Directors' Report and Consolidated Financial Statements

31 March 2023

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Company Registration No: 270775

Directors and other information

DIRECTORS
P Barrett (Irish)
C A Ennis (Irish)
B Flannery (Irish)
D Swan (Irish)
A Kenny (Irish)
T Tanaka (Japanese)
M Tachibana (Japanese)
K Tanaka (Japanese)
S Watanabe (Japanese)
A Fukutome (Japanese)
N Hirose (Japanese)
T Kusaka (Japanese)
N Nonaka (Japanese)

SECRETARY
C A Ennis

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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 2023. 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

GOSHAWK ACQUISITION

On 16 May 2022, the Group announced that it had reached agreement with NWS Holdings Limited and Chow Tai Fook Enterprises Limited to acquire Goshawk Aviation ("Goshawk"), the Dublin-based global aircraft lessor. This acquisition completed on 21 December 2022 for a consideration of $1.67 billion and included the acquisition of a portfolio of 154 owned and 19 managed aircraft, having received the necessary regulatory approvals and satisfaction of other customer closing conditions.

Following the acquisition, the Group is the second largest aircraft leasing business globally by owned and managed fleet valuation. Results derived from the Goshawk business effective from 21 December 2022 to 31 March 2023, as well as the assets and liabilities as at 31 March 2023, are included in these audited consolidated financial statements (see Business Combinations note 2).

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 5.1 years as at 31 March 2023 (31 March 2022: 4.1 years).

At the end of the financial year, the financial position showed total assets of $23.92 billion (31 March 2022: $16.33 billion). The net book value of property, plant and equipment, including aircraft classified as finance lease and loan receivables of $593.2 million (31 March 2022: $633.0 million) and aircraft assets classified as held for sale of $229.2 million (31 March 2022: $34.8 million), was $22.49 billion at the year-end (31 March 2022: $14.40 billion).

The Group generated a profit before tax of $341.5 million during the year ended 31 March 2023 (year ended 31 March 2022: loss before tax of $1.12 billion). The prior year performance of the Group and Company was negatively impacted by the impact of Russian sanctions (refer to Russian Sanctions) and lingering effects of the Covid-19 pandemic. The Group generated profit before tax of $336.0 million before the impact of Russian sanctions is taken into account for the year ended 31 March 2022.

While most airline customers experienced an improved operating performance during the year, some continue to have reduced flight operations and, in some cases, the continued grounding of aircraft. In addition, one of our airline customers entered into bankruptcy proceedings during the year ended 31 March 2023, while the acquisition of Goshawk included trade receivables of $56.5 million. These factors combined resulted in trade debtors at 31 March 2023 of $159.7 million (31 March 2022: $115.6 million; note 17) and deferred lease receivables of $53.6 million (31 March 2022: $61.4 million). While most of our airline customers continue to have improved payment performance, with the conclusion of one specific airline restructuring during the period, higher receivables also resulted in a credit impairment provision charge of $31.7 million during the year ended 31 March 2023 (year ended 31 March 2022: reversal of $35.4 million).

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

The Directors do not recommend the payment of a dividend (31 March 2022: $nil).

Directors' Report (continued)

RUSSIAN SANCTIONS

In response to the invasion of Ukraine by the Russian Federation ("Russia") on 24 February 2022, the European Union ("the EU"), the United States of America, United Kingdom and other countries have imposed a wide range of sanctions against Russia and certain Russian persons and entities. Regulation 2022/328 which was adopted by the EU on 25 February 2022 in response to the Russian invasion of Ukraine included the prohibition on the supply of aircraft and aircraft components to Russia and Russian entities subject to a wind-down period until 28 March 2022.

The Group have complied with all applicable sanctions and terminated the leasing of all our aircraft with Russian airlines. Prior to the Russian invasion of Ukraine, the Group and Company had 35 owned aircraft with a total net book value of $1.67 billion (which included aircraft held for sale) and 1 managed aircraft on lease with Russian airlines. The Group and Company had no aircraft on lease with Ukrainian airlines.

The Group sought to repossess all of our aircraft from Russian airlines and successfully grounded and took redelivery of one of our aircraft in the days following the Russian invasion of Ukraine. We continue to be deprived of the use and possession of the Group's 34 aircraft which are lost in Russia and which are the subject of a claim for a total loss under applicable insurance (see below). These aircraft continue to be flown by Russian airlines despite the leasing being terminated.

As at the date of the termination of leasing, the Group and Company held maintenance reserves and security deposits, including letters of credit, relating to aircraft previously leased to Russian airlines of $188.9 million (of which $99.3 million related to letters of credit).

During the year ended 31 March 2023, the Group received payment of $5.6 million relating to remaining letters of credit not received in the preceding financial period.

The Group have offset some of these balances held against deferred lease receivables, with the remainder recognised as maintenance income (note 3) and other operating income (note 4) totalling $5.2 million during the year ended 31 March 2023.

The Company has entitlements under applicable insurance policies which provide coverage in respect of the aircraft which have been lost in Russia and in respect of which the Company is pursuing claims for recovery of losses.

In November 2022 the Company commenced litigation in the Irish courts against insurers of the aircraft lost in Russia. The Group have not recognised any insurance claim receivables as at 31 March 2023 as the timing and amount of recoveries under applicable insurance policies is yet to be determined.

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
- geopolitical issues

The Covid-19 pandemic has had a significant impact on the aircraft leasing industry due to the widespread grounding of our airline customers' fleets. The Group is also directly exposed to the ongoing impact of the sanctions imposed against Russia.

While global air passenger traffic continued to improve to near prepandemic levels during the current financial year, pressures remain on airline liquidity with additional risks highlighted by the outbreak as follows:
- reduced demand for aircraft and negative impact on lease rates
- increased lease rent deferrals
- increased lessee defaults / bankruptcy
- further delay in aircraft deliveries

For further detail on the principal financial risks and the Group and Company's policy for minimising these financial risks, refer to note 23.

FINANCING

The Group 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's offering, which we were able to leverage during the current year. The Group's financial strength is also reflected in the Group's credit rating of A- and BBB+ from Standard & Poor's and Fitch Ratings respectively (31 March 2022: Fitch Ratings: A-; Standard & Poor's: A-), positioning the business well to execute on its growth plans in the coming years.

The downgrade by Fitch Ratings during the period followed the downgrade of the Group's 66% beneficial owner SMFG, which was driven mainly by a shift in a specific balance sheet metric of the SMFG group which fell below a certain threshold. Their A- rating remains very strong, while Fitch Ratings noted that SMFG's ratings remain supported by a high likelihood of support from the Japanese government, a stable operating environment outlook, a sound business profile and funding position and stabilizing asset quality.

Furthermore, the Group is focused on ensuring that it has sufficient available liquidity to meet its obligations as they fall due. In line with this strategy, the Group successfully closed a number of third-party funding facilities during the year ended 31 March 2023, including a $1.725 billion 5-year revolving credit and unsecured term loan facility. This facility was drawn down in full during October 2022. As at 31 March 2023, the Group had $9.1 billion of available capacity in place through a combination of undrawn shareholder funding ($6.5 billion), third party availability ($1.8 billion) and unrestricted cash balances.

Directors' Report (continued)

FINANCING (CONTINUED)

The Group has short-term debt repayment obligations (due within 12 months) totalling $784.4 million and other current liabilities of $738.0 million. The short-term debt obligations include shareholder funding repayments of $84.6 million, which will become available as additional undrawn credit capacity on repayment. Other current liabilities include prepaid lease rentals and fee income of $148.1 million and amounts payable to direct affiliates and other parent group undertakings of $145.0 million. Maintenance reserves and lessor contributions totalling $128.8 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 following the Covid-19 pandemic.

OPERATIONAL

The Group has 114 airline customers in 47 countries. The Group's fleet consists of 894 owned, managed and committed aircraft, including aircraft classified as finance lease and loan receivables.

In addition to the aircraft purchased as part of the Goshawk acquisition, the Group delivered an additional 21 aircraft from its order book across a diversified mix of customers in Europe, Asia and the Americas during the year.

Furthermore, we entered into additional contracts or letters of intent to acquire 29 aircraft through sale and lease back transactions or portfolio purchases, while 46 had delivered during the period under review from new and existing contracts.

The Group continues to transition the portfolio into new technology aircraft with the delivery of $3.32 billion of new technology aircraft, including aircraft classified as finance lease and loan receivables, in the period, which resulted in 62% of our portfolio now consisting of the newest technology aircraft, compared to 67% as at March 2022. The portfolio of aircraft acquired in the Goshawk acquisition included a higher proportion of older technology aircraft than the Group's pre-acquisition portfolio.

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 23 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 2023 and the preceding year.

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

The Group has eight aircraft off-lease at year-end and 21 aircraft on lease 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.

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.

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 230 (2022: average of 203), 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.

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 and up to the date of approval:

Directors	Appointed
N Hirose	Appointed 6 May 2022
T Kusaka	Appointed 6 May 2022
N Nonaka	Appointed 6 May 2022
A Kenny	Appointed 6 May 2022
N Hiruta	Appointed 23 May 2023
T Imaeda	Appointed 23 May 2023

Directors	Resigned
T Yagi	Resigned 6 May 2022
S Oka	Resigned 6 May 2022
E Ishida	Resigned 6 May 2022
B Harvey	Resigned 15 December 2022
T Tanaka	Resigned 23 May 2023
A Fukutome	Resigned 23 May 2023

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.

Directors' Report (continued)

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 2023 (2022: $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 3 May 2023, the Group closed the issue of $650 million of its 5.45% senior unsecured notes due 2028 (the "Notes") through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC. The Notes are fully and unconditionally guaranteed by SMBC Aviation Capital Limited and proceeds from the offering will be used for general corporate purposes, which may include, among other things, the purchase of aircraft and the repayment of existing indebtedness.

On 23 May 2023, Mr T. Tanaka and Mr. A. Fukutome resigned as Directors. On the same day, Mr N. Hiruta and Mr T. Imaeda were appointed as Directors.

