# DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2024



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## DIRECTORS
P Barrett (Irish)
C A Ennis (Irish)
B Flannery (Irish)
D Swan (Irish)
A Kenny (Irish)
N Hiruta (Japanese)
M Tachibana (Japanese)
S Watanabe (Japanese)
T Kusaka (Japanese)
I Tatara (Japanese)
Y Hyakutome (Japanese)
T Toyama (Japanese)
H Okado (Japanese)

## SECRETARY
C A Ennis

## REGISTERED OFFICE
Fitzwilliam 28
Fitzwilliam Street Lower
Dublin 2
Ireland

## INDEPENDENT AUDITOR
KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

## SOLICITORS
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10 Upper Bank Street
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United Kingdom

McCann Fitzgerald
Riverside One
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Dublin 2
Ireland

## BANKS
SMBC Bank International plc
100 Liverpool Street
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United Kingdom

Sumitomo Mitsui Banking Corporation
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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 2024. 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 – https://www.sumitomocorp.com/en/jp/ir
Sumitomo Mitsui Financial Group - https://www.smfg.co.jp/english/investor/financial/latest_statement.html.

## PERFORMANCE AND STRATEGY

The Group and Company's strategy is to work closely and build strong relationships with its airline and investor customers to meet their specific requirements, while owning and leasing the most modern, fuel efficient and desirable aircraft. The Group and Company continues to actively manage the profile of its aircraft portfolio and, as a result, has maintained a young fleet with a weighted average age of 5.5 years as at 31 March 2024 (31 March 2023: 5.1 years).

At the end of the financial year, the statement of financial position showed total assets of $24.1 billion (31 March 2023: $23.9 billion). The net book value of property, plant and equipment, including aircraft classified as finance lease and loan receivables of $560.9 million (31 March 2023: $593.2 million) and aircraft assets classified as held for sale of $276.0 million (31 March 2023: $229.2 million), was $22.4 billion at the year-end (31 March 2023: $22.5 billion).

The Group generated a profit before tax of $1.2 billion during the year ended 31 March 2024 (year ended 31 March 2023: $341.5 million). The profit before tax in the current period includes net insurance settlement proceeds in relation to aircraft previously leased to Russian airlines, which, when excluded, would result in profit before tax of $459.8 million for the year ended 31 March 2024.

The results for the current year also includes the first full year's benefit of the Goshawk acquisition, which completed on 21 December 2022 (note 2). The results for the prior year included the impact of the acquisition for the period 21 December 2022 to 31 March 2023.

Most airline customers continue to experience improved performance post-Covid, which, in addition to the conclusion of a restructuring during the period, have resulted in lower trade receivables. At 31 March 2024, the Group had trade debtors of $89.7 million (31 March 2023: $159.7 million; note 16) and deferred lease receivables of $42.3 million (31 March 2023: $53.6 million). This is due to improved payment performance resulting in the settlement of receivables as well as application of security held on conclusion of the restructuring noted above. These events resulted in a reversal of overall credit impairment provisions during the year ended 31 March 2024 of $11.5 million (year ended 31 March 2023: charge of $31.7 million).

During the year, a dividend of $102.2 million was recommended and paid to the Company's shareholders.

The Directors do not recommend the payment of a dividend as at 31 March 2024 (31 March 2023: $nil).

## RUSSIAN SANCTIONS

In response to the invasion of Ukraine by the Russian Federation ("Russia") on 24 February 2022, the EU, the United States of America, United Kingdom and other countries 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 one 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.

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 prior 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 and other operating income 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 the Group's insurers in respect of the aircraft lost in Russia, following a refusal by the Group's insurers to indemnify the Company for its loss.

During the current year, the Group received insurance settlement proceeds (notes 4 and 10) in respect of certain aircraft previously leased to certain Russian airlines. The insurance settlements and receipt of the insurance settlement proceeds were carried out in full compliance with all applicable laws, sanctions and regulations and have been approved by the U.S. Department of Commerce and the U.S. Department of the Treasury.

The Group will continue its efforts to seek to mitigate its losses in respect of its aircraft, which are lost in Russia and were formerly on lease to other Russian airlines.

