision for deferred rentals totalling \$3.71 million in relation to a number of leases that were restructured during the year ended 31 March 2017 (year ended 31 March 2020: net release of \$4.01 million).

Included in operating lease revenue above are the following amounts:

Contingent rentals	12,431	41,276
	<hr/>	<hr/>

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

	Year ended 31 March 2021 US \$'000	Year ended 31 March 2021 %	Year ended 31 March 2020 US \$'000	Year ended 31 March 2020 %
Total revenue distribution by geographical region:				
Emerging Asia	357,871	33.0	369,281	33.8
South America	213,637	19.7	249,101	22.8
Developed Europe	195,202	18.0	168,252	15.4
Emerging Europe	108,445	10.0	89,589	8.2
Asia	86,756	8.0	91,774	8.4
Middle East & Africa	62,898	5.8	58,998	5.4
North America	59,645	5.5	65,553	6.0
	<hr/>		<hr/>	
	1,084,454	100.0	1,092,548	100.0
	<hr/>		<hr/>	

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

## Notes to the Consolidated Financial Statements (continued)

### 3 Other Operating Income

	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
Profit on disposal of property, plant and equipment	1,857	33,604
Other operating income	20,840	12,987
	<u>22,697</u>	<u>46,591</u>

Profit on disposal of property, plant and equipment decreased in the current year due to lower aircraft trading activity.

### 4 Other Operating Expenses

	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
Administration expenses	(85,186)	(107,706)
Amortisation of computer software intangible assets	(755)	(1,667)
	<u>(85,941)</u>	<u>(109,373)</u>

Operating expenses decreased during the year due to lower discretionary staff costs (note 6). Separately, the classification of the credit impairment charge in the consolidated statement of comprehensive income was changed during this period, having previously been included in Operating expenses, but now disclosed separately.

### 5 Profit from Operating Activities

	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
Operating profit has been arrived at after charging:		
Depreciation	442,094	413,162
Asset impairment charge	176,439	19,311
Credit impairment charge	153,872	8,230
Fees and commissions	-	6
Group service fee	15,690	19,138
Auditors remuneration	1,148	942
Staff costs (note 6)	57,742	80,373
Other operating expenses	23,332	33,121
Foreign exchange loss / (gain)	460	248
	<u>1,148</u>	<u>942</u>
Auditors remuneration		
Audit of the Group financial statements	577	420
Audit of the Subsidiary financial statements	98	58
Other assurance services	136	137
Other non-audit services	-	-
Tax advisory services	337	327
	<u>1,148</u>	<u>942</u>
Of which related to the Company	<u>885</u>	<u>884</u>

## Notes to the Consolidated Financial Statements (continued)

### 6 Staff Costs

	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
Staff costs	48,156	71,052
Social security costs	5,442	5,573
Other pension costs	4,144	3,748
	<u>57,742</u>	<u>80,373</u>

Staff costs decreased due to lower discretionary costs, while staff costs totalling \$0.34 million were capitalised during the year (year ended 31 March 2020: \$nil). The average number of people in the organisation during the financial year was 201 (2020: 192), consisting of both direct employees and representatives, of which 44 staff members were dedicated to commercial & strategy functions (2020: 42), 79 to operational (2020: 77) and the remainder to finance, compliance and other support functions.

### 7 Net Finance Costs

	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
Finance income:		
Interest income on swaps	92,857	117,798
Interest income on finance lease and loan receivables	1,642	-
Interest income on deposits	709	9,774
Total interest income	<u>95,208</u>	<u>127,572</u>
Finance expense:		
Interest payable on swaps	(160,302)	(136,215)
Interest payable on borrowings	(253,886)	(339,120)
Less: Interest capitalised to the cost of aircraft (see note 23)	49,576	67,464
Bank charges, guarantee & other fees on borrowings	(23,877)	(24,666)
Total interest payable and related charges	<u>(388,489)</u>	<u>(432,537)</u>
Net interest payable	<u>(293,281)</u>	<u>(304,965)</u>

Interest payable on borrowings is shown net of interest income on advances to OEMs, in excess of associated funding costs, of \$25.3 million, which resulted from the restructuring of PDPs during the year (note 15).

Break (losses) / gains related to derivatives and liability management	<u>(836)</u>	<u>4,533</u>
Net trading income:		
Fair value movement on interest rate swaps in qualifying hedging relationships	(1,441)	16,483
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	1,883	(17,597)
Net gain / (expense) from financial instruments at fair value (note 23)	<u>442</u>	<u>(1,114)</u>

The portion of the net income from financial instruments carried at fair value relating to the ineffective portion of the fair value hedges at 31 March 2021 is a gain of \$0.44 million (year ended 31 March 2020: net expense of \$1.11 million).

## Notes to the Consolidated Financial Statements (continued)

### 8 Taxation

	Year ended 31 March 2021 US \$'000	Year ended 31 March 2020 US \$'000
<b>a Analysis of tax charge for the year</b>		
Current tax charge:		
Current year	315	322
Deferred tax - origination and reversal of temporary differences:		
Current year	1,359	45,061
Tax charge	1,674	45,383
<b>b Factors affecting the tax charge for the year</b>		
Profit before tax subject to tax at 12.5% (2020: 12.5%)	11,886	362,490
Profit before tax subject to tax at 28% (2020: 28%)	76	50
Profit before tax subject to tax at 25% (2020: 25%)	1,117	1,884
Profit before tax subject to tax at 16.5% (2020: 16.5%)	1,042	94
Profit before tax subject to tax at 8.25% (2020: - )	1,108	-
	15,229	364,518
Tax on profit at the rate of 12.5% (2020: 12.5%)	1,486	45,311
Tax on profit at the rate of 28% (2020: 28%)	21	14
Tax on profit at the rate of 25% (2020: 25%)	279	471
Tax on profit at the rate of 16.5% (2020: 16.5%)	172	16
Tax on profit at the rate of 8.25% (2020: - )	91	-
Other differences	(21)	172
Adjustment to assessed loss brought forward	(177)	(590)
Permanent difference - non-taxable income	(212)	(184)
Permanent difference - disallowed expenses	35	173
Tax charge	1,674	45,383

## Notes to the Consolidated Financial Statements (continued)

### 9 Property, Plant and Equipment

	Group Aircraft for hire under operating leases US \$'000	Group Pre- Delivery Payments US \$'000	Group Office equipment and fixtures & fittings US \$'000	Group Right-of-use assets US \$'000	Group Total US \$'000
<b>Cost</b>					
At 31 March 2019	11,282,374	1,674,089	11,533	-	12,967,996
Adjustment on initial application of IFRS16	-	-	-	9,677	9,677
At 1 April 2019	11,282,374	1,674,089	11,533	9,677	12,977,673
Additions	1,566,794	572,090	613	-	2,139,497
Transfers	172,849	(172,849)	-	-	-
Disposals	(488,072)	-	-	-	(488,072)
Transfer to assets held for sale (see note 20)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,146	9,677	13,833,511
Additions	2,475,880	363,186	523	2,378	2,841,967
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 15)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 20)	131,974	-	-	-	131,974
At 31 March 2021	14,613,989	974,258	12,669	12,055	15,612,971
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2019	1,211,991	-	8,623	-	1,220,614
Charge for the year	408,780	-	1,893	2,489	413,162
Impairment charge for the year	19,311	-	-	-	19,311
Disposals	(109,582)	-	-	-	(109,582)
Transfer to assets held for sale (see note 20)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,516	2,489	1,346,601
Charge for the year	438,250	-	824	3,020	442,094
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,464)	-	-	-	(5,464)
Transfer from assets held for sale (see note 20)	15,279	-	-	-	15,279
At 31 March 2021	1,958,100	-	11,340	5,509	1,974,949
<b>Carrying Amount</b>					
Net Book Value at 31 March 2021	12,655,889	974,258	1,329	6,546	13,638,022
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,630	7,188	12,486,910

During the year, assets in the Group with a carrying value of \$1.58 billion (year ended 31 March 2020: \$152.35 million) and average age of 7.4 years (year ended 31 March 2020: 7.4 years) were subject to impairment partly due to a deterioration in the inherent value of these aircraft and an assessment of the value of the leases attached to them, when assessed at a discount rate of 5% (year ended 31 March 2020: 5%) depending on the nature of the cash flows assessed, as well as restructured lease cash flows related to aircraft where lessees were in default or restructuring processes.