No other significant events affecting the Group and Company have occurred since 31 March 2023, 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
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

Company Registration No: 270775

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

The Directors are responsible for preparing the Directors' report and the Group and Company financial statements in accordance with 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 Group and Company 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 Group and Company 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 Group and Company 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 Group and Company 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 or 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 Company and which enable them to ensure that the financial statements of the Group and 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
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

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 2023 set out on pages 26 to 74, which comprise the Consolidated statement of profit or loss and 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 2023 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 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified.

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.

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

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 23, 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.

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://iaasa.ie/wp-content/uploads/docs/media/IAASA/Documents/audit-standards/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 J Croke

Killian Croke
Date: 23 May 2023

for and on behalf of

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

Consolidated Statement of Profit or Loss and Comprehensive Income

For the year ended 31 March 2023

	Note	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
CONTINUING OPERATIONS			
Income			
Lease revenue	3	1,347,962	1,371,721
Other revenue	3	9,072	10,833
Total revenues	3	1,357,034	1,382,554
Other operating income	4	51,617	124,276
		1,408,651	**1,506,830**
Operating expenses			
Depreciation	10	(413,633)	(484,213)
Operating lease asset impairment and write-off charge	10	(70,260)	(1,686,034)
Credit impairment (charge) / credit	17	(31,693)	35,364
Financial asset impairment	8	-	(16,592)
Operating expenses	5	(182,333)	(104,167)
PROFIT / (LOSS) FROM OPERATING ACTIVITIES		**710,732**	**(748,812)**
Finance income	8	265,864	108,155
Finance expense	8	(635,114)	(475,236)
Net trading gain	8	-	576
NET FINANCE COSTS		**(369,250)**	**(366,505)**
PROFIT / (LOSS) BEFORE TAXATION		**341,482**	**(1,115,317)**
Tax (expense) / credit	9	(45,371)	140,418
PROFIT / (LOSS) FROM CONTINUING OPERATIONS		**296,111**	**(974,899)**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges - effective portion of changes in fair value	14	113,317	231,245
Cash flow hedges - reclassified to profit or loss		737	781
Movement in fair value of equity investments at FVTOCI		(1,356)	-
Tax on other comprehensive income		(14,257)	(29,003)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**98,441**	**203,023**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**394,552**	**(771,876)**

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
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

Consolidated Statement of Financial Position

As at 31 March 2023

	Note	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	21,747,591	13,729,560
Intangible assets		3,921	3,601
Advances to OEMs	15	25,087	44,771
Finance lease and loan receivables	16	560,907	586,982
Lease incentive assets	19	140,880	68,383
Derivative financial instruments	13	80,492	24,851
		22,558,878	**14,458,148**
CURRENT ASSETS			
Advances to OEMs	15	19,743	563,585
Assets held for sale	20	245,280	34,787
Finance lease and loan receivables	16	32,262	46,021
Trade and other receivables	17	281,450	212,299
Cash and cash equivalents	18	738,220	994,274
Lease incentive assets	19	43,775	19,769
Derivative financial instruments	13	806	-
		1,361,536	**1,870,735**
TOTAL ASSETS		**23,920,414**	**16,328,883**
EQUITY			
Share capital	26	2,249,513	887,513
Other components of equity	27	495,178	396,737
Retained earnings		1,346,883	1,050,772
TOTAL EQUITY		**4,091,574**	**2,335,022**
NON-CURRENT LIABILITIES			
Trade and other payables	21	1,112,607	464,223
Borrowings	22	16,501,753	11,301,193
Deferred tax liabilities	24	341,933	242,473
Derivative financial instruments	13	50,074	106,737
Subordinated liabilities	25	300,000	300,000
		18,306,367	**12,414,626**
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	26,824	2,773
Trade and other payables	21	711,208	421,778
Borrowings	22	784,441	1,154,478
Derivative financial instruments	13	-	206
		1,522,473	**1,579,235**
TOTAL LIABILITIES		**19,828,840**	**13,993,861**
TOTAL EQUITY AND LIABILITIES		**23,920,414**	**16,328,883**

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

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

Company Statement of Financial Position

As at 31 March 2023

	Note	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	15,480,972	13,680,611
Intangible assets		3,921	3,601
Advances to OEMs	15	25,087	44,771
Loan receivables	16	4,370,113	636,720
Investment in subsidiaries	11	728,700	56,697
Lease incentive assets	19	140,880	68,383
Derivative financial instruments	13	80,492	24,851
		20,830,165	**14,515,634**
CURRENT ASSETS			
Advances to OEMs	15	19,743	563,585
Assets held for sale	20	245,280	34,787
Loan receivables	16	1,249,755	47,311
Trade and other receivables	17	295,883	214,698
Cash and cash equivalents	18	658,353	980,451
Lease incentive assets	19	43,775	19,769
Derivative financial instruments	13	806	-
		2,513,595	**1,860,601**
TOTAL ASSETS		**23,343,760**	**16,376,235**
EQUITY			
Share capital	26	2,249,513	887,513
Other components of equity	27	493,589	394,770
Profit or loss account		1,263,769	985,855
TOTAL EQUITY		**4,006,871**	**2,268,138**
NON-CURRENT LIABILITIES			
Trade and other payables	21	583,671	450,972
Borrowings	22	16,660,653	11,395,489
Deferred tax liabilities	24	299,715	242,473
Derivative financial instruments	13	50,074	106,737
Subordinated liabilities	25	300,000	300,000
		17,894,113	**12,495,671**
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	26,824	2,773
Trade and other payables	21	631,511	454,969
Borrowings	22	784,441	1,154,478
Derivative financial instruments	13	-	206
		1,442,776	**1,612,426**
TOTAL LIABILITIES		**19,336,889**	**14,108,097**
TOTAL EQUITY AND LIABILITIES		**23,343,760**	**16,376,235**

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

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

Consolidated Statement of Changes in Equity

As at 31 March 2023

	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
BALANCE AT 31 MARCH 2021		887,513	470,555	(276,841)	2,025,671	3,106,898
Total comprehensive income						
Loss for the year		-	-	-	(974,899)	(974,899)
Other comprehensive income for the year	27	-	-	203,023	-	203,023
		-	-	203,023	(974,899)	(771,876)
BALANCE AT 31 MARCH 2022		887,513	470,555	(73,818)	1,050,772	2,335,022
Issue of preference shares		1,362,000	-	-	-	1,362,000
Total comprehensive income						
Profit for the year		-	-	-	296,111	296,111
Other comprehensive income for the year	27	-	(1,356)	99,797	-	98,441
		-	(1,356)	99,797	296,111	394,552
BALANCE AT 31 MARCH 2023		2,249,513	469,199	25,979	1,346,883	4,091,574

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

Company Statement of Changes in Equity

As at 31 March 2023

	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
BALANCE AT 31 MARCH 2021		887,513	468,588	(276,841)	1,982,363	3,061,623
Total comprehensive income						
Loss for the year		-	-	-	(996,508)	(996,508)
Other comprehensive income for the year	27	-	-	203,023	-	203,023
		-	-	203,023	(996,508)	(793,485)
BALANCE AT 31 MARCH 2022		887,513	468,588	(73,818)	985,855	2,268,138
Issue of preference shares		1,362,000	-	-	-	1,362,000
Total comprehensive income						
Profit for the year		-	-	-	277,914	277,914
Other comprehensive income for the year	27	-	(978)	99,797	-	98,819
		-	(978)	99,797	277,914	376,733
BALANCE AT 31 MARCH 2023		2,249,513	467,610	25,979	1,263,769	4,006,871

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

Consolidated Statement of Cash Flows

As at 31 March 2023

	Note	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
PROFIT / (LOSS) BEFORE TAX		341,482	(1,115,317)
Adjustments for:			
Depreciation of property, plant and equipment	10	413,633	484,213
Impairment and write-off of property, plant and equipment	10	70,260	1,686,034
Amortisation of computer software intangible assets		1,158	857
Lease incentive asset amortisation	19	40,574	18,760
Credit impairment charge / (credit) on trade debtors	17	31,693	(35,364)
Financial asset impairment		-	16,592
Net interest expense		367,506	366,489
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		-	(576)
Profit on disposal of assets held under operating leases	4	(29,736)	(69,327)
		1,236,570	1,352,361
Decrease in receivables		18,502	28,750
Increase / (decrease) in payables		238,553	(187,884)
CASH GENERATED BY OPERATIONS		1,493,625	1,193,227
Income taxes paid		(1,532)	(586)
Interest paid		(279,130)	(380,128)
NET CASH FROM OPERATING ACTIVITIES		1,212,963	812,513
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		1,230,805	965,918
Purchases of property, plant and equipment		(2,941,763)	(3,140,904)
Purchases of intangible assets		(1,479)	(1,376)
Net investment in business combination	2	(1,310,327)	-
NET CASH USED IN INVESTING ACTIVITIES		(3,022,764)	(2,176,362)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		1,362,000	-
Receipts from restricted cash accounts		-	361,700
Repayment of obligations under finance leases		-	(5,752)
Proceeds from indebtedness		4,355,582	2,947,802
Repayments of indebtedness		(4,162,957)	(1,399,635)
NET CASH FROM FINANCING ACTIVITIES		1,554,625	1,904,115
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(878)	(1,347)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(256,054)	538,919
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		994,274	455,355
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	738,220	994,274
Unrestricted cash and cash equivalents as above	18	738,220	994,274
Restricted cash as reported	18	-	-
TOTAL CASH AND CASH EQUIVALENTS	18	738,220	994,274