On 19 October 2023, the Company commenced litigation in the UK High Court against the insurers and the reinsurers under the airlines' insurance and reinsurance policies in respect of its aircraft lost in Russia, which were formerly on lease to Russian airlines, without prejudice to the Company's claims against the Group's insurers in the Irish Courts. The Company either did not issue or subsequently discontinued (as the case may be) litigation in the UK High Court in respect of airlines and / or aircraft (as the case may be) with whom or in respect of which we concluded insurance settlements.

The Group have not recognised any insurance claim receivables as at 31 March 2024 as the timing and amount of recoveries under applicable insurance policies were uncertain as at that date.

## 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

While global air passenger traffic continued to improve to near pre-pandemic 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

The Group is also directly exposed to the ongoing impact of the sanctions imposed against Russia.

For further detail on the principal financial risks and the Group and Company's policy for minimising these financial risks, refer to note 22.

## 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 2023: Standard & Poor's: A-; Fitch Ratings: BBB+), positioning the business well to execute on its growth plans in the coming years.

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 the sale of $650 million of its 5.45% senior unsecured notes due 2028 on 3 May 2023 and the sale of $1.0 billion of its 5.70% senior unsecured notes due 2033 on 18 July 2023 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited.

As at 31 March 2024, the Group had $12.2 billion of available capacity in place through a combination of undrawn shareholder funding ($8.9 billion), third party availability ($2.2 billion) and unrestricted cash balances.

The Group has short-term debt repayment obligations (due within 12 months) totalling $1.2 billion and other current liabilities of $947.1 million. The short-term debt obligations include shareholder funding repayments of $283.2 million, which will become available as additional undrawn credit capacity on repayment. Other current liabilities include prepaid lease rentals and fee income of $148.6 million and amounts payable to direct affiliates and other parent group undertakings of $201.8 million. Maintenance reserves and lessor contributions totalling $140.7 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 as global air travel continues to return to pre-pandemic levels. The Group also had purchase commitments consisting of direct orders and sale-leaseback commitments totalling $1.9bn due to fall due within a year.

## OPERATIONAL

The Group has 103 airline customers in 47 countries. The Group's fleet consists of 987 owned, managed and committed aircraft, including aircraft classified as finance lease and loan receivables.

The Group delivered an additional 20 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 42 aircraft through sale and lease back transactions or portfolio purchases, while 17 had delivered during the current year from new and existing contracts.

The Group continues to transition the portfolio into new technology aircraft with the delivery of $2.1 billion of new technology aircraft, including aircraft classified as finance lease and loan receivables, in the period, which resulted in 67% of our portfolio now consisting of the newest technology aircraft, compared to 64% as at March 2023.

## GOING CONCERN

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, along with the financial position of the Group and Company. In addition, also as noted above, note 22 to the financial statements includes: the objectives, policies and processes for managing capital; the financial risk management objectives; details of financial instruments and hedging activities; and the exposures to credit risk and liquidity risk, to the extent that these were in place at 31 March 2024 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 ten aircraft off-lease at year-end and 24 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 268 (2023: average of 230), 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 19. The following changes took place during the year and up to the date of approval:

| **Directors** | **Appointed** |
|---|---|
| N Hiruta | Appointed 23 May 2023 |
| T Imaeda | Appointed 23 May 2023 |
| I Tatara | Appointed 1 April 2024 |
| Y Hyakutome | Appointed 30 April 2024 |
| T Toyama | Appointed 30 April 2024 |
| H Okado | Appointed 30 April 2024 |

| **Directors** | **Resigned** |
|---|---|
| T Tanaka | Resigned 28 May 2023 |
| A Fukutome | Resigned 28 May 2023 |
| N Nonaka | Resigned 31 March 2024 |
| T Imaeda | Resigned 30 April 2024 |
| K Tanaka | Resigned 30 April 2024 |
| N Hirose | Resigned 30 April 2024 |

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

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

## ACCOUNTING RECORDS

The Directors believe that they have complied with the requirements of Section 281 of the Companies Act, 2014 with regard to keeping adequate accounting records by employing accounting personnel with the appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Company are maintained at the Company's registered offices at Fitzwilliam 28, Fitzwilliam Street Lower, Dublin 2, Ireland.