The carrying amount before impairment of these aircraft of \$1.76 billion (year ended 31 March 2020: \$171.66 million) was determined to be higher than the value in use of \$1.58 billion (year ended 31 March 2020: \$152.35 million) and an impairment loss of \$176.44 million (year ended 31 March 2020: \$19.31 million) was recognised during the year. The amount of impairment loss related to aircraft where lessees were in default or restructuring processes was \$157.14 million (year ended 31 March 2020: \$17.36 million), with the balance relating to aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value as set out below.

## Notes to the Consolidated Financial Statements (continued)

### 9 Property, Plant and Equipment (continued)

Value in use includes cash flow projections of contracted and estimated lease rentals in line with market participant expectations, including reduced lease rentals for airlines that have entered restructuring processes. In certain instances these cash flow projections may also include potential cash outflows in respect of near-term scheduled maintenance events. Cash flow assumptions applied for these lease restructurings and for customers with ongoing restructuring negotiations, have been assessed and the highly probable outcomes have been included in line with the customer specific circumstances. If future cash flows were to deviate from current negotiations to worst-case cash flows at market rates, the impact on impairment would be deemed not material. 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, or in the case of potential repossessions on an 'as is' physical condition. The impairment loss recognised takes account of both the value in use and the maintenance adjusted current market value of the relevant aircraft.

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated time on the ground, estimated residual values, economic conditions, technology and airline demand for particular aircraft variants. These estimated cashflows were discounted at 5% (year ended 31 March 2020: 5%) per annum.

A sensitivity analysis was performed to determine the potential impact of the below movements in the various risk variables:

- 0.5% increase / decrease in the discount rate used
- 5% increase / decrease in the future lease rental cashflows of each aircraft
- 5% increase / decrease in the residual value of aircraft at end of its useful economic life
- 3 month increase / decrease in the estimated time on the ground between leases

None of the above movements in risk variables would have resulted in a material impact on the impairment charge for property, plant and equipment for the current or prior year.

The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid. There was no impairment on PDPs in the current or prior period.

The value of maintenance component assets included in above is \$3.86 million (31 March 2020: \$3.86 million). The maintenance component assets arose from the purchase of second hand aircraft during a prior year and are accounted for in accordance with our policy as set out in note 1(l). The carrying amount of assets included above subject to obligations under finance leases is \$24.12 million (31 March 2020: \$29.48 million).

During the year, the Group and Company deferred the delivery of 23 aircraft on direct order with Airbus from their previously scheduled delivery dates in the 2021 - 2022 period to revised dates during the 2021 – 2026 period, as well as a further 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. The PDPs already paid in respect of these deferred aircraft will be applied against future PDP obligations on aircraft as they arise. The Group and Company has temporarily paused the capitalisation of interest to the cost of these aircraft.

Separately, the Group and Company also (i) cancelled the scheduled delivery of 21 aircraft on direct order with Boeing, with deliveries originally due in 2020, and (ii) deferred the delivery of 68 aircraft from their previously scheduled dates in the 2020 – 2022 period to the 2025 – 2027 period. The associated PDPs for these cancellations and deferrals have been reclassified under Advances to OEMs (note 15).

At 31 March 2021 the Group owned 302 aircraft, including aircraft classified as finance lease and loan receivables. The Group has ten aircraft off-lease at year-end and twelve aircraft on lease which are scheduled to complete their lease term within the next twelve months. There were no aircraft held for sale at 31 March 2021 (31 March 2020: 5 aircraft and 1 engine).

## Notes to the Consolidated Financial Statements (continued)

### 9 Property, Plant and Equipment (continued)

	Company Aircraft for hire under operating leases US \$'000	Company Pre- Delivery Payments US \$'000	Company Office equipment and fixtures & fittings US \$'000	Company Right-of-use assets US \$'000	Company Total US \$'000
<b>Cost</b>					
At 31 March 2019	11,282,374	1,601,132	11,516	-	12,895,022
Adjustment on initial application of IFRS16	-	-	-	6,983	6,983
At 1 April 2019	11,282,374	1,601,132	11,516	6,983	12,902,005
Additions	1,632,156	579,685	613	-	2,212,454
Transfers	107,487	(107,487)	-	-	-
Disposals	(488,072)	-	-	-	(488,072)
Transfer to assets held for sale (see note 20)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,129	6,983	13,830,800
Additions	2,313,623	363,186	523	2,110	2,679,442
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 15)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 20)	131,974	-	-	-	131,974
At 31 March 2021	14,451,732	974,258	12,652	9,093	15,447,735
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2019	1,211,993	-	8,614	-	1,220,607
Charge for the year	408,780	-	1,891	1,397	412,068
Impairment charge for the year	19,311	-	-	-	19,311
Disposals	(109,584)	-	-	-	(109,584)
Transfer to assets held for sale (see note 20)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,505	1,397	1,345,498
Charge for the year	437,217	-	823	1,924	439,964
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,462)	-	-	-	(5,462)
Transfer from assets held for sale (see note 20)	15,279	-	-	-	15,279
At 31 March 2021	1,957,069	-	11,328	3,321	1,971,718
<b>Carrying Amount</b>					
Net Book Value at 31 March 2021	12,494,663	974,258	1,324	5,772	13,476,017
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,624	5,586	12,485,302

## Notes to the Consolidated Financial Statements (continued)

### 10 Intangible Assets

	Group intangible assets US \$'000	Company intangible assets US \$'000
<b>Cost</b>		
At 1 April 2019	16,443	13,610
Additions	978	978
Disposals	(3,528)	(695)
	<hr/>	<hr/>
At 31 March 2020	13,893	13,893
Additions	2,543	2,543
	<hr/>	<hr/>
At 31 March 2021	16,436	16,436
	<hr/>	<hr/>
<b>Amortisation and Other Adjustments</b>		
At 1 April 2019	14,461	11,628
Amortisation for the year	1,667	1,667
Disposals	(3,528)	(695)
	<hr/>	<hr/>
At 31 March 2020	12,600	12,600
Amortisation for the year	755	755
	<hr/>	<hr/>
At 31 March 2021	13,355	13,355
	<hr/>	<hr/>
<b>Total Intangible Assets</b>		
At 31 March 2021	3,081	3,081
	<hr/>	<hr/>
At 31 March 2020	1,293	1,293
	<hr/>	<hr/>

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

As at 31 March 2021, intangible assets consist of computer software intangible assets with a remaining amortisable life of less than three years.

## Notes to the Consolidated Financial Statements (continued)

### 11 Investment in Subsidiaries - Company

	31 March 2021 US \$'000	31 March 2020 US \$'000
At cost	56,697	15,509

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

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

A new subsidiary, SMBC Aviation Capital Hong Kong 3 Limited, was incorporated on 3 August 2020 as a subsidiary of the existing subsidiary, SMBC Aviation Capital Hong Kong Limited, while an existing subsidiary, SMBC Aviation Capital GAL Holdings Limited, was dissolved on 10 June 2020. During September 2020, the Company also increased its investment in SMBC Aviation Capital Hong Kong Limited by \$41.20 million.