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

Company Statement of Cash Flows

As at 31 March 2023

	Note	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
PROFIT / (LOSS) BEFORE TAX		320,900	(1,138,884)
Adjustments for:			
Depreciation of property, plant and equipment	10	350,078	481,705
Impairment and write-off of property, plant and equipment	10	70,260	1,686,034
Amortisation of computer software intangible assets		1,158	857
Lease incentive asset amortisation	19	40,574	18,760
Credit impairment charge / (credit) on trade debtors	17	23,586	(35,364)
Financial asset impairment		-	16,592
Net interest expense		291,655	366,772
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		-	(576)
Profit on disposal of assets held under operating leases		(30,005)	(70,910)
		1,068,206	1,352,361
(Increase) / decrease in receivables		(1,218,772)	188,666
Decrease in payables		(548,117)	(250,783)
CASH GENERATED BY OPERATIONS		(698,683)	1,262,869
Income taxes paid		(1)	-
Interest paid		(274,417)	(382,361)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES		(973,101)	880,508
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		1,231,074	857,623
Purchases of property, plant and equipment		3,557,888	(3,042,161)
Purchases of intangible assets		(1,479)	(1,376)
Investment in subsidiary		(672,003)	-
Net investment in business combination		(1,310,327)	-
Loans provided to subsidiaries		(4,935,836)	(173,401)
NET CASH USED IN INVESTING ACTIVITIES		(2,130,683)	(2,359,315)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		1,362,000	-
Receipts from restricted cash accounts		-	361,700
Repayment of obligations under finance leases		-	(5,752)
Proceeds from indebtedness		4,713,955	2,992,097
Repayments of indebtedness		(3,293,926)	(1,338,294)
NET CASH FROM FINANCING ACTIVITIES		2,782,029	2,009,751
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(343)	(686)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(322,098)	530,258
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		980,451	450,193
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	658,353	980,451
Unrestricted cash and cash equivalents as above	18	658,353	980,451
Restricted cash as reported	18	-	-
TOTAL CASH AND CASH EQUIVALENTS	18	658,353	980,451

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

Notes to the Consolidated Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

SMBC Aviation Capital Limited 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 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 22 'Borrowings' and (ii) its future aircraft purchases as set out in note 30 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 23 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 28 '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 sanctions on Russia (see note 10 'Property, plant and equipment') and ongoing developments in the Covid-19 situation on the Group and its 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 either the Russian situation or 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 2 – Business Combinations:
In order to account for the acquisition of Goshawk on 21 December 2022, the Group measured the assets acquired and liabilities assumed at fair value in accordance with the guidance issued under IFRS 3, 'Business Combinations'. The most significant assets acquired relate to aircraft held for lease which are recognised at fair value based on the maintenance adjusted current market values obtained from independent appraisers.

Note 10 - 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 discount rates. The discount rate used in the measurement of impairment was 6% 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 recognises 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.

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 2023. 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.

Notes to the Consolidated Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c Basis of consolidation (continued)

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 noncontrolling 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 Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured at fair value, as are the identifiable net assets acquired. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually.

e Investment in subsidiaries

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

f 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.

g Lease component assets and liabilities

Aircraft acquired on lease are assessed for the existence of lease component assets and liabilities which are considered to be separate components of aircraft assets. To the extent that lease payments are off-market, they are recognised as either lease component assets or liabilities which are amortised over the remaining lease term.

h 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.

i 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.

j 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.

Notes to the Consolidated Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j Taxation (continued)

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.

k 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 measure at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially 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.

l 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.

m 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.

n 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)

o 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.

p 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.

q 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.

r 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.

s 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.

t 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.

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 has recognised the hedging instruments set out note 14 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 has established a transition plan to ensure a smooth transition to alternative reference rates and has engaged with counterparties to include appropriate fallback provisions in its floating rate liabilities and hedging derivatives. New standard guidance (namely "Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16") became effective for annual periods on or after 1 January 2021 and the Group believes that the impact for future accounting periods will not be material.

Notes to the Consolidated Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u Derivatives and hedge accounting

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

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

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

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

The Group and Company designates certain derivatives held for risk management as well as certain nonderivative 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.

v 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.

w 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.

Notes to the Consolidated Financial Statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x 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.

y 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.

z 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.

aa 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.

bb 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 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.

cc 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.

dd Lease component assets and liabilities
Aircraft acquired on lease are assessed for the existence of lease component assets and liabilities which are considered to be separate components of aircraft assets. To the extent that lease payments are off-market, they are recognised as either lease component assets or liabilities which are amortised over the remaining lease term.

ee 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.

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

gg Profit from operating activities
Operating profit is stated before charging or crediting investment income and finance costs.

hh 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.

ii New standards adoption and amendments to IFRS
There were no new accounting standards / amendments to standards effective for annual periods beginning 1 January 2022 apart from minor amendments to IFRSs through both standalone amendments and through the *Annual Improvements to IFRS Standards 2018 – 2020* cycle. None of these had a significant impact on reported results or disclosures.

The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

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 2023, and have not been applied in preparing these financial statements:

- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current and Disclosure of Accounting policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)

These are all effective for annual periods beginning on or after 1 January 2023 (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 BUSINESS COMBINATIONS

On 21 December 2022, the Company acquired 100% of Goshawk Management Limited and associated corporate assets (together "Goshawk"), the Dublin-based global aircraft lessor. Goshawk Management Limited has subsequently been renamed SMBC Aviation Capital Management Limited.

The acquisition has allowed the Group to accelerate its growth through acquiring a high quality, narrowbody focused portfolio and generate strong profitability for its shareholders in the coming cycle while providing scale and an industry leading position.

The total consideration paid in cash was $1.67 billion, funded from the issuance of additional preference shares (note 26) and shareholder funding (note 22). The Company has assessed the fair value of the assets acquired and liabilities assumed in the acquisition which resulted in no material goodwill.

The following table summarises management's assessment of the fair value of the material assets acquired and liabilities assumed at the acquisition date:

	21 December 2022 US $'000
Property, plant and equipment	
of which:	
Aircraft for hire under operating leases	6,246,208
Other property, plant and equipment	251,241
Trade and other receivables	56,516
Cash and cash equivalents	356,159
Other assets	12,031
Total assets	6,922,155
Loan amounts due to third party undertakings	(1,798,082)
Maintenance reserve	(358,770)
Lessor contributions	(82,926)
Security deposits	(51,989)
Deferred tax	(42,574)
Other creditors and deferred income	(84,992)
Total liabilities	(2,419,333)
Fair value of net assets	4,502,822
Funding provided to settle existing debt	(2,836,336)
Consideration paid	(1,666,486)
Goodwill	-

Revenue and profit contribution

Revenue from leases included in the statement of comprehensive income contributed by the acquired business since 21 December 2022 was $179.5 million. The acquired business also contributed net income of $21.8 million for the period.

Had the acquisition occurred on 1 April 2022, management estimates the Group's consolidated revenue from leases would have been $1.84 billion and the Group's consolidated profit before tax for the year would have been $418.1 million.

Acquisition related costs

Costs related to the acquisition and integration of Goshawk of $26.7 million are included in general and administrative expenses (note 6) in the consolidated statement of comprehensive income and in operating cash flows in the statement of cash flows.

Application of acquisition method of accounting

The Group applied the acquisition method of accounting and measured the identifiable assets acquired and the liabilities assumed at fair value at the closing date. The fair value measurement of each major asset acquired and liability assumed is as set out below.

Aircraft for hire under operating leases

The Group determined the fair value of acquired aircraft held for lease as of the closing date using the maintenance adjusted current market values obtained from independent appraisers and in certain cases management made specific judgements for aircraft.

Other property, plant and equipment

PDP balances were recognised at carrying value as there was deemed to be no variance between carrying value and fair value.

Notes to the Consolidated Financial Statements (continued)

2 BUSINESS COMBINATIONS (CONTINUED)

Cash and cash equivalents

Both the cash and cash equivalents were recognised at their carrying value as there was no variance between carrying value and fair value.

Loan amounts due to third party undertakings

The fair value of loans and borrowings was estimated using quoted market prices where available. The fair value of certain debt without quoted market prices is estimated using discounted cash flow analysis based on current market prices for similar type debt instruments.

Maintenance reserves

The fair value of maintenance reserves relating to pre-acquisition usage is determined by calculating the present value of expected cash outflows during the lease term consisting of expected reimbursements of maintenance reserves at the time of the forecasted maintenance event. Present value is calculated using relevant US treasury rates plus the risk inherit in the liability (based on forecasted dated of maintenance event).

3 REVENUE

	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
Operating lease revenue		
Rentals receivable	1,390,481	1,157,170
Lease incentive amortisation (note 19)	(40,574)	(18,760)
Maintenance (expense) / income	(1,945)	233,311
Lease revenue	1,347,962	1,371,721
Fee income		
Aircraft management fees	9,072	10,833
Other revenue	9,072	10,833
	1,357,034	1,382,554

Maintenance income in the prior year above include $149.3 million recognised following the termination of leasing with Russian airlines in relation to the release of maintenance reserves held at the time, including $76.3 million received by the Group in respect of letters of credit which were drawn down and received as part of this termination. Maintenance income in the current year include $1.9 million of a similar nature. Separately, the release of other related balances resulted in additional operating lease revenue in the prior year of $12.3 million, consisting of prepaid rentals receivable of $9.0 million and maintenance income from the release of lessor contributions of $6.3 million, offset by accelerated lease incentive amortisation of $3.0 million.

Included in operating lease revenue above are the following amounts:		
Contingent rentals	76,354	48,545

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.

Total rentals receivable distribution by geographical region:	Year ended 31 March 2023 US $'000	Year ended 31 March 2023 %	Year ended 31 March 2022 US $'000	Year ended 31 March 2022 %
Emerging Asia	376,820	27.1	306,650	26.5
South America	250,287	18.0	208,291	18.0
Developed Europe	282,268	20.3	218,705	18.9
Emerging Europe	34,762	2.5	153,904	13.3
Asia	143,220	10.3	97,202	8.4
Middle East & Africa	122,362	8.8	70,587	6.1
North America	180,762	13.0	101,831	8.8
	1,390,481	100.0	1,157,170	100.0

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)

4 OTHER OPERATING INCOME

	31 March 2023 US $'000	31 March 2022 US $'000
Profit on disposal of property, plant and equipment	29,736	69,327
Other operating income	21,881	54,949
	51,617	124,276

Profit on disposal of property, plant and equipment decreased in the current year despite higher trading volumes, reflecting a continuation of increasing aircraft trading activity but with lower average profit per disposal. Other operating income in the prior year include partial recovery amounts related to the sale of the Group's interest in the pre-petition claims against some its lessees by way of sub-participation.

Other operating income for the prior period include $20.3 million recognised following the termination of leasing with Russian airlines in relation to the release of security deposits and other related balances. This amount in the prior period also includes $17.4 million received by the Group in respect of letters of credit which were drawn down and received as part of this termination, with amount of $3.3 million also in respect of letters of credit received during the current period. Other operating income in the current year include $3.3 million of a similar nature.