## POLITICAL DONATIONS

The Company did not make any political donations in the year ended 31 March 2024 (2023: $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 4 April 2024, the Group closed the issue of a combined value of $1.5 billion of its 5.30% and 5.55% senior unsecured notes due 2029 and 2034 (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 30 April 2024, Mr T. Imaeda, Mr K. Tanaka and Mr N. Hirose resigned as Directors. On the same day, Mr Y. Hyakutome, Mr T. Toyama and Mr H. Okado were appointed as Directors.

No other significant events affecting the Group and Company have occurred since 31 March 2024, 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** | **A Kenny** |
| Director | Director |
| Date: 4 June 2024 | Date: 4 June 2024 |

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 EU 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group and Company's website (www.smbc.aero). Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board:

**P Barrett**
Director
Date: 4 June 2024

**A Kenny**
Director
Date: 4 June 2024

## 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 2024 set out on pages 27 to 73, 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 and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

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 2024 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.

## 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 24, 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/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/.

### 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.

Terence Coveney

**Terence Coveney**
4 June 2024

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 2024



| | Note | Year ended 31 March 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Income** | | | |
| Lease revenue | 3 | 1,906,918 | 1,347,962 |
| Other revenue | 3 | 7,408 | 9,072 |
| Total revenues | 3 | 1,914,326 | 1,357,034 |
| Other operating income | 4 | 832,834 | 51,617 |
| | | **2,747,160** | **1,408,651** |
| **Operating expenses** | | | |
| Depreciation | 10 | (672,934) | (413,633) |
| Operating lease asset impairment charge | 10 | (69,019) | (70,260) |
| Credit impairment credit / (charge) | 16 | 11,545 | (31,693) |
| Operating expenses | 5 | (152,777) | (182,333) |
| **PROFIT FROM OPERATING ACTIVITIES** | | **1,863,975** | **710,732** |
| Finance income | 8 | 319,244 | 265,864 |
| Finance expense | 8 | (988,618) | (635,114) |
| **NET FINANCE COSTS** | | **(669,374)** | **(369,250)** |
| **PROFIT BEFORE TAXATION** | | **1,194,601** | **341,482** |
| Tax expense | 9 | (159,899) | (45,371) |
| **PROFIT FROM CONTINUING OPERATIONS** | | **1,034,702** | **296,111** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Cash flow hedges - effective portion of changes in fair value | 14 | 31,894 | 113,317 |
| Cash flow hedges - reclassified to profit or loss | | (1,197) | 737 |
| Movement in fair value of equity investments at FVTOCI | | 1,356 | (1,356) |
| Tax on other comprehensive income | | (3,837) | (14,257) |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | **28,216** | **98,441** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **1,062,918** | **394,552** |

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: 4 June 2024

**A Kenny**
Director
Date: 4 June 2024

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2024



| | Note | 31 March 2024 US $'000 | 31 March 2023 US $'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | 21,654,266 | 21,747,591 |
| Intangible assets | | 4,259 | 3,921 |
| Advances to OEMs | | - | 25,087 |
| Finance lease and loan receivables | 15 | 521,482 | 560,907 |
| Investment in associates | | 4,242 | - |
| Lease incentive assets | 18 | 167,545 | 140,880 |
| Derivative financial instruments | 13 | 42,666 | 80,492 |
| | | 22,394,460 | 22,558,878 |
| **CURRENT ASSETS** | | | |
| Advances to OEMs | | 72,629 | 19,743 |
| Assets held for sale | 19 | 278,054 | 245,280 |
| Finance lease and loan receivables | 15 | 39,424 | 32,262 |
| Trade and other receivables | 16 | 222,429 | 281,450 |
| Cash and cash equivalents | 17 | 1,035,602 | 738,220 |
| Lease incentive assets | 18 | 52,423 | 43,775 |
| Derivative financial instruments | 13 | 9,434 | 806 |
| | | 1,709,995 | 1,361,536 |
| **TOTAL ASSETS** | | 24,104,455 | 23,920,414 |
| **EQUITY** | | | |
| Share capital | 25 | 2,249,513 | 2,249,513 |
| Other components of equity | 26 | 523,394 | 495,178 |
| Retained earnings | | 2,279,435 | 1,346,883 |
| **TOTAL EQUITY** | | 5,052,342 | 4,091,574 |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 20 | 1,079,609 | 1,112,607 |
| Borrowings | 21 | 15,046,879 | 16,501,753 |
| Deferred tax liabilities | 23 | 491,556 | 341,933 |
| Derivative financial instruments | 13 | 3,764 | 50,074 |
| Subordinated liabilities | 24 | 300,000 | 300,000 |
| | | 16,921,808 | 18,306,367 |
| **CURRENT LIABILITIES** | | | |
| Liabilities associated with assets held for sale | 19 | 33,717 | 26,824 |
| Trade and other payables | 20 | 913,378 | 711,208 |
| Borrowings | 21 | 1,183,210 | 784,441 |
| | | 2,130,305 | 1,522,473 |
| **TOTAL LIABILITIES** | | 19,052,113 | 19,828,840 |
| **TOTAL EQUITY AND LIABILITIES** | | 24,104,455 | 23,920,414 |