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

- (1) IFSC House, IFSC, Dublin 1, Ireland
- (2) Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands
- (3) 3-5, rue Saint-Georges, 75009 Paris, France
- (4) Unit 4307-09, Level 43, Champion Tower, 3 Garden Road, Central, Hong Kong

Movements during the year	US \$'000
At 1 April 2019	15,509
Addition during the year	0
	<hr/>
At 31 March 2020	15,509
Addition during the year	41,200
Subsidiaries liquidated during the year	(12)
	<hr/>
At 31 March 2021	56,697

## Notes to the Consolidated Financial Statements (continued)

### 12 Financial Instruments

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

<b>31 March 2021</b>	Group Carrying Value US \$'000	Group Fair Value US \$'000	Company Carrying Value US \$'000	Company Fair Value US \$'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	1,373	1,373	1,373	1,373
Financial assets measured at amortised cost				
Advances to OEMs	741,179	742,114	741,179	742,114
Finance lease and loan receivables	501,572	501,661	635,631	702,651
Trade and other receivables	242,029	242,029	238,811	238,811
Cash and cash equivalents	817,055	817,055	811,893	811,893
Financial assets	<u>2,303,208</u>	<u>2,304,232</u>	<u>2,428,887</u>	<u>2,496,842</u>
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	313,338	313,338	313,338	313,338
Borrowings (held for qualifying hedging relationships)	501,738	501,738	501,738	501,738
Financial liabilities measured at amortised cost:				
Obligations under finance leases	5,560	5,889	5,560	5,889
Trade and other payables	978,102	978,102	999,053	999,053
Borrowings	10,404,787	11,488,817	10,449,474	10,087,272
Subordinated liabilities	300,000	371,917	300,000	371,917
Financial liabilities	<u>12,503,525</u>	<u>13,659,801</u>	<u>12,569,163</u>	<u>12,279,207</u>
<b>31 March 2020</b>	Group Carrying Value US \$'000	Group Fair Value US \$'000	Company Carrying Value US \$'000	Company Fair Value US \$'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	2,824	2,824	2,824	2,824
Financial assets measured at amortised cost				
Trade and other receivables	160,286	160,286	162,951	162,951
Cash and cash equivalents	1,242,356	1,242,356	1,242,001	1,242,001
Financial assets	<u>1,405,466</u>	<u>1,405,466</u>	<u>1,407,776</u>	<u>1,407,776</u>
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	588,616	588,616	588,616	588,616
Borrowings (held for qualifying hedging relationships)	502,777	502,777	502,777	502,777
Financial liabilities measured at amortised cost:				
Obligations under finance leases	13,054	13,868	13,054	13,868
Trade and other payables	1,014,703	1,014,703	1,072,942	1,072,942
Borrowings	8,508,477	9,603,549	8,508,478	9,605,344
Subordinated liabilities	300,000	300,868	300,000	300,868
Financial liabilities	<u>10,927,627</u>	<u>12,024,381</u>	<u>10,985,867</u>	<u>12,084,415</u>

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

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

## Notes to the Consolidated 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 or loss, being the assets and liabilities shown as above, all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

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

Finance lease and 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.

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

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

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

### 13 Derivatives at Fair Value

All derivatives held at the reporting date are with Sumitomo Mitsui Banking Corporation Capital Markets Inc., and are in US Dollars only. All derivatives entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IAS39 hedge accounting criteria are held for economic hedging purposes. The value of derivatives designated as cash flow hedge relationships is \$313.34 million (2020: \$588.61 million). The value of derivative assets designated as fair value hedge relationships is \$1.37 million (2020: \$2.81 million). The total amount of the change in fair value estimated in the profit or loss during the period was \$nil (2020: \$nil) in respect of certain ineffective cashflow hedges and a \$0.44 million gain (2020: expense of \$1.11 million) in respect of certain ineffective fair values hedges.

	Group Notional Contract US \$'000	Group fair values		Company Notional Contract US \$'000	Group fair values	
		Assets US \$'000	Liabilities US \$'000		Assets US \$'000	Liabilities US \$'000
<b>As at 31 March 2021</b>						
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	500,000	1,373	-	500,000	1,373	-
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	4,137,309	-	(313,338)	4,137,309	-	(313,338)
	<u>4,637,309</u>	<u>1,373</u>	<u>(313,338)</u>	<u>4,637,309</u>	<u>1,373</u>	<u>(313,338)</u>
<b>Total</b>	<u>4,637,309</u>	<u>1,373</u>	<u>(313,338)</u>	<u>4,637,309</u>	<u>1,373</u>	<u>(313,338)</u>
<b>As at 31 March 2020</b>						
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	500,000	2,814	-	500,000	2,814	-
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	4,346,564	10	(588,616)	4,346,564	10	(588,616)
	<u>4,846,564</u>	<u>2,824</u>	<u>(588,616)</u>	<u>4,846,564</u>	<u>2,824</u>	<u>(588,616)</u>
<b>Total</b>	<u>4,846,564</u>	<u>2,824</u>	<u>(588,616)</u>	<u>4,846,564</u>	<u>2,824</u>	<u>(588,616)</u>

## Notes to the Consolidated Financial Statements (continued)

### 13 Derivatives at Fair Value (continued)

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
<b>Summary</b>				
Assets due within one year	1,373	10	1,373	10
Assets due after one year	-	2,814	-	2,814
Liabilities due within one year	(945)	(516)	(945)	(516)
Liabilities due after one year	(312,393)	(588,100)	(312,393)	(588,100)
<b>Total</b>	<b>(311,965)</b>	<b>(585,792)</b>	<b>(311,965)</b>	<b>(585,792)</b>

### 14 Hedge Accounting

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

#### Interest rate benchmarks and reference interest rate reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group continues to monitor the developments in this area in order to fully estimate the impact on the Group. New standard guidance (namely "Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16") becomes effective for annual periods on or after 1 January 2021. The Group has not early adopted the new guidance and the extent of the impact for future accounting periods is not expected to be material.

IBOR reforms and expectation of cessation of LIBOR will impact the Group's current risk management strategy and possibly accounting for certain financial instruments used for hedging. The Group has recognised the hedging instruments set out in this note at fair value, which are exposed to the impact of LIBOR. The Group also has certain floating rate liabilities where the reference rate is linked to LIBOR. The Group is establishing a transition plan that follows a risk management approach to ensure a smooth transition to alternative reference rates and is engaging with counterparties to include appropriate fall-back provisions in its floating rate liabilities and hedging derivatives.

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

#### Group

	Notional contract amount US \$'000	Group fair values	
		Assets US \$'000	Liabilities US \$'000
<b>As at 31 March 2021</b>			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,137,309	-	(313,338)
	4,137,309	-	(313,338)
<b>As at 31 March 2020</b>			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,346,564	10	(588,616)
	4,346,564	10	(588,616)

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

	Less than 1 year US \$'000	In the 2nd year US \$'000	3 to 5 years US \$'000	Over 5 years US \$'000
<b>31 March 2021</b>				
Cash inflows	73,955	68,961	279,705	346,089
Cash outflows	(156,080)	(144,505)	(382,948)	(367,117)

During the financial year ended 31 March 2021, \$276.9 million (2020: \$461.6 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedges. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income (2020: \$nil).

## Notes to the Consolidated Financial Statements (continued)

### 14 Hedge Accounting (continued)

#### Company

	Notional contract amount US \$'000	Fair values	
		Assets US \$'000	Liabilities US \$'000
<b>As at 31 March 2021</b>			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,137,309	-	(313,338)
	<u>4,137,309</u>	<u>-</u>	<u>(313,338)</u>
<b>As at 31 March 2020</b>			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,346,564	10	(588,616)
	<u>4,346,564</u>	<u>10</u>	<u>(588,616)</u>

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

	Less than 1 year US \$'000	In the 2nd year US \$'000	3 to 5 years US \$'000	Over 5 years US \$'000
<b>31 March 2021</b>				
Cash inflows	73,955	68,961	279,705	346,089
Cash outflows	(156,080)	(144,505)	(382,948)	(367,117)

During the financial year ended 31 March 2021, \$276.9 million (2020: net charge of \$461.6 million) 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 Profit or Loss and Other Comprehensive Income (2020: \$nil).