5 OTHER OPERATING EXPENSES

	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
Administration expenses	(181,175)	(103,310)
Amortisation of computer software intangible assets	(1,158)	(857)
	(182,333)	(104,167)

Operating expenses increased during the year due to higher staff costs (note 7) as well as higher legal and other professional fees, including acquisition costs (note 2), and insurance costs incurred.

Notes to the Consolidated Financial Statements (continued)

6 PROFIT / LOSS FROM OPERATING ACTIVITIES

Operating loss / profit has been arrived at after charging:	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
Depreciation	413,633	484,213
Asset impairment charge	70,260	1,686,034
Credit impairment charge / (credit)	31,693	(35,364)
Financial asset impairment (i)	-	16,592
Group service fee	11,742	13,042
Auditors remuneration	1,983	1,216
Staff costs (note 7)	90,544	65,710
Other operating expenses (ii)	84,538	33,725
Foreign exchange loss	2,046	591

(i) Financial asset impairment in the prior year represents amounts written off, which were previously recognised to reflect the fair value of certain sale and leaseback transactions with Russian airlines.

(ii) Operating expenses includes $26.7 million of acquisition costs related to the acquisition and integration of Goshawk (note 2).

Auditors remuneration:		
Audit of the Group financial statements	616	570
Audit of the Subsidiary financial statements	297	71
Other assurance services	382	142
Other non-audit services	-	-
Tax advisory services	688	433
	1,983	1,216
Of which related to the Company	1,407	989

7 STAFF COSTS

	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
Staff costs	79,446	55,315
Social security costs	6,741	6,195
Other pension costs	4,357	4,200
	90,544	65,710

Staff costs increased due to higher staff numbers as well as discretionary costs and completion payments as part of the Goshawk acquisition, while no staff costs were capitalised during the year (year ended 31 March 2022: $nil). The average number of people in the organisation during the financial year was 230 (2022: 203), consisting of both direct employees and representatives, of which 80 staff members were dedicated to commercial & strategy functions (2022: 45), 88 to operational (2022: 84) and the remainder to finance, compliance and other support functions.

Notes to the Consolidated Financial Statements (continued)

8 NET FINANCE COSTS

Finance income:	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
Interest income on swaps	196,937	77,780
Interest income on finance lease and loan receivables	47,811	29,871
Interest income on deposits	21,116	504
Total interest income	265,864	108,155

Finance expense:	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
Interest payable on swaps	(195,807)	(169,629)
Interest payable on borrowings	(430,267)	(305,919)
Less: Interest capitalised to the cost of aircraft (see note 22)	23,036	23,688
Bank charges, guarantee & other fees on borrowings	(32,076)	(23,376)
Total interest payable and related charges	(635,114)	(475,236)
Net interest payable	(369,250)	(367,081)

Interest payable on borrowings is disclosed net of break gains related to derivatives and liability management of $170.3 million (year ended 31 March 2022: losses of $0.8 million). Interest payable on borrowings is also shown net of interest income on advances to OEMs, in excess of associated funding costs, of $6.9 million (year ended 31 March 2022: $8.9 million), which resulted from the restructuring of PDPs during the previous year (note 15).

Net trading income:		
Fair value movement on interest rate swaps in qualifying hedging relationships	-	(1,373)
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	-	1,949
Net gain from financial instruments at fair value (note 22)	-	576

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 2023 is $nil (year ended 31 March 2022: $0.58 million).

Financial asset impairment	-	(16,592)

Financial assets were recognised previously to reflect the fair value of certain sale and leaseback transactions with Russian airlines, which were then impaired in the prior year following the termination of leasing with Russian airlines.

Notes to the Consolidated Financial Statements (continued)

9 TAXATION

A ANALYSIS OF TAX CHARGE FOR THE YEAR	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
Current tax charge:		
- Current year	2,742	1,952
Deferred tax - origination and reversal of temporary differences:		
- Current year	42,629	(142,370)
Tax charge / (credit)	45,371	(140,418)

B FACTORS AFFECTING THE TAX CHARGE/(CREDIT) FOR THE YEAR

Profit / (loss) before tax subject to tax at 12.5% (2022: 12.5%)	333,440	(1,126,941)
Profit before tax subject to tax at 28% (2022: 28%)	84	80
Profit before tax subject to tax at 25% (2022: 25%)	2,740	1,353
Profit before tax subject to tax at 16.5% (2022: 16.5%)	434	439
Profit before tax subject to tax at 8.25% (2022: 8.25%)	4,784	9,752
	341,482	(1,115,317)
Tax on profit / (loss) at the rate of 12.5% (2022: 12.5%)	41,680	(140,868)
Tax on profit at the rate of 28% (2022: 28%)	24	22
Tax on profit at the rate of 25% (2022: 25%)	685	338
Tax on profit at the rate of 16.5% (2022: 16.5%)	72	72
Tax on profit at the rate of 8.25% (2022: 8.25%)	395	805
Other differences	(119)	(25)
Adjustment to assessed loss brought forward	-	(16)
Permanent difference - non-taxable income	(302)	(748)
Permanent difference - disallowed expenses	2,936	2
Tax charge / (credit)	45,371	(140,418)

Notes to the Consolidated Financial Statements (continued)

10 PROPERTY, PLANT AND EQUIPMENT

	Group Aircraft for hire under operating leases US $'000	Group Pre-Delivery Payments US $'000	Group Office equipment and fixtures and fittings US $'000	Group Right-of-use assets US $'000	Group Total US $'000
COST					
At 1 April 2021	14,613,989	974,258	12,669	12,055	15,612,971
Additions	2,798,632	403,879	369	685	3,203,565
Transfers	543,214	(543,214)	-	-	-
Disposals	(1,054,428)	-	-	-	(1,054,428)
Transfer from assets held for sale (see note 20)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,860,129	834,923	13,038	12,740	17,720,830
Additions	3,122,367	214,138	538	76,796	3,413,839
Transfers	312,551	(312,551)	-	-	-
Acquired as part of business combination (see note 2)	6,246,208	245,552	-	5,689	6,497,449
Disposals	(1,471,968)	-	-	(2,606)	(1,474,574)
Transfer to assets held for sale (see note 20)	(318,673)	-	-	-	(318,673)
At 31 March 2023	24,750,614	982,062	13,576	92,619	25,838,871
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2021	1,958,100	-	11,340	5,509	1,974,949
Charge for the year	480,980	-	460	2,773	484,213
Impairment charge for the year	1,686,034	-	-	-	1,686,034
Disposals	(147,435)	-	-	-	(147,435)
Transfer from assets held for sale (see note 20)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,971,188	-	11,800	8,282	3,991,270
Charge for the year	408,960	-	505	4,168	413,633
Impairment and write-off charges for the year	70,260	-	-	-	70,260
Disposals	(291,836)	-	-	(2,606)	(294,442)
Transfer to assets held for sale (see note 20)	(89,441)	-	-	-	(89,441)
At 31 March 2023	4,069,131	-	12,305	9,844	4,091,280
CARRYING AMOUNT					
Net Book Value at 31 March 2023	20,681,483	982,062	1,271	82,775	21,747,591
Net Book Value at 31 March 2022	12,888,941	834,923	1,238	4,458	13,729,560

During the period, the Group acquired 154 aircraft and other right of use assets as part of its acquisition of Goshawk.

During the year, assets in the Group with a carrying value of $1.48 billion (year ended 31 March 2022: $1.45 billion) and average age of 8.4 years (year ended 31 March 2022: 6.8 years) were assessed for impairment as evidence existed that suggested the economic performance of the aircraft is or will be worse than expected. Impairment was measured by determining the recoverable amount for each aircraft, being the higher of its (i) fair value less costs to sell and (ii) value in use, being the present values of cashflows from the leases attached to the aircraft (including as restructured lease cash flows related to aircraft where lessees were in default or restructuring processes) and the expected residual values from the realisation of the aircraft at lease-end when discounted at a rate of 6% (year ended 31 March 2022: 5%).

Notes to the Consolidated Financial Statements (continued)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying amount before impairment of these aircraft of $1.55 billion (year ended 31 March 2022: $1.52 billion) was determined to be higher than the value in use, maintenance adjusted current market value or fair value less costs to sell of $1.48 billion (year ended 31 March 2022: $1.45 billion) and an impairment loss of $70.3 million (year ended 31 March 2022: $69.5 million) was recognised during the year. The prior year charge related to lessees who were in default or undergoing restructuring processes due to the Covid pandemic and 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.

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 6% (year ended 31 March 2022: 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 in the discount rate used
– 5% decrease in the future lease rental cashflows of each aircraft
– 5% decrease in the residual value of aircraft at end of its useful economic life
– 3 month increase 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 lease and maintenance component assets included in above is $558.66 million (31 March 2022: $109.19 million). These lease and maintenance component assets arose from the purchase of second hand aircraft and the Goshawk acquisition and are accounted for in accordance with our policy as set out in note 1(n). There were no assets subject to obligations under finance leases at 31 March 2023 or 31 March 2022.

At 31 March 2023 the Group owned 497 aircraft, including aircraft classified as finance lease and loan receivables. The Group has eight aircraft off-lease at year-end and 21 aircraft on lease which are scheduled to complete their lease term within the next twelve months. As noted above, the Group also has 34 aircraft lost in Russia, which have not been redelivered despite the termination of leasing during February 2022. There were seven aircraft held for sale at 31 March 2023 (31 March 2022: one).

The Group's 34 aircraft which are lost in Russia, continue to be flown by Russian airlines despite the leasing being terminated and the requested return of such aircraft by the Group. The Group continue to be deprived of the use, possession and control of these aircraft. While the Group retain legal title to the aircraft, it was determined that the Group no longer had control of the aircraft which remain in Russia and are lost to the Group. Those aircraft are the subject of a claim for a total loss under applicable insurance and are now also the subject of litigation commenced in the Irish Courts against Insurers. Consequently, the Group recognised a write off of $1.62 billion in the prior period ended 31 March 2022, representing 100% of the carrying value of the 34 aircraft lost in Russia.