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

**P Barrett**
Director
Date: 4 June 2024

**A Kenny**
Director
Date: 4 June 2024

# COMPANY STATEMENT OF FINANCIAL POSITION
## AS AT 31 MARCH 2024



| | Note | 31 March 2024 US $'000 | 31 March 2023 US $'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | 17,663,597 | 15,480,972 |
| Intangible assets | | 4,259 | 3,921 |
| Advances to OEMs | | - | 25,087 |
| Loan receivables | 15 | 3,089,586 | 4,370,113 |
| Investment in subsidiaries | 11 | 1,572,278 | 728,700 |
| Investment in associates | | 4,242 | - |
| Lease incentive assets | 18 | 167,545 | 140,880 |
| Derivative financial instruments | 13 | 42,666 | 80,492 |
| | | 22,544,173 | 20,830,165 |
| **CURRENT ASSETS** | | | |
| Advances to OEMs | | 72,629 | 19,743 |
| Assets held for sale | 19 | 216,985 | 245,280 |
| Loan receivables | 15 | 163,980 | 1,249,755 |
| Trade and other receivables | 16 | 240,396 | 295,883 |
| Cash and cash equivalents | 17 | 981,860 | 658,353 |
| Lease incentive assets | 18 | 52,423 | 43,775 |
| Derivative financial instruments | 13 | 9,434 | 806 |
| | | 1,737,707 | 2,513,595 |
| **TOTAL ASSETS** | | 24,281,880 | 23,343,760 |
| **EQUITY** | | | |
| Share capital | 25 | 2,249,513 | 2,249,513 |
| Other components of equity | 26 | 521,427 | 493,589 |
| Profit or loss account | | 2,266,276 | 1,263,769 |
| **TOTAL EQUITY** | | 5,037,216 | 4,006,871 |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 20 | 729,748 | 583,671 |
| Borrowings | 21 | 15,785,064 | 16,660,653 |
| Deferred tax liabilities | 23 | 434,736 | 299,715 |
| Derivative financial instruments | 13 | 3,764 | 50,074 |
| Subordinated liabilities | 24 | 300,000 | 300,000 |
| | | 17,253,312 | 17,894,113 |
| **CURRENT LIABILITIES** | | | |
| Liabilities associated with assets held for sale | 19 | 14,422 | 26,824 |
| Trade and other payables | 20 | 1,493,720 | 631,511 |
| Borrowings | 21 | 483,210 | 784,441 |
| | | 1,991,352 | 1,442,776 |
| **TOTAL LIABILITIES** | | 19,244,664 | 19,336,889 |
| **TOTAL EQUITY AND LIABILITIES** | | 24,281,880 | 23,343,760 |

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

**P Barrett**
Director
Date: 4 June 2024

**A Kenny**
Director
Date: 4 June 2024

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## AS AT 31 MARCH 2024



| | 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 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 | 26 | - | (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 |
| **Dividend paid** | | - | - | - | (102,150) | (102,150) |
| **Total comprehensive income** | | | | | | |
| Profit for the year | | - | - | - | 1,034,702 | 1,034,702 |
| Other comprehensive income for the year | 26 | - | 1,356 | 26,860 | - | 28,216 |
| | | - | 1,356 | 26,860 | 1,034,702 | 1,062,918 |
| **BALANCE AT 31 MARCH 2024** | | 2,249,513 | 470,555 | 52,839 | 2,279,435 | 5,052,342 |

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

# COMPANY STATEMENT OF CHANGES IN EQUITY
## AS AT 31 MARCH 2024



| | 