#### Analysis of effective portion of changes in fair value of cash flow hedges

	Group Year ended 31 March 2021 US \$'000	Group Year ended 31 March 2020 US \$'000	Company Year ended 31 March 2021 US \$'000	Company Year ended 31 March 2020 US \$'000
Derivatives in place for the full year	275,279	(429,152)	275,279	(429,152)
Derivatives matured during the year	(10)	409	(10)	409
Derivatives entered into during the year	-	(32,875)	-	(32,875)
	<u>275,269</u>	<u>(461,618)</u>	<u>275,269</u>	<u>(461,618)</u>
Effective portion of changes in fair value of cash flow hedges				
Tax effect	(34,409)	57,702	(34,409)	57,702
	<u>240,860</u>	<u>(403,916)</u>	<u>240,860</u>	<u>(403,916)</u>

## Notes to the Consolidated Financial Statements (continued)

### 15 Advances to OEMs

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Advances to Boeing				
Current	376,602	-	376,602	-
Non-current	364,577	-	364,577	-
	<u>741,179</u>	<u>-</u>	<u>741,179</u>	<u>-</u>

During May 2020, \$776.5 million of previously paid PDPs was reclassified as an advance to Boeing (note 9) due to the deferral of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 (note 31). During December 2020, a further \$376.1 million of previously paid PDPs was also reclassified as an advance to Boeing (note 9) due to the cancellation of 21 aircraft from their original delivery dates in 2020 - 2021 (note 31). These amounts are available as a credit against the purchase of other Boeing aircraft, goods or services or ultimately against the purchase of the deferred aircraft, earns interest and any unused balances relating to these agreements become repayable between 2021 - 2024. Credits totalling \$412.8 million were applied against direct order and sale and leaseback deliveries during the period.

In accordance with the requirements of IFRS 9 and the approach outlined in Note 1 (v), the Group and Company performed a review of future estimated cashflows related to the advances to OEMs. Based on this review a remeasurement of \$1.4 million has been recognised. This remeasurement is for accounting purposes only and on a legal basis the amount outstanding at year-end is \$739.8 million.

### 16 Finance Leases and Loan Receivables

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Current				
Fixed rate receivables				
Finance leases	2,359	-	-	-
Loan receivables	-	-	3,103	-
Floating rate receivables				
Loan receivables	23,681	-	29,523	-
	<u>26,040</u>	<u>-</u>	<u>32,626</u>	<u>-</u>
Non-current				
Fixed rate receivables				
Finance leases	17,267	-	-	-
Loan receivables	-	-	139,528	-
Floating rate receivables				
Loan receivables	458,265	-	463,477	-
	<u>475,532</u>	<u>-</u>	<u>603,005</u>	<u>-</u>
Total finance lease and loan receivables	<u>501,572</u>	<u>-</u>	<u>635,631</u>	<u>-</u>

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

Less than 1 year	3,271	-	-	-
1-2 years	17,998	-	-	-
2-3 years	-	-	-	-
3-4 years	-	-	-	-
4-5 years	-	-	-	-
	<u>21,269</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total undiscounted lease payments receivable	21,269	-	-	-
Unearned finance income	(1,643)	-	-	-
	<u>19,626</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment in finance leases	<u>19,626</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes to the Consolidated Financial Statements (continued)

### 16 Finance Leases and Loan Receivables (continued)

#### Finance lease receivables

The Group has entered into a lease arrangement as a lessor that is considered to be a finance lease. The Group leases an aircraft for which substantially all of the risks and rewards of ownership have transferred, resulting in the classification of this arrangement as a finance lease. Finance income in the period on the net investment in leases totalled \$1.64 million (see note 7). Collateral for this finance lease is the relevant leased aircraft.

#### Loan receivables - Group:

The Group acquired nine aircraft during the year, which were placed with airline customers. These leases do not meet the definition of a lease under IFRS 16 and therefore the amounts are classified as a loan receivables.

#### Loan receivables - Company:

Loans receivable by the Company consist of funding provided to its subsidiary undertakings in the normal course of their leasing activities.

The expected credit loss of the Group's finance lease and loan receivables is assessed based on historic loss rates and the carrying value of the finance lease receivable net of collateral held. No material expected credit loss has been recognised on the Group's finance lease and loan receivables.

### 17 Trade and Other Receivables

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Trade debtors	260,771	85,543	260,771	85,525
Deferred lease receivables	68,652	18,387	68,652	18,387
Credit impairment provisions	(152,937)	(12,187)	(152,937)	(12,187)
Net lease receivables	176,486	91,743	176,486	91,725
Amounts due from parent group undertakings	17,436	26,255	26,653	33,560
Prepayments	23,887	13,442	20,193	8,564
Other debtors	24,220	28,846	15,479	29,102
	242,029	160,286	238,811	162,951
Age analysis of net trade debtors				
Less than one month	28,943	45,145	28,943	57,315
One to two months	23,664	10,599	23,664	10,599
More than two months	208,164	29,799	208,164	17,611
	260,771	85,543	260,771	85,525

Net lease receivables have increased due to agreed lease rent deferrals, agreed deferrals that were in process of being documented and overdue lease rentals from a number of airlines in restructuring situations. Of the total deferred lease receivables noted above, \$31.75 million is due within one year. The credit impairment charge in the current year of \$153.87 million (year ended 31 March 2020: \$8.23 million) was impacted by the credit downgrades of a number of airlines that entered formal bankruptcy protection during the year. The credit impairment charge is determined by classifying lessees into four categories with an appropriate provision percentage ascribed to each category depending on payment performance (note 24(d)). The classification of this charge in the consolidated statement of comprehensive income was also changed during this period, having previously been included in Operating expenses, but now disclosed separately.

Other debtors include inventory of engines and airframes totalling \$4.5 million (31 March 2020: \$nil).

## Notes to the Consolidated Financial Statements (continued)

### 18 Cash and Cash Equivalents

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Bank account	11,308	5,363	6,146	5,009
Bank account with parent group undertakings	5,753	5,235	5,753	5,235
Short-term deposits with parent group undertakings	799,994	1,231,758	799,994	1,231,757
	<hr/>	<hr/>	<hr/>	<hr/>
	817,055	1,242,356	811,893	1,242,001
Restricted cash	(361,700)	(601,800)	(361,700)	(601,800)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents net of restricted cash	455,355	640,556	450,193	640,201
	<hr/>	<hr/>	<hr/>	<hr/>

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

### 19 Lease Incentive Assets

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Lease incentive assets	33,276	50,965	33,276	50,965
Amortised during the year	(15,924)	(16,326)	(15,924)	(16,326)
Additions of lease incentive assets	4,600	11,413	4,600	11,413
Release of lease incentive assets on disposal of aircraft	-	(12,776)	-	(12,776)
	<hr/>	<hr/>	<hr/>	<hr/>
	21,952	33,276	21,952	33,276
	<hr/>	<hr/>	<hr/>	<hr/>
Current lease incentive assets (amortising within 12 months)	8,348	9,494	8,348	9,494
Non-current lease incentive assets (amortising after 12 months)	13,604	23,782	13,604	23,782
	<hr/>	<hr/>	<hr/>	<hr/>
	21,952	33,276	21,952	33,276
	<hr/>	<hr/>	<hr/>	<hr/>

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

## Notes to the Consolidated Financial Statements (continued)

### 20 Assets and Liabilities held for sale

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

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Assets held for sale				
Property, plant and equipment - aircraft	-	173,677	-	173,677
	-	173,677	-	173,677
Liabilities associated with assets held for sale				
Obligations under finance leases	-	4,441	-	4,441
Security deposits	-	1,328	-	1,328
Maintenance reserve	-	8,751	-	8,751
Lessor contributions	-	2,667	-	2,667
	-	17,187	-	17,187
	-	156,490	-	156,490

At 31 March 2021, the Group classified no aircraft (31 March 2020: 5 aircraft and 1 engine) as held-for-sale as the Group did not have any agreements for the sale in place which met the requirement to be classified as held-for-sale. Three of the aircraft and an engine in this classification at 31 March 2020 have since been reclassified as aircraft for hire under operating leases as they no longer met the requirement to be classified as held-for-sale, while one aircraft was reclassified as a finance lease (see note 16) and another sold during the period. The Group generally continues to recognise lease rental income on all aircraft in this classification, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