Notes to the Consolidated Financial Statements (continued)

10 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 and fittings US $'000	Company Right-of-use assets US $'000	Company Total US $'000
COST					
At 1 April 2021	14,451,732	974,258	12,652	9,093	15,447,735
Additions	2,798,632	403,879	368	685	3,203,564
Transfers	543,214	(543,214)	-	-	-
Disposals	(941,254)	-	-	-	(941,254)
Transfer from assets held for sale (see note 20)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,811,046	834,923	13,020	9,778	17,668,767
Additions	3,093,039	214,138	538	76,796	3,384,511
Transfers	312,551	(312,551)	-	-	-
Acquired as part of business combination (see note 2)	-	245,552	-	-	245,552
Disposals	(1,471,968)	-	-	-	(1,471,968)
Transfer to assets held for sale (see note 20)	(318,673)	-	-	-	(318,673)
At 31 March 2023	18,425,995	982,062	13,558	86,574	19,508,189
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2021	1,957,069	-	11,328	3,321	1,971,718
Charge for the year	479,153	-	457	2,095	481,705
Impairment charge for the year	1,686,034	-	-	-	1,686,034
Disposals	(144,810)	-	-	-	(144,810)
Transfer from assets held for sale (see note 20)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,970,955	-	11,785	5,416	3,988,156
Charge for the year	345,707	-	504	3,867	350,078
Impairment and write-off charges for the year	70,260	-	-	-	70,260
Disposals	(291,836)	-	-	-	(291,836)
Transfer to assets held for sale (see note 20)	(89,441)	-	-	-	(89,441)
At 31 March 2023	4,005,645	-	12,289	9,283	4,027,217
CARRYING AMOUNT					
Net Book Value at 31 March 2023	14,420,350	982,062	1,269	77,291	15,480,972
Net Book Value at 31 March 2022	12,840,091	834,923	1,235	4,362	13,680,611

Notes to the Consolidated Financial Statements (continued)

11 INVESTMENT IN SUBSIDIARIES - COMPANY

	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
At cost	728,700	56,697

The Company's significant 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 Management Limited (2)	Leasing	Ireland
SMBC Aviation Capital Netherlands B.V. (3)	Leasing	Netherlands
SMBC Aviation Capital Hong Kong Limited (4)	Leasing	China
SMBC Aviation Capital Hong Kong 3 Limited (4)	Leasing	China

On 21 December 2022, the Company acquired 100% of Goshawk Management Limited and associated corporate assets (together "Goshawk"), the Dublin-based global aircraft lessor. Goshawk Management Limited has subsequently been renamed SMBC Aviation Capital Management Limited (note 2).

Registered addresses of entities above, denoted by reference attached to each entity name:
1) IFSC House, IFSC, Dublin 1, Ireland
2) 32 Molesworth Street, Dublin 2, Ireland
3) Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands
4) 31 & 32/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong

Movements during the year:	US $'000
At 1 April 2021	56,697
Addition during the year	0
At 31 March 2022	56,697
Addition during the year	672,003
At 31 March 2023	728,700

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:

At 31 March 2023	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	81,298	81,298	81,298	81,298
Financial assets measured at amortised cost				
Advances to OEMs	44,830	42,224	44,830	42,224
Finance lease and loan receivables	593,169	593,170	5,619,868	5,928,270
Trade and other receivables	281,450	281,450	295,883	295,883
Cash and cash equivalents	738,220	738,220	658,353	658,353
Financial assets	1,738,967	1,736,362	6,700,232	7,006,028
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	50,074	50,074	50,074	50,074
Financial liabilities measured at amortised cost:				
Trade and other payables	1,850,639	1,850,639	1,242,006	1,242,006
Borrowings	17,286,194	18,494,649	17,445,094	18,934,427
Subordinated liabilities	300,000	280,382	300,000	280,382
Financial liabilities	19,486,907	20,675,744	19,037,174	20,506,889

At 31 March 2022	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	24,851	24,851	24,851	24,851
Financial assets measured at amortised cost				
Advances to OEMs	608,356	604,046	608,356	604,046
Finance lease and loan receivables	633,003	634,982	684,031	784,808
Trade and other receivables	212,299	212,299	214,698	214,698
Cash and cash equivalents	994,274	994,274	980,451	980,451
Financial assets	2,472,783	2,470,452	2,512,387	2,608,854
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	106,943	106,943	106,943	106,943
Financial liabilities measured at amortised cost:				
Trade and other payables	888,775	888,775	908,714	908,714
Borrowings	12,455,671	13,376,441	12,549,967	13,805,906
Subordinated liabilities	300,000	332,138	300,000	332,138
Financial liabilities	13,751,389	14,704,297	13,865,624	15,153,701

Notes to the Consolidated Financial Statements (continued)

12 FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

Notes to the Consolidated Financial Statements (continued)

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 $31.22 million (2022: $82.09 million). The value of derivative assets designated as fair value hedge relationships is $nil (2022: $nil). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2022: $nil) in respect of certain ineffective cashflow hedges and a $nil (2022: $0.58 million gain) in respect of certain ineffective fair values hedges.

	Group Notional Contract US $'000	Group Fair values Assets US $'000	Group Fair values Liabilities US $'000	Company Notional Contract US $'000	Company Fair values Assets US $'000	Company Fair values Liabilities US $'000
At 31 March 2023						
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	4,435,907	81,298	(50,074)	4,435,907	81,298	(50,074)
	4,435,907	81,298	(50,074)	4,435,907	81,298	(50,074)
Total	4,435,907	81,298	(50,074)	4,435,907	81,298	(50,074)
At 31 March 2022						
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
Total	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Summary				
Assets due within one year	806	-	806	-
Assets due after one year	80,492	24,851	80,492	24,851
Liabilities due within one year	-	(206)	-	(206)
Liabilities due after one year	(50,074)	(106,737)	(50,074)	(106,737)
Total	31,224	(82,092)	31,224	(82,092)

Notes to the Consolidated Financial Statements (continued)

14 HEDGE ACCOUNTING

The Group and Company uses interest rate swaps to hedge the interest rate risks arising from receipt of variable interest receivables on leases. The fair values of derivatives designated as cash flow hedges are as follows:

Group

At 31 March 2023	Notional Contract Amount US $'000	Fair values Assets US $'000	Fair values Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,435,907	81,298	(50,074)
	4,435,907	81,298	(50,074)
At 31 March 2022			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)

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

At 31 March 2023	Less than 1 year US $'000	In the 2nd year US $'000	3 to 5 years US $'000	Over 5 years US $'000
Cash inflows	230,246	172,423	320,977	34,980
Cash outflows	(172,537)	(158,016)	(379,748)	(36,589)

During the financial year ended 31 March 2023, $113.3 million (2022: $231.2 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 (2022: $nil).

Company

At 31 March 2023	Notional Contract Amount US $'000	Fair values Assets US $'000	Fair values Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,435,907	81,298	(50,074)
	4,435,907	81,298	(50,074)
At 31 March 2022			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)

Notes to the Consolidated Financial Statements (continued)

14 HEDGE ACCOUNTING (CONTINUED)

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

At 31 March 2023

	Less than 1 year US $'000	In the 2nd year US $'000	3 to 5 years US $'000	Over 5 years US $'000
Cash inflows	230,246	172,423	320,977	34,980
Cash outflows	(172,537)	(158,016)	(379,748)	(36,589)

During the financial year ended 31 March 2023, $113.3 million (2022: $231.2 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 (2022: $nil).

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

	Group Year ended 31 March 2023 US $'000	Group Year ended 31 March 2022 US $'000	Company Year ended 31 March 2023 US $'000	Company Year ended 31 March 2022 US $'000
Derivatives in place for the full year	102,330	228,934	102,330	228,934
Derivatives matured during the year	58,506	943	58,506	943
Derivatives entered into during the year	(47,519)	1,368	(47,519)	1,368
Effective portion of changes in fair value of cash flow hedges	113,317	231,245	113,317	231,245
Tax effect	(14,165)	(28,906)	(14,165)	(28,906)
	99,152	202,339	99,152	202,339

15 ADVANCES TO OEMS

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Advances to Boeing				
Current	19,743	563,585	19,743	563,585
Non-current	25,087	44,771	25,087	44,771
	44,830	608,356	44,830	608,356

During the year ended 31 March 2021, various amounts of previously paid PDPs were reclassified as an advance to Boeing (note 10) due to the deferral and cancellation of a number of existing orders (note 30). 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, earn interest and any unused balances relating to these agreements become repayable between 2023 - 2024. Credits totalling $563.4 million were applied against direct order and sale and leaseback deliveries during the current period and prior years.

In accordance with the requirements of IFRS 9 and the approach outlined in Note 1(x), the Group performed a review of future estimated cashflows related to the advances to OEMs. Based on this review a remeasurement of $0.41 million has been recognised. This remeasurement is for accounting purposes only and on a legal basis the amount outstanding at period-end is $44.4 million.

Notes to the Consolidated Financial Statements (continued)

16 FINANCE LEASES AND LOAN RECEIVABLES

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Current				
Fixed rate receivables				
Finance leases	3,218	18,889	-	-
Loan receivables	-	-	2,523	19,790
Floating rate receivables				
Loan receivables	29,044	27,132	1,247,232	27,521
	32,262	46,021	1,249,755	47,311
Non-current				
Fixed rate receivables				
Finance leases	37,652	34,781	-	-
Loan receivables	-	-	69,518	72,041
Floating rate receivables				
Loan receivables	523,255	552,201	4,300,595	564,679
	560,907	586,982	4,370,113	636,720
Total finance lease and loan receivables	593,169	633,003	5,619,868	684,031

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

Less than 1 year	6,329	22,665	-	-
1-2 years	6,225	4,667	-	-
2-3 years	6,225	4,667	-	-
3-4 years	32,170	4,667	-	-
4-5 years	-	30,611	-	-
Total undiscounted lease payments receivable	50,949	67,277		
Unearned finance income	(10,079)	(13,607)	-	-
Net investment in finance leases	40,870	53,670	-	-

Finance lease receivables

The Group has entered into lease arrangements as a lessor that are considered to be finance leases. The Group leases two aircraft for which substantially all of the risks and rewards of ownership have transferred, resulting in the classification of these arrangements as finance leases. Finance income in the period on the net investment in leases totalled $47.81 million (31 March 2022: $29.87 million; see note 8). Collateral for these finance leases are the relevant leased aircraft.

Loan receivables - Group:

The Group acquired ten aircraft in recent years, 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 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.

Notes to the Consolidated Financial Statements (continued)

17 TRADE AND OTHER RECEIVABLES

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Trade debtors	159,677	115,582	98,295	116,393
Deferred lease receivables	53,587	61,352	53,587	61,352
Credit impairment provisions	(66,945)	(35,253)	(58,839)	(35,253)
Net lease receivables	146,319	141,681	93,043	142,492
Amounts due from parent group undertakings	6,999	13,028	89,297	20,234
Prepayments	99,824	37,037	89,276	34,632
Other debtors	28,308	20,553	24,267	17,340
	281,450	212,299	295,883	214,698
Age analysis of net trade debtors				
Less than one month	19,175	14,255	12,758	15,066
One to two months	9,833	12,014	5,686	12,014
More than two months	130,669	89,313	79,851	89,313
	159,677	115,582	98,295	116,393

Despite most airline customers continuing to have improved payment performance, net lease receivables have increased mainly due to the acquisition of Goshawk, which included trade receivables of $56.5 million. In addition, some airlines continue to have reduced operations and, in some cases, continue to have grounded aircraft. Separately, one of our airline customers also entered into bankruptcy proceedings during the year. The credit impairment charge in the current period of $31.7 million (year ended 31 March 2022: reversal of $35.4 million) was impacted by the increase and other factors noted above. 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 23(d)).

Other debtors include inventory of engines and airframes totalling $5.2 million (31 March 2022: $4.5 million).

18 CASH AND CASH EQUIVALENTS

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Bank account	83,693	19,654	3,826	5,831
Bank account with parent group undertakings	16,711	76,859	16,711	76,859
Short-term deposits with parent group undertakings	637,816	897,761	637,816	897,761
	738,220	994,274	658,353	980,451
Restricted cash	-	-	-	-
Cash and cash equivalents net of restricted cash	738,220	994,274	658,353	980,451

Notes to the Consolidated Financial Statements (continued)

19 LEASE INCENTIVE ASSETS

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Lease incentive assets	88,152	21,952	88,152	21,952
Amortised during the year (note 3)	(40,574)	(18,760)	(40,574)	(18,760)
Additions of lease incentive assets	167,719	84,960	167,719	84,960
Release of lease incentive assets on disposal of aircraft	(14,594)	-	(14,594)	-
Transfer to assets held for sale (note 20)	(16,048)	-	(16,048)	-
	184,655	88,152	184,655	88,152
Current lease incentive assets (amortising within 12 months)	43,775	19,769	43,775	19,769
Non-current lease incentive assets (amortising after 12 months)	140,880	68,383	140,880	68,383
	184,655	88,152	184,655	88,152

The lease incentive assets are amortised over the respective lease terms and recorded as a reduction of lease income (note 3).

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 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Assets held for sale				
Property, plant and equipment - aircraft	229,232	34,787	229,232	34,787
Lease incentive assets	16,048	-	16,048	-
	245,280	34,787	245,280	34,787
Liabilities associated with assets held for sale				
Security deposits	3,420	-	3,420	-
Maintenance reserve	4,033	2,773	4,033	2,773
Lessor contributions	19,371	-	19,371	-
	26,824	2,773	26,824	2,773
	218,456	32,014	218,456	32,014

At 31 March 2023, the Group classified seven aircraft (31 March 2022: one) as held-for-sale as the Group had agreements for the sale of these aircraft which met the requirement to be classified as held-for-sale. 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 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Security deposits	154,848	104,831	102,683	102,772
Maintenance reserves	692,056	283,052	296,936	271,155
Lessor contributions	294,597	108,486	217,089	108,486
Prepaid lease rentals and fee income received	148,552	106,895	99,916	104,671
Trade creditors	33,651	16,876	17,954	16,505
Accrued interest - third party undertakings	109,573	39,831	80,307	15,565
Amounts due to parent group undertakings	144,961	128,121	165,241	202,380
Collateral cash received	41,800	-	41,800	-
Other creditors	203,777	97,910	193,256	84,407
	1,823,815	886,002	1,215,182	905,941
Analysed as:				
Non-current trade and other payables (payable after 12 months)	1,112,607	464,224	583,671	450,972
Current trade and other payables (payable within 12 months)	711,208	421,778	631,511	454,969
	1,823,815	886,002	1,215,182	905,941

Analysis of Group trade and other payables:

	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
At 31 March 2023			
Security deposits	11,858	142,990	154,848
Maintenance reserve	75,531	616,525	692,056
Lessor contributions	29,828	264,769	294,597
Prepaid lease rentals and fee income received	148,087	465	148,552
Trade creditors	33,651	-	33,651
Accrued interest - third party undertakings	109,573	-	109,573
Amounts due to parent group undertakings	144,961	-	144,961
Collateral cash received	41,800	-	41,800
Other creditors	115,919	87,858	203,777
	711,208	1,112,607	1,823,815

	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
At 31 March 2022			
Security deposits	420	104,411	104,831
Maintenance reserve	42,366	240,686	283,052
Lessor contributions	24,213	84,273	108,486
Prepaid lease rentals and fee income received	103,892	3,003	106,895
Trade creditors	16,876	-	16,876
Accrued interest - third party undertakings	39,831	-	39,831
Amounts due to parent group undertakings	124,370	3,750	128,120
Other creditors	69,810	28,100	97,910
	421,778	464,223	886,001

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

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

Notes to the Consolidated Financial Statements (continued)

22 BORROWINGS

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Loan amounts due to third party undertakings	5,502,868	3,453,766	4,584,743	3,113,766
Loan amounts due to parent group undertakings	9,789,094	6,510,365	9,789,093	6,510,364
Loan amounts due to subsidiaries	-	-	3,071,258	2,925,837
Other debt securities issued	1,994,232	2,491,540	-	-
	17,286,194	12,455,671	17,445,094	12,549,967
The borrowings are repayable as follows:				
On demand or within one year	784,441	1,154,478	784,441	1,154,478
In the second year	1,243,166	1,043,481	1,243,166	1,043,481
In the third to fifth year inclusive	5,735,348	4,283,386	5,735,348	4,283,386
After five years	9,523,239	5,974,326	9,682,139	6,068,622
	17,286,194	12,455,671	17,445,094	12,549,967
Less: Amounts due for settlement within 12 months	(784,441)	(1,154,478)	(784,441)	(1,154,478)
Amounts due for settlement after 12 months	16,501,753	11,301,193	16,660,653	11,395,489

As at 31 March 2023, the Group had $9.1 billion of available capacity in place through a combination of undrawn shareholder funding ($6.5 billion), third party availability ($1.8 billion) and unrestricted cash balances. The Group has short-term debt repayment obligations (due within 12 months) totalling $784.4 million and other current liabilities of $738.0 million. The short-term debt obligations include shareholder funding repayments of $84.6 million, which will become available as additional capacity on repayment.

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, the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 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 $23.0 million (year ended 31 March 2022: $23.7 million; note 10). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

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

			Non-cash changes		
	As at 1 April 2022 US $'000	Cash flows in the period US $'000	Fair value changes US $'000	Amortisation of issuing costs US $'000	As at 31 March 2023 US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	2,890,000	1,950,000	-	-	4,840,000
Loan amount due to parent group undertakings	2,527,759	(1,791,277)	-	-	736,482
	5,417,759	158,723	-	-	5,576,482
Fixed rate borrowings					
Loan amount due to parent group undertakings	3,982,606	5,070,006	-	-	9,052,612
Loan amounts due to third party undertakings	563,766	99,102	-	-	662,868
Other debt securities issued	2,491,540	(500,000)	-	2,692	1,994,232
	12,455,671	4,827,831	-	2,692	17,286,194

Notes to the Consolidated Financial Statements (continued)

22 BORROWINGS (CONTINUED)

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

	Average interest rate %	Year of maturity	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
At 31 March 2023					
Floating rate borrowings					
Loan amounts due to third party undertakings	5.97	2024-2029	200,000	4,640,000	4,840,000
Loan amount due to parent group undertakings	7.62	2029-2033	28,678	707,804	736,482
			228,678	5,347,804	5,576,482
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.94	2023-2035	55,929	8,996,683	9,052,612
Loan amounts due to third party undertakings	2.92	2025-2031	-	662,868	662,868
Other debt securities issued	2.97	2023-2028	499,834	1,494,398	1,994,232
			784,441	16,501,753	17,286,194

	Average interest rate %	Year of maturity	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
At 31 March 2022					
Floating rate borrowings					
Loan amounts due to third party undertakings	1.20	2022-2029	460,000	2,430,000	2,890,000
Loan amount due to parent group undertakings	2.86	2023-2033	59,730	2,468,029	2,527,759
			519,730	4,898,029	5,417,759
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.10	2022-2034	134,911	3,847,695	3,982,606
Loan amounts due to third party undertakings	2.61	2025-2031	-	563,766	563,766
Other debt securities issued	2.98	2022-2028	499,837	1,991,703	2,491,540
			1,154,478	11,301,193	12,455,671

Notes to the Consolidated Financial Statements (continued)

23 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. 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 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Euro assets	45,603	10,172	29,422	8,914
Sterling assets	389	11	219	11
Japanese yen assets	5,767	10,937	4,789	397
Euro liabilities	(115,798)	(12,907)	(98,893)	(10,812)
Sterling liabilities	(1,167)	(1,386)	(1,166)	(1,386)
Japanese yen liabilities	(5,002)	(11,297)	(4,892)	(853)
Chinese yuan liabilities	(459)	(471)	(459)	(471)

At 31 March 2023, 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 $3.5 million lower / higher, and for the Company would have been $3.4 million 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:

Interest rate risk:

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Financial assets				
- variable rate	552,299	579,333	5,547,827	592,200
- fixed rate	723,516	1,559,787	754,687	1,597,948
- non-interest bearing	463,152	333,663	397,718	322,239
Total Financial Assets	1,738,967	2,472,783	6,700,232	2,512,387
Financial liabilities				
- variable rate	5,876,482	5,717,759	6,035,382	5,812,055
- fixed rate	11,709,712	7,037,912	11,709,712	7,037,912
- non-interest bearing	1,900,713	995,718	1,292,080	1,015,657
Total Financial Liabilities	19,486,907	13,751,389	19,037,174	13,865,624

Notes to the Consolidated Financial Statements (continued)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Framework (continued)

b Interest Rate Risk (continued)

The Group and Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. At 31 March 2023, if interest rates on financial assets or liabilities with variable interest rates shifted by 10bps, the underlying post-tax profit for the year would have been $0.1 million lower / higher; other components of equity would have been $4.7 million lower / higher as a result of a decrease/increase in the fair value of cash flow hedge reserves. The weighted average fixed rate for the interest rate swap portfolio was 3.37%.

c Liquidity Risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. As at 31 March 2023, the Group had put in place $9.1 billion of available capacity through a combination of undrawn shareholder funding ($6.5 billion), third party availability ($1.8 billion) and unrestricted cash balances. Any maturity mismatch within the overall long-term structure of the Group and Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Group and Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise. While operating cash flows have decreased in the current year due to continued aircraft acquisitions, available liquidity capacity has ensured that there was no material change in the liquidity risk of the Group and Company during the period.