## Notes to the Consolidated Financial Statements (continued)

### 21 Trade and other Payables

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Security deposits	132,810	133,355	131,408	133,355
Maintenance reserves	466,588	454,621	466,974	454,621
Lessor contributions	41,259	56,706	41,259	56,706
Prepaid lease rentals and fee income received	120,502	83,606	117,636	83,414
Trade creditors	5,162	8,317	4,770	7,980
Accrued interest - third party undertakings	32,356	47,198	13,076	26,996
Amounts due to parent group undertakings	94,042	114,114	140,076	195,550
Other creditors	85,383	104,040	83,854	101,574
	<b>978,102</b>	<b>1,001,957</b>	<b>999,053</b>	<b>1,060,196</b>
Analysed as:				
Non-current trade and other payables (payable after 12 months)	597,805	613,518	588,620	612,892
Current trade and other payables (payable within 12 months)	380,297	388,439	410,433	447,304
	<b>978,102</b>	<b>1,001,957</b>	<b>999,053</b>	<b>1,060,196</b>

#### Analysis of Group trade and other payables:

##### As at 31 March 2021

	Due < 12 months US \$'000	Due > 12 months US \$'000	Total US \$'000
Security deposits	1,389	131,421	132,810
Maintenance reserve	65,214	401,374	466,588
Lessor contributions	10,362	30,897	41,259
Prepaid lease rentals and fee income received	117,499	3,003	120,502
Trade creditors	5,162	-	5,162
Accrued interest - third party undertakings	32,356	-	32,356
Amounts due to parent group undertakings	90,877	3,165	94,042
Other creditors	57,438	27,945	85,383
	<b>380,297</b>	<b>597,805</b>	<b>978,102</b>

##### As at 31 March 2020

	Due < 12 months US \$'000	Due > 12 months US \$'000	Total US \$'000
Security deposits	1,227	132,128	133,355
Maintenance reserve	53,464	401,157	454,621
Lessor contributions	12,346	44,360	56,706
Prepaid lease rentals and fee income received	83,606	-	83,606
Trade creditors	8,317	-	8,317
Accrued interest - third party undertakings	47,198	-	47,198
Amounts due to parent group undertakings	112,118	1,996	114,114
Other creditors	70,163	33,877	104,040
	<b>388,439</b>	<b>613,518</b>	<b>1,001,957</b>

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

Other creditors include deferred income of \$3.7 million pending finalisation of the sale of Group and Company's interest in the pre-petition claims against a lessee by way of sub-participation. During the period the Group and Company recognised \$18.0 million, representing the partial recovery of these claims, in Other operating income (note 3).

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

## Notes to the Consolidated Financial Statements (continued)

### 22 Obligations under Finance Leases

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
<b>Amounts payable under finance leases</b>				
Minimum lease payments:				
Within one year	3,465	3,540	3,465	3,540
In the second to fifth years inclusive	2,473	5,938	2,473	5,938
After five years	-	-	-	-
	5,938	9,478	5,938	9,478
Less: future finance charges	(378)	(865)	(378)	(865)
Present value of lease obligations	5,560	8,613	5,560	8,613
Present value of minimum lease payments:				
Within one year	3,171	3,052	3,171	3,052
In the second to fifth years inclusive	2,389	5,561	2,389	5,561
After five years	-	-	-	-
	5,560	8,613	5,560	8,613

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

	Average interest rate %	Year of maturity	Due < 12 months US \$'000	Due < 12 months US \$'000	Total US \$'000
<b>As at 31 March 2021</b>					
Unsecured - due to parent group undertakings					
Fixed rate obligations	6.09	2022	3,171	2,389	5,560
			3,171	2,389	5,560
<b>As at 31 March 2020</b>					
Unsecured - due to parent group undertakings					
Fixed rate obligations	6.09	2022	3,052	5,561	8,613
			3,052	5,561	8,613

## Notes to the Consolidated Financial Statements (continued)

### 23 Borrowings

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Loan amounts due to third party undertakings	3,328,522	2,798,278	2,948,522	2,398,278
Loan amounts due to parent group undertakings	5,580,561	4,216,473	5,575,249	4,216,474
Loan amounts due to subsidiaries	-	-	2,427,441	2,396,503
Debt securities issued in qualifying hedging relationships	501,738	502,777	-	-
Other debt securities issued	1,495,704	1,493,726	-	-
	<u>10,906,525</u>	<u>9,011,254</u>	<u>10,951,212</u>	<u>9,011,255</u>
The borrowings are repayable as follows:				
On demand or within one year	1,303,567	490,017	1,298,255	490,018
In the second year	1,151,273	1,297,790	1,151,273	1,297,790
In the third to fifth year inclusive	3,641,147	3,258,929	3,641,147	3,258,929
After five years	4,810,538	3,964,518	4,860,537	3,964,518
	<u>10,906,525</u>	<u>9,011,254</u>	<u>10,951,212</u>	<u>9,011,255</u>
Less: Amounts due for settlement within 12 months	(1,303,567)	(490,017)	(1,298,255)	(490,018)
Amounts due for settlement after 12 months	<u>9,602,958</u>	<u>8,521,237</u>	<u>9,652,957</u>	<u>8,521,237</u>

On 19 July 2016, the Group closed the sale of \$500 million of its 2.65% senior unsecured notes due 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited, and the hedged interest rate risk measured at fair value through profit or loss. These debt securities were designated into a qualifying hedge relationship at inception and the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument. The debt securities are fair valued through profit or loss with respect to the hedged interest rate. The net fair value hedge ineffectiveness gain of \$0.44 million (note 7; year ended 31 March 2020: expense of loss of \$1.11 million) recognised in the Statement of comprehensive income reflects an expense from hedging instruments related to debt securities of \$1.44 million (year ended 31 March 2020: gain of \$16.48 million) and a gain from these hedged debt securities of \$1.88 million (year ended 31 March 2020: \$17.60 million). At Company level, these notes are included in loan amounts due to subsidiaries.

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

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

The amount of borrowing costs that were capitalised to the cost of aircraft in the period in the Group was \$49.58 million (year ended 31 March 2020: \$67.46 million; note 9). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

## Notes to the Consolidated Financial Statements (continued)

### 23 Borrowings (continued)

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

	As at 1 April 2020	Cash flows in the period	Non-cash changes		As at 31 March 2021
			Fair value changes	Amortisation of issuing costs	
<b>Floating rate borrowings</b>					
Loan amounts due to third party undertakings	2,500,000	530,000	-	-	3,030,000
Loan amount due to parent group undertakings	2,220,662	5,717	-	-	2,226,379
	<u>4,720,662</u>	<u>535,717</u>	<u>-</u>	<u>-</u>	<u>5,256,379</u>
<b>Fixed rate borrowings</b>					
Loan amount due to parent group undertakings	1,995,811	1,358,371	-	-	3,354,182
Loan amounts due to third party undertakings	298,278	244	-	-	298,522
Debt securities issued in qualifying hedging relationships	502,777	-	(1,883)	844	501,738
Other debt securities issued	1,493,726	-	-	1,978	1,495,704
	<u>9,011,254</u>	<u>1,894,332</u>	<u>(1,883)</u>	<u>2,822</u>	<u>10,906,525</u>

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

	Average interest %	Year of maturity	Due < 12 months US \$'000	Due < 12 months US \$'000	Total US \$'000
<b>As at 31 March 2021</b>					
<b>Floating rate borrowings</b>					
Loan amounts due to third party undertakings	1.27	2021-2029	440,000	2,590,000	3,030,000
Loan amount due to parent group undertakings	2.85	2021-2033	57,680	2,168,699	2,226,379
			<u>497,680</u>	<u>4,758,699</u>	<u>5,256,379</u>
<b>Fixed rate borrowings</b>					
Loan amount due to parent group undertakings	4.10	2021-2034	304,149	3,050,033	3,354,182
Loan amounts due to third party undertakings	2.59	2025-2028	-	298,522	298,522
Debt securities issued in qualifying hedging relationships	2.65	2021	501,738	-	501,738
Other debt securities issued	3.56	2022-2024	-	1,495,704	1,495,704
			<u>1,303,567</u>	<u>9,602,958</u>	<u>10,906,525</u>
<b>As at 31 March 2020</b>					
<b>Floating rate borrowings</b>					
Loan amounts due to third party undertakings	2.89	2020-2029	320,000	2,180,000	2,500,000
Loan amount due to parent group undertakings	4.16	2023-2033	53,712	2,166,950	2,220,662
			<u>373,712</u>	<u>4,346,950</u>	<u>4,720,662</u>
<b>Fixed rate borrowings</b>					
Loan amount due to parent group undertakings	4.65	2021-2034	116,305	1,879,506	1,995,811
Loan amounts due to third party undertakings	2.59	2025-2028	-	298,278	298,278
Debt securities issued in qualifying hedging relationships	2.65	2021	-	502,777	502,777
Other debt securities issued	3.56	2022-2024	-	1,493,726	1,493,726
			<u>490,017</u>	<u>8,521,237</u>	<u>9,011,254</u>

## Notes to the Consolidated Financial Statements (continued)

### 24 Financial Risk Management

#### Risk Management Framework

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

#### a Currency Risk

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

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. Information on the currency derivatives is provided in note 13. There was no material change in the currency risk of the Group and Company during the period.