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

	Group Carrying value 31 March 2023 US $'000	Group Contracted cashflows 31 March 2023 US $'000	Group Carrying value 31 March 2022 US $'000	Group Contracted cashflows 31 March 2022 US $'000
Liabilities associated with assets held for sale	26,824	26,824	2,773	2,773
Trade and other payables	1,675,263	1,675,263	779,107	779,107
Obligations under finance leases	-	-	-	-
Borrowings	17,286,194	21,887,820	12,455,671	14,752,823
Subordinated liabilities	300,000	678,375	300,000	596,987
Interest rate swaps	50,074	746,891	106,943	1,118,441
	19,338,355	25,015,173	13,644,494	17,250,131

	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
At 31 March 2023				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(26,824)	-	-	-
Trade and other payables	(563,123)	(148,646)	(355,344)	(608,154)
Borrowings	(2,450,177)	(1,926,950)	(7,335,200)	(10,175,493)
Subordinated liabilities	(28,027)	(25,204)	(66,797)	(558,347)
Total non-derivative financial instruments outflows	(3,068,151)	(2,100,800)	(7,757,341)	(11,341,994)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	57,709	14,406	-	-
Net Settled - outflow	-	-	(58,771)	(1,609)
Total Outflows	(3,010,442)	(2,086,394)	(7,816,112)	(11,343,603)

Notes to the Consolidated Financial Statements (continued)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Framework (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
At 31 March 2022				
Non-derivative financial instruments				
Trade and other payables	(2,773)	-	-	-
Obligations under finance leases	(317,886)	(72,115)	(164,893)	(224,215)
Borrowings	(1,542,195)	(1,483,877)	(5,301,941)	(6,424,810)
Subordinated liabilities	(15,078)	(21,238)	(60,652)	(500,019)
Total non-derivative financial instruments outflows	(1,877,932)	(1,577,230)	(5,527,486)	(7,149,044)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	10,903	-	-
Net Settled - outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows	(1,926,962)	(1,566,327)	(5,550,964)	(7,195,383)

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

	Company Carrying value 31 March 2023 US $'000	Company Contracted cashflows 31 March 2023 US $'000	Company Carrying value 31 March 2022 US $'000	Company Contracted cashflows 31 March 2022 US $'000
Liabilities associated with assets held for sale	26,824	26,824	2,773	2,773
Trade and other payables	1,115,266	1,115,266	801,270	801,270
Obligations under finance leases	-	-	-	-
Borrowings	17,445,094	21,954,870	12,549,967	14,822,161
Subordinated liabilities	300,000	678,375	300,000	596,987
Interest rate swaps	50,074	746,891	106,943	1,118,441
	18,937,258	24,522,226	13,760,953	17,341,632

Notes to the Consolidated Financial Statements (continued)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Framework (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
At 31 March 2023				
Non-derivative Financial Instruments				
Liabilities associated with assets held for sale	(26,824)	-	-	-
Trade and other payables	(531,596)	(148,646)	(355,344)	(79,682)
Borrowings	(2,593,566)	(1,927,448)	(7,335,200)	(10,098,656)
Subordinated liabilities	(28,027)	(25,204)	(66,797)	(558,347)
Total Non-derivative Financial Instruments Outflows	(3,180,013)	(2,101,298)	(7,757,341)	(10,736,685)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	57,709	14,406	-	-
Net Settled - outflow	-	-	(58,771)	(1,609)
Total Outflows	(3,122,304)	(2,086,892)	(7,816,112)	(10,738,294)

	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
At 31 March 2022				
Non-derivative Financial Instruments				
Trade and other payables	(2,773)	-	-	-
Obligations under finance leases	(353,300)	(72,115)	(164,893)	(210,960)
Borrowings	(1,632,671)	(1,483,877)	(5,302,438)	(6,403,175)
Subordinated liabilities	(15,078)	(21,238)	(60,652)	(500,019)
Total Non-derivative Financial Instruments Outflows	(2,003,822)	(1,577,230)	(5,527,983)	(7,114,154)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	10,903	-	-
Net Settled - outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows	(2,052,852)	(1,566,327)	(5,551,461)	(7,160,493)

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)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Framework (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 ($281.5 million of which $146.3 million relate to lease receivables) resulting from its leasing activities, advances to OEMs ($44.8 million; note 15) and cash and cash equivalents (bank accounts totalling $738.2 million; including $654.5 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 2023, the Group's significant cash and deposit counterparties were:

	US $'000
SMBC (credit rating A (S&P))	654,527
Citibank (Credit rating A+ (S&P))	83,693
	738,220

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 2023, the Group was exposed to trade debtors of $159.7 million (2022: $115.6 million) and held a provision for expected credit losses against these for $66.9 million (2022: $35.3 million). As at 31 March 2023, the Group held letters of credit in relation to lease rentals and maintenance exposures of $488.3 million (31 March 2022: $283.9 million) in addition to $854.4 million of cash security deposits and maintenance reserves (31 March 2022: $390.6 million; see note 21).

Notes to the Consolidated Financial Statements (continued)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Framework (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 31 March 2023		Group 31 March 2022	
	31 March 2023 %	31 March 2022 %	Gross carrying amount US $'000	Impairment loss US $'000	Gross carrying amount US $'000	Impairment loss US $'000
Category 1	0.2%	0.2%	8,600	-	440	-
Category 2	1.1%	1.2%	3,024	-	351	-
Category 3	7.2%	8.4%	8,328	-	70,373	4,298
Category 4	33% - 100%	33% - 100%	139,725	66,945	44,418	30,955
			159,677	66,945	115,582	35,253

	Expected credit loss provision %		Group 31 March 2023		Group 31 March 2022	
	31 March 2023 %	31 March 2022 %	Gross amount US $'000	Impairment loss US $'000	Gross carrying amount US $'000	Impairment loss US $'000
Category 1	0.2%	0.2%	8,600	-	440	-
Category 2	1.1%	1.2%	2,387	-	351	-
Category 3	7.2%	8.4%	926	-	70,373	4,298
Category 4	33% - 100%	33% - 100%	86,382	58,839	44,418	30,955
			98,295	58,839	115,582	35,253

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 for the Group includes gross trade receivables of $20.0 million, $63.1 million and $56.7 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) during the Covid pandemic, those who have subsequently exited such lease restructurings, 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.

A number of airline customers agreed restructured leases and / or exited lease restructurings during the year, which resulted in the write-off of certain balances that originated in the pre-restructuring period. However, the Group partially recovered amounts related to the sale of the Group's interest in the pre-petition claims against some of its lessees by way of sub-participation (note 4). The table above reflects the lower overall receivable and provisioning balances at year-end, while 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.

Impairment Losses

	Group US $'000	Company US $'000
The movement in the provision for expected credit losses in respect of financial assets is as follows:		
Balance at 1 April 2021	152,937	152,937
Credit impairment credit on financial assets	(35,364)	(35,364)
Trade debtors written off	(82,320)	(82,320)
Balance at 31 March 2022	35,253	35,253
Credit impairment charge on financial assets	31,693	23,586
Trade debtors written off	(1)	-
Balance at 31 March 2023	66,945	58,839

The Group provision for expected credit losses include a provision of $66.8 million in relation to lease receivables (31 March 2022: $33.5 million).

Notes to the Consolidated Financial Statements (continued)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Framework (continued)

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 4.9%.

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. 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 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)

24 DEFERRED TAX

Movements during the year:	US $'000	US $'000
At 1 April 2021	355,840	355,848
Charge to income from continuing operations (note 9)	(142,370)	(142,378)
Charge to other comprehensive income	29,003	29,003
At 31 March 2022	242,473	242,473
Charge to income from continuing operations (note 9)	42,629	42,985
Charge to other comprehensive income	14,257	14,257
Acquired as part of business combination (see note 2)	42,574	-
At 31 March 2023	341,933	299,715

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Deferred tax assets	6,451	13,652	6,451	13,652
Deferred tax liabilities	(348,384)	(256,125)	(306,166)	(256,125)
	(341,933)	(242,473)	(299,715)	(242,473)

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

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	(338,222)	(253,018)	(296,004)	(253,018)
Fair value adjustments on financial instruments - deferred tax asset	6,451	13,652	6,451	13,652
Fair value adjustments on financial instruments - deferred tax liability	(10,162)	(3,107)	(10,162)	(3,107)
	(341,933)	(242,473)	(299,715)	(242,473)

The Group has estimated tax losses of $7.77 billion (31 March 2022: $3.22 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.

25 SUBORDINATED LIABILITIES

	Average interest rate %	Year of maturity	Group & Company 31 March 2023 US $'000	Group & Company 31 March 2022 US $'000
$300 million floating rate loan due to parent group undertakings	9.18	2039	300,000	300,000
			300,000	300,000

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 2039 and can be extended further with the agreement of both parties.

Notes to the Consolidated Financial Statements (continued)

26 SHARE CAPITAL

	31 March 2023 US $	31 March 2022 US $
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
A Preference shares of $1 each	1,362,000,000	-
B Preference shares of $1 each	700,000,000	700,000,000
	2,362,000,000	1,000,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
A Preference shares of $1 each	1,362,000,000	-
B Preference shares of $1 each	700,000,000	700,000,000
	2,249,512,800	887,512,800

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.

In December 2022, the Company converted existing preference shares to B preference shares and increased its authorised share capital by 1.362 billion non-voting 7.5% non-cumulative A preference shares.

At the same time, and as part of the purchase of Goshawk Leasing, the Company issued 1.362 billion new A preference shares at par to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") in such proportions that the shareholding of SMFL and SMBC would remain the same.

	31 March 2023 Number of shares	31 March 2022 Number of shares
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
A Preference shares of $1 each	1,362,000,000	-
B Preference shares of $1 each	700,000,000	700,000,000
	2,362,000,000	1,000,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
A Preference shares of $1 each	1,362,000,000	-
B Preference shares of $1 each	700,000,000	700,000,000
	2,249,512,800	887,512,800

Notes to the Consolidated Financial Statements (continued)

27 OTHER COMPONENTS OF EQUITY

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 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	-	-
Fair value through other comprehensive income	(1,356)	-	(978)	-
Cash flow hedge reserve	25,979	(73,818)	25,979	(73,818)
Total other reserves	495,178	396,737	493,589	394,770

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.

28 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 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Within one year	1,913,409	1,122,826	1,280,351	1,118,242
In the second year	1,849,845	1,144,279	1,265,923	1,136,924
In the third year	1,702,427	1,091,783	1,205,618	1,082,271
In the fourth year	1,548,146	1,042,513	1,134,565	1,028,529
In the fifth year	1,429,807	965,881	1,090,810	951,310
After five years	4,632,392	3,967,962	3,997,688	3,899,849
	13,076,026	9,335,244	9,974,955	9,217,125

Notes to the Consolidated Financial Statements (continued)

29 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 significant 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 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Transactions with parent companies:				
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	4,055	132	4,055	132
Interest expense	25,455	-	25,455	-
Operating expenses	4,928	4,537	4,928	4,537
Balances at period end:				
Borrowings	2,487,109	-	2,487,109	-
Sundry creditors	(11,018)	(4,107)	(11,018)	(4,107)
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	2,392	2,351	2,385	2,197
Balances at period end:				
Sundry debtors	-	-	-	-
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	14,269	14,343	14,269	14,343
Fee income	1,189	1,362	1,189	1,362
Balances at period end:				
Amounts due to group undertakings	102,719	64,007	102,719	64,007
SMBC Capital Markets Inc.				
Transactions during the period:				
Gain on derivative fair value	-	1,373	-	1,373
Interest expense	2,928	92,433	2,928	92,433
Balances at period end:				
Cash held on behalf of	(41,800)	-	(41,800)	-
Derivative Financial Instruments	(45,045)	98,864	(45,045)	98,864
SMBC Trust Bank				
Transactions during the period:				
Interest expense	147,335	97,745	147,335	97,745
Balances at period end:				
Borrowings	2,873,660	3,293,670	2,873,660	3,293,670
Amounts due to group undertakings	18,916	13,227	18,916	13,227

Notes to the Consolidated Financial Statements (continued)

29 RELATED PARTIES (CONTINUED)

	31 March 2023 US $'000	31 March 2022 US $'000	31 March 2023 US $'000	31 March 2022 US $'000
Transactions with associate companies:				
SMBC Bank International plc				
Transactions during the period:				
Fee income	-	1,500	-	1,500
Interest income	12,053	-	12,053	-
Operating expenses	(40)	(52)	(40)	(52)
Balances at period end:				
Cash	6,039	12,190	6,038	12,189
Sundry debtors	-	1,500	-	1,500
SMBC (Japan)				
Transactions during the period:				
Operating expenses	10,504	12,281	10,504	12,281
Balances at period end:				
Amounts due to group undertakings	5,500	5,497	5,500	5,497
SMBC (New York)				
Transactions during the period:				
Interest expense	46,423	133,768	46,423	133,768
Balances at period end:				
Borrowings	4,715,433	3,516,694	4,715,433	3,516,694
Cash	648,487	962,429	648,487	962,429
Amounts due to group undertakings	25,043	15,961	25,043	15,961
SMBC (Paris)				
Transactions during the period:				
Interest expense	-	273	-	273
Balances at period end:				
Obligations under Finance Leases	-	-	-	-
Non-current liabilities	-	-	-	-
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	583	613	583	613
Balances at period end:				
Other Creditors	133	117	133	117
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	513	942	513	942
Balances at period end:				
Other Creditors	126	104	126	104
Shanghai General SMFL Co., Ltd.				
Transactions during the period:				
Operating expenses	656	795	656	795
Balances at period end:				
Other Creditors	162	173	162	173

Notes to the Consolidated Financial Statements (continued)

29 RELATED PARTIES (CONTINUED)

	31 March 2023 US $'000	31 March 2022 US $'000	31 March 2023 US $'000	31 March 2022 US $'000
Transactions with associate companies:				
SMBC Leasing and Finance,Inc.				
Transactions during the period:				
Operating expenses	3,950	4,350	3,950	4,350
Balances at period end:				
Other Creditors	1,265	1,171	1,265	1,171
SMBC Bank EU AG				
Transactions during the period:				
Operating income	95	60	95	60

	Company 31 March 2023	Company 31 March 2022
Transactions with subsidiaries		
SMBC Aviation Capital Management Limited		
Transactions during the period:		
Fee income	8,991	-
Interest income	88,990	-
Balances at period end:		
Amounts due from group undertakings	5,033,410	-
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Fee income	2,004	1,435
Interest income	31,888	16,569
Balances at period end:		
Amounts due from group undertakings	557,090	617,076
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee expense	4,482	3,658
Interest expense	3,641	2,840
Balances at period end:		
Amounts due to group undertakings	62,432	200,060
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	1,150	1,184
Balances at period end:		
Amounts due to group undertakings	(197)	(338)
SMBC Aviation Capital Hong Kong Limited		
Transactions during the period:		
Fee expense	3,518	891
Balances at period end:		
Amounts due from group undertakings	3,727	3,903

Notes to the Consolidated Financial Statements (continued)

29 RELATED PARTIES (CONTINUED)

	Company 31 March 2023	Company 31 March 2022
Transactions with subsidiaries (continued)		
SMBC Aviation Capital Hong Kong 2 Limited		
Transactions during the period:		
Interest expense	23,674	2,573
Fee expense	2,766	2,050
Balances at period end:		
Amounts due to group undertakings	917,202	198,780
SMBC Aviation Capital Hong Kong 3 Limited		
Transactions during the period:		
Interest income	1,253	3,440
Balances at period end:		
Amounts due from group undertakings	25,436	29,088
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	16	13
Interest expense	66,908	73,670
Balances at period end:		
Amounts due to group undertakings	2,014,793	2,515,244

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, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 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 22, with the notes due in 2021 and 2022 settled on maturity.

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

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

Key management personnel include directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management is shown below and includes retirement compensation paid during the year ended 31 March 2023 of $1.6 million (year ended 31 March 2022: $nil):

	31 March 2023 US $'000	31 March 2022 US $'000
Salaries and other short-term employee benefits	14,134	6,955
Post-employment benefits	486	468
Other long-term benefits	825	1,277
Total	15,445	8,700

Notes to the Consolidated Financial Statements (continued)

30 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. 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 $nil (31 March 2022: $0.8 billion).

In addition, during the year the Group also acquired existing direct orders with both Airbus and Boeing as part of the the Goshawk acquisition, adding a mix of 20 Airbus A320neos and A321neos and 20 Boeing 737 MAX 8 to the Group's existing direct order book, with delivery dates between 2024 and 2027.

The combined remaining purchase commitment for orders total $9.8 billion and delivery dates are currently scheduled between 2023 and 2027 of which $2.0 billion relates to expected delivery dates within the next twelve months. These delivery dates continue to be impacted by delays that built up during the 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. Lastly, an additional agreement was concluded in May 2021 with Boeing for the purchase of a further 14 aircraft. 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.

31 CONTINGENT LIABILITIES

The Group and Company had no contingent liability at 31 March 2023 (31 March 2022: $nil).

32 SUBSEQUENT EVENTS

On 3 May 2023, the Group closed the issue of $650 million of its 5.45% senior unsecured notes due 2028 (the "Notes") through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC. The Notes are fully and unconditionally guaranteed by SMBC Aviation Capital Limited and proceeds from the offering will be used for general corporate purposes, which may include, among other things, the purchase of aircraft and the repayment of existing indebtedness.

On 23 May 2023, Mr T. Tanaka and Mr. A. Fukutome resigned as Directors. On the same day, Mr N. Hiruta and Mr T. Imaeda were appointed as Directors.

No other significant events affecting the Group and Company have occurred since 31 March 2023, which require adjustment to or disclosure in the Consolidated Financial Statements.

33 APPROVAL OF FINANCIAL STATEMENTS

The Directors approved these Financial Statements on 23 May 2023.

Acronyms and Abbreviations

ACCD	Aircraft Credit Department
ceo	Current engine option
CGU	Cash generating unit
Company	SMBC Aviation Capital Limited
Companies Act/ The Act	Companies Act 2014
Consortium	SMFG and SC
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CSR	Corporate Social Responsibility
ECL	Expected credit loss
EU	European Union
Financial Statements	The Group and Company financial statements
Goshawk	Goshawk Aviation
Group	SMBC Aviation Capital Limited and its subsidiaries
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IATA	The International Air Transport Association
IBOR	Interbank Offered Rate
ICAO	The International Civil Aviation Organization
IFRS	International Financial Reporting Standards
IFSC	International Financial Services Centre
ISA	International Standard on Auditing
ISTAT	The International Society of Transport Air Trading
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
Russia	Russian Federation
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
UK	United Kingdom
USA	United States of America

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