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

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Euro assets	13,968	9,907	12,556	9,422
Sterling assets	162	33	162	33
Japanese yen assets	5,965	299	413	299
Euro liabilities	(14,745)	(14,611)	(13,329)	(14,048)
Sterling liabilities	(1,353)	(647)	(1,351)	(647)
Japanese yen liabilities	(5,700)	(271)	(250)	(271)
Chinese yuan liabilities	(229)	-	(229)	-

At 31 March 2021, 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 \$128,197 lower/higher, and for the Company would have been \$55,375 lower/higher, mainly as a result of foreign exchange gains/losses on retranslation of Euro denominated cash balances, payables and other receivables.

#### b Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company's policy is to seek to minimise cash flow interest rate risk when entering into leasing transactions by the use of appropriate matched funding, including the use of derivative financial instruments. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. There was no material change in the interest rate risk of the Group and Company during the period.

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

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Financial assets				
— variable rate	843,646	601,800	729,700	601,800
— fixed rate	1,199,099	629,957	1,322,104	629,957
— non-interest bearing	260,463	173,709	377,083	176,019
Total Financial Assets	2,303,208	1,405,466	2,428,887	1,407,776
Financial liabilities				
— variable rate	5,556,379	5,020,662	5,601,066	5,020,662
— fixed rate	5,655,706	4,303,646	5,655,706	4,303,647
— non-interest bearing	1,291,440	1,603,319	1,312,391	1,661,558
Total Financial Liabilities	12,503,525	10,927,627	12,569,163	10,985,867



## Notes to the Consolidated Financial Statements (continued)

### 24 Financial Risk Management (continued)

#### c Liquidity Risk (continued)

	Group Less than 1 year US \$'000	Group 1 to 2 years US \$'000	Group 3 to 5 years US \$'000	Group Over 5 years US \$'000
<b>31 March 2020</b>				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(17,187)	-	-	-
Trade and other payables	(304,836)	(91,517)	(285,040)	(236,958)
Obligations under finance leases	(3,534)	(3,465)	(2,473)	-
Borrowings	(777,490)	(1,527,423)	(3,786,528)	(4,441,716)
Subordinated liabilities	(16,125)	(13,240)	(41,557)	(473,929)
Total non-derivative financial instruments outflows	(1,119,172)	(1,635,645)	(4,115,598)	(5,152,603)
Derivative financial instruments (gross)				
<b>Interest Rate Swaps</b>				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(56,317)	(85,712)	(232,245)	(233,613)
Total Outflows	(1,175,489)	(1,721,357)	(4,347,843)	(5,386,216)

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

	Company Carrying value 31 March 2021 US \$'000	Company Contracted cashflows 31 March 2021 US \$'000	Company Carrying value 31 March 2020 US \$'000	Company Contracted cashflows 31 March 2020 US \$'000
Liabilities associated with assets held for sale	-	-	17,187	17,187
Trade and other payables	881,417	881,417	976,782	976,782
Obligations under finance leases	5,560	6,213	8,613	9,472
Borrowings	10,951,212	12,871,950	9,011,255	10,300,561
Subordinated liabilities	300,000	588,503	300,000	544,851
Interest rate swaps	313,338	1,050,651	588,616	1,450,213
	12,451,527	15,398,734	10,902,453	13,299,066

## Notes to the Consolidated Financial Statements (continued)

### 24 Financial Risk Management (continued)

#### c Liquidity Risk (continued)

	Company Less than 1 year US \$'000	Company 1 to 2 years US \$'000	Company 3 to 5 years US \$'000	Company Over 5 years US \$'000
<b>31 March 2021</b>				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	-	-	-	-
Trade and other payables	(295,800)	(75,117)	(261,556)	(248,944)
Obligations under finance leases	(3,465)	(2,748)	-	-
Borrowings	(1,629,583)	(1,413,074)	(4,374,283)	(5,455,010)
Subordinated liabilities	(12,843)	(13,122)	(50,135)	(512,403)
Total Non-derivative Financial Instruments Outflows	(1,941,691)	(1,504,061)	(4,685,974)	(6,216,357)
Derivative financial instruments (gross)				
<b>Interest Rate Swaps</b>				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(82,125)	(75,545)	(103,243)	(21,028)
Total Outflows	(2,023,816)	(1,579,606)	(4,789,217)	(6,237,385)
	Company Less than 1 year US \$'000	Company 1 to 2 years US \$'000	Company 3 to 5 years US \$'000	Company Over 5 years US \$'000
<b>31 March 2020</b>				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(17,187)	-	-	-
Trade and other payables	(363,890)	(91,517)	(285,040)	(236,335)
Obligations under finance leases	(3,534)	(3,465)	(2,473)	-
Borrowings	(773,671)	(1,527,423)	(3,786,528)	(4,212,939)
Subordinated liabilities	(16,125)	(13,240)	(41,557)	(473,929)
Total Non-derivative Financial Instruments Outflows	(1,174,407)	(1,635,645)	(4,115,598)	(4,923,203)
Derivative financial instruments (gross)				
<b>Interest Rate Swaps</b>				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(56,317)	(85,712)	(232,245)	(233,613)
Total Outflows	(1,230,724)	(1,721,357)	(4,347,843)	(5,156,816)

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

## Notes to the Consolidated Financial Statements (continued)

### 24 Financial Risk Management (continued)

#### d Credit Risk

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

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

The Group's principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables (\$242.0 million of which \$176.5 million relate to lease receivables) resulting from its leasing activities, advances to OEMs (\$741.2 million; note 15) and cash and cash equivalents (bank accounts totalling \$817.1 million; including \$805.7 million with group companies). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

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

At 31 March 2021, the Group's significant cash and deposit counterparties were:

	US \$'000
SMBC (credit rating A (S&P))	805,747
Citibank (Credit rating A+ (S&P))	11,308
	<hr/>
	817,055
	<hr/>

The Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2021, the Group was exposed to trade debtors of \$260.8 million (2020: \$85.5 million) and held a provision for expected credit losses against these for \$152.9 million (2020: \$12.2 million). As at 31 March 2021, the Group held letters of credit in relation to lease rentals and maintenance exposures of \$383.4 million (31 March 2020: \$423.9 million) in addition to \$599.4 million of cash security deposits and maintenance reserves (31 March 2020: \$598.1 million; see note 21).

## Notes to the Consolidated Financial Statements (continued)

### 24 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.

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

	Expected credit loss provision %		Group & Company 31 March 2021		Group & Company 31 March 2020	
	31 March 2021 %	31 March 2020 %	Gross carrying amount US \$'000	Impairment loss US \$'000	Gross carrying amount US \$'000	Impairment loss US \$'000
Category 1	0.2%	0.0%	1,210	-	6,039	-
Category 2	1.5%	0.1%	3,813	157	24,417	-
Category 3	6.2%	2.0%	11,907	744	11,673	-
Category 4	33% - 100%	33% - 100%	243,841	152,036	43,414	12,187
			<u>260,771</u>	<u>152,937</u>	<u>85,543</u>	<u>12,187</u>

The Group and Company classifies financial assets and calculate respective expected credit losses by reference to the categories noted above, with Category 1 being the lowest risk and Category 4 the highest risk. Classification is determined by a combination of previous default rates and estimated future losses based on credit grading, current economic situation and the increasing level of receivables of each lessee. Category 4 includes gross trade receivables of \$21.7 million, \$117.7 million and \$104.4 million with applicable credit loss provision rates of 33%, 50% and 100% respectively.

The Group and Company continues to monitor the economic environment of its customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances, while a number of lessees were also reprofiled into Category 4 during the reporting period based on their changing risk factors. All lessees who entered bankruptcy protection, administration (or similar arrangements) during the year are included in Category 4.

The table above reflects the significant impact that the Covid-19 pandemic has had on our airline customers, which has resulted in (i) requests for lease rent deferrals, (ii) rental restructuring requests and (iii) in some cases, lease terminations. Approved requests for lease deferrals and other delays in payments by airlines have resulted in an increase in trade receivables and deferred lease receivables during the period to \$260.8 million (31 March 2020: \$85.5 million; note 17) and \$68.7 million (31 March 2020: \$18.4 million) respectively. The Group and Company also entered arrangements with financial institutions to mitigate collectability exposures as outlined in note 21. The Group and Company continues to monitor its credit exposure and manage any lessee concentrations.

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

## Notes to the Consolidated Financial Statements (continued)

### 24 Financial Risk Management (continued)

#### d Credit Risk (continued)

##### Impairment Losses

The movement in the provision for expected credit losses in respect of financial assets is as follows:

	Group US \$'000	Company US \$'000
Balance at 1 April 2019	3,957	3,957
Credit impairment charge on financial assets	8,230	8,230
Balance at 31 March 2020	12,187	12,187
Credit impairment charge on financial assets	153,872	153,872
Trade debtors written off	(13,122)	(13,122)
Balance at 31 March 2021	152,937	152,937

The provision for expected credit losses include a provision of \$151.0 million in relation to lease receivables (31 March 2020: \$12.2 million).

#### e Concentration Risk

Concentration risk is the risk that a high percentage of aircraft are on lease to a single lessee or region resulting in the returns on aircraft being less diverse and more correlated. The largest exposure to a single lessee based on net book value of delivered aircraft is 5.2%.

#### f Technical, Maintenance and Environmental Risk

Technical, maintenance and environmental risk is the risk that a lessee undertakes responsibility for ensuring that the aircraft complies with current environmental, technical and maintenance regulations and statutory obligations as applicable. The Directors monitor these risks on an ongoing basis.

#### g Asset Value Risk

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

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

#### h 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 Consolidated Financial Statements (continued)

### 25 Deferred Tax

Movements during the year:	Group US \$'000	Group US \$'000
At 31 March 2019	332,670	332,670
Adjustment on initial application of IFRS16	(10)	(7)
Adjusted balance at 1 April 2019	332,660	332,663
Charge to income from continuing operations (note 8)	45,061	45,066
Charge to other comprehensive income	(57,752)	(57,752)
At 31 March 2020	319,969	319,977
Charge to income from continuing operations (note 8)	1,359	1,359
Charge to other comprehensive income	34,512	34,512
At 31 March 2021	355,840	355,848

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Deferred tax assets	39,549	74,061	39,549	74,061
Deferred tax liabilities	(395,389)	(394,030)	(395,397)	(394,038)
	(355,840)	(319,969)	(355,848)	(319,977)

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

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	(395,389)	(394,029)	(395,397)	(394,037)
Fair value adjustments on financial instruments - deferred tax asset	39,549	74,061	39,549	74,061
Fair value adjustments on financial instruments - deferred tax liability	-	(1)	-	(1)
	(355,840)	(319,969)	(355,848)	(319,977)

The Group has estimated tax losses of \$2.84 billion (31 March 2020: \$1.91 billion) which are available for set-off against future taxable income. These tax losses have arisen from the Group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities.

## Notes to the Consolidated Financial Statements (continued)

### 26 Subordinated Liabilities

	Average interest rate %	Year of maturity	31 March 2021 US \$'000	31 March 2020 US \$'000
\$300 million floating rate loan due to parent group undertakings	4.26	2037	300,000	300,000
			<u>300,000</u>	<u>300,000</u>

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan has since been extended to February 2037 and can be extended further with the agreement of both parties.

### 27 Share Capital

	31 March 2021 US \$	31 March 2020 US \$
Authorised:		
Ordinary shares of \$1 each	300,000,000	300,000,000
Preference shares of \$1 each	700,000,000	700,000,000
	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, called up and fully paid:		
Ordinary shares of \$1 each	187,512,800	187,512,800
Preference shares of \$1 each	700,000,000	700,000,000
	<u>887,512,800</u>	<u>887,512,800</u>

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

	31 March 2021 Number of shares	31 March 2020 Number of shares
Authorised:		
Ordinary shares of \$1 each	300,000,000	300,000,000
Preference shares of \$1 each	700,000,000	700,000,000
	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, called up and fully paid:		
Ordinary shares of \$1 each	187,512,800	187,512,800
Preference shares of \$1 each	700,000,000	700,000,000
	<u>887,512,800</u>	<u>887,512,800</u>

## Notes to the Consolidated Financial Statements (continued)

### 28 Other components of Equity

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Share premium	261,102	261,102	261,102	261,102
	261,102	261,102	261,102	261,102
Capital contribution	207,486	207,486	207,486	207,486
Other reserve	1,967	1,967	-	-
Cash flow hedge reserve	(276,841)	(518,418)	(276,841)	(518,418)
Total other reserves	193,714	(47,863)	191,747	(49,830)

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

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of \$207.5 million in the form of a capital contribution. The contribution was made absolutely and the Company's then ultimate parent company, Royal Bank of Scotland Group plc, retained no rights, titles or interest whatsoever in the contribution other than the rights it held as the shareholder.

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

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

### 29 Operating Lease Arrangements as Lessor

The future minimum lease payments receivable under non-cancellable operating leases, which include variable lease payments based on rent as at the reporting date, are as follows:

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Within one year	1,164,067	1,118,485	1,152,384	1,118,485
In the second year	1,161,582	1,259,476	1,148,975	1,259,476
In the third year	1,093,864	1,260,275	1,078,486	1,260,275
In the fourth year	1,019,119	1,161,782	1,001,585	1,161,782
In the fifth year	969,683	1,068,974	947,675	1,068,974
After five years	3,978,558	4,844,995	3,875,143	4,844,995
	9,386,873	10,713,987	9,204,248	10,713,987

## Notes to the Consolidated Financial Statements (continued)

### 30 Related Parties

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

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

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
<b>Transactions with parent companies:</b>				
<b>Sumitomo Mitsui Finance and Leasing Co., Ltd</b>				
Transactions during the period:				
Fee income	3,375	1,971	3,375	1,971
Interest expense	638	782	638	782
Operating expenses	1,465	3,604	1,465	3,604
	<hr/>	<hr/>	<hr/>	<hr/>
Balances at period end:				
Borrowings	-	15,172	-	15,172
Sundry debtors	2,067	-	2,067	-
Other creditors	-	143	-	143
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Transactions with associate companies:</b>				
<b>Aviation Management Co., Ltd.</b>				
Transactions during the period:				
Fee income	2,464	2,489	2,210	2,184
	<hr/>	<hr/>	<hr/>	<hr/>
Balances at period end:				
Sundry debtors	100	127	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>SMBC Aviation Capital (UK) Limited</b>				
Transactions during the period:				
Lease rental income	15,887	17,916	15,887	17,916
Fee income	1,558	4,426	1,558	4,426
	<hr/>	<hr/>	<hr/>	<hr/>
Balances at period end:				
Amounts due to group undertakings	37,646	39,769	37,646	39,769
	<hr/>	<hr/>	<hr/>	<hr/>
<b>SMBC Capital Markets Inc.</b>				
Transactions during the period:				
Fee expense	-	5	-	5
Gain on derivative fair value	1,441	16,483	1,441	16,483
Interest expense	67,473	13,187	67,473	13,187
	<hr/>	<hr/>	<hr/>	<hr/>
Balances at period end:				
Cash	361,700	601,800	361,700	601,800
Derivative Financial Instruments	327,556	591,949	327,556	591,949
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the Consolidated Financial Statements (continued)

### 30 Related Parties (continued)

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
<b>SMBC Trust Bank</b>				
Transactions during the period:				
Interest expense	84,704	96,542	84,704	96,542
Balances at period end:				
Borrowings	2,766,257	2,296,019	2,766,257	2,296,019
Amounts due to group undertakings	7,996	10,300	7,996	10,300
<b>SMBC Bank International plc</b> (formerly "Sumitomo Mitsui Banking Corporation Europe Limited")				
Transactions during the period:				
Fee income	1,500	1,895	1,500	1,895
Interest income	88	727	88	727
Operating expense	(1,205)	(654)	(1,205)	(654)
Balances at period end:				
Cash	2,317	1,181	2,316	1,180
Sundry (Creditors) / Debtors	(132)	(546)	(132)	(546)
<b>SMBC (Japan)</b>				
Transactions during the period:				
Operating expenses	14,547	16,512	14,547	16,512
Balances at period end:				
Amounts due to group undertakings	6,177	7,246	6,177	7,246
<b>SMBC (New York)</b>				
Transactions during the period:				
Interest expense	112,082	111,992	112,082	111,992
Balances at period end:				
Borrowings	3,108,992	2,205,283	3,108,992	2,205,283
Cash	441,730	634,011	441,730	634,011
Amounts due to group undertakings	14,905	6,135	14,905	6,135
<b>SMBC (Paris)</b>				
Transactions during the period:				
Interest expense	464	649	464	649
Balances at period end:				
Obligations under Finance Leases	3,171	3,052	3,171	3,052
Non-current liabilities	2,425	5,620	2,425	5,620
<b>SMFL (China) Co., Ltd.</b>				
Transactions during the period:				
Operating expenses	559	530	559	530
Balances at period end:				
Other Creditors	-	122	-	122

## Notes to the Consolidated Financial Statements (continued)

### 30 Related Parties (continued)

	Group 31 March 2021 US \$'000	Group 31 March 2020 US \$'000	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
<b>SMFL (Hong Kong) Limited.</b>				
Transactions during the period:				
Operating expenses	-	57	-	57
<b>SMFL (Singapore) Pte. Ltd.</b>				
Transactions during the period:				
Operating expenses	1,150	1,111	1,150	1,111
Balances at period end:				
Other Creditors	-	310	-	310
<b>SMBC Aviation Capital Japan Co., Ltd.</b>				
Transactions during the period:				
Fee income	-	2,025	-	2,025
<b>Shanghai General SMFL Co., Ltd.</b>				
Transactions during the period:				
Operating expenses	698	539	698	539
Balances at period end:				
Other Creditors	120	143	120	143
<b>SMBC Leasing and Finance, Inc.</b>				
Transactions during the period:				
Operating expenses	4,200	3,722	4,200	3,722
Balances at period end:				
Other Creditors	435	310	435	310
<b>SMBC Bank EU AG</b>				
Transactions during the period:				
Operating income	103	134	103	134

## Notes to the Consolidated Financial Statements (continued)

### 30 Related Parties (continued)

	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
<b>Transactions with subsidiaries</b>		
<b>SMBC Aviation Capital Ireland Leasing 3 Limited</b>		
Transactions during the period:		
Fee income	48	-
Interest income	1,440	-
	<hr/>	<hr/>
Balances at period end:		
Amounts due from group undertakings	499,222	0
	<hr/>	<hr/>
<b>SMBC Aviation Capital Netherlands B.V.</b>		
Transactions during the period:		
Fee expense	2,903	2,649
Interest expense	3,764	7,243
	<hr/>	<hr/>
Balances at period end:		
Amounts due to group undertakings	238,914	259,043
	<hr/>	<hr/>
<b>SMBC Aviation Capital Paris Leasing 2 SARL</b>		
Transactions during the period:		
Fee expense	1,123	794
	<hr/>	<hr/>
Balances at period end:		
Amounts due to group undertakings	(38)	(30)
	<hr/>	<hr/>
<b>SMBC Aviation Capital Hong Kong Limited</b>		
Transactions during the period:		
Fee expense	2,393	4,090
	<hr/>	<hr/>
Balances at period end:		
Amounts due (to) / from group undertakings	(1,043)	71
	<hr/>	<hr/>
<b>SMBC Aviation Capital Hong Kong 2 Limited</b>		
Transactions during the period:		
Interest expense	3,526	345
Fee expense	2,059	393
	<hr/>	<hr/>
Balances at period end:		
Amounts due to group undertakings	197,622	196,426
	<hr/>	<hr/>
<b>SMBC Aviation Capital Hong Kong 3 Limited</b>		
Transactions during the period:		
Interest income	1,747	-
	<hr/>	<hr/>
Balances at period end:		
Amounts due from group undertakings	122,353	-
	<hr/>	<hr/>
<b>SMBC Aviation Capital Finance Designated Activity Company</b>		
Transactions during the period:		
Fee expense	18	26
Interest expense	69,447	68,814
	<hr/>	<hr/>
Balances at period end:		
Amounts due to group undertakings	2,014,201	2,011,374
	<hr/>	<hr/>

The Group closed the sale of \$500 million of its 2.65% senior unsecured notes due 2021 on 19 July 2016, the sale of \$500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of \$500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of \$500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. All issuances are fully and unconditionally guaranteed by SMBC Aviation Capital Limited. The impact on borrowings is set out in note 23.

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

## Notes to the Consolidated Financial Statements (continued)

### 30 Related Parties (continued)

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

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

	Company 31 March 2021 US \$'000	Company 31 March 2020 US \$'000
Salaries and other short-term employee benefits	5,937	10,390
Post-employment benefits	441	417
Other long-term benefits	755	9,780
Total	<u>7,133</u>	<u>20,587</u>

### 31 Capital Commitments

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consisted of 110 A320neo aircraft (of which 20 have subsequently been converted to A321neos) and 5 A321ceo aircraft, while the Boeing order consisted of 90 Boeing 737 MAX 8 aircraft. In addition to these direct orders, the Group also placed further direct orders for a mix of 56 Airbus A320neos and 15 Airbus A321neos during 2018 and have existing sale-leaseback capital commitments totalling \$0.6 billion (31 March 2020: \$1.2 billion).

The combined remaining purchase commitment for orders total \$10.9 billion and delivery dates are currently scheduled between 2021 and 2027 of which \$1.6 billion relates to expected delivery dates within the next twelve months. These delivery dates continue to be impacted by the ongoing Covid-19 pandemic, which have impacted on certain assembly and supplier facilities.

The scheduled delivery dates also reflect an agreement concluded in May 2020 with Boeing to defer the delivery of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 and an agreement concluded in December 2020 with Boeing to cancel the delivery of 21 aircraft, with existing PDPs already paid for these aircraft reclassified as an advance to Boeing (note 15). Furthermore, an agreement was concluded with Airbus in July 2020 to defer the delivery of 23 aircraft from their original delivery dates in 2021 - 2022 to 2021 - 2026, with an additional agreement concluded with Airbus in March 2021 to defer the delivery of 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. All commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

### 32 Contingent Liabilities

The Group and Company had no contingent liability at 31 March 2021 (31 March 2020: \$nil).

### 33 Subsequent Events

On 6 May 2021, Mr. M. Oshima resigned as Director. On the same day, Mr A. Fukutome was appointed as Director.

No other significant events affecting the Group and Company have occurred since 31 March 2021, which require adjustment to or disclosure in the Consolidated Financial Statements.

### 34 Approval of Financial Statements

The Directors approved these Financial Statements on 6 May 2021.

## Acronyms and Abbreviations

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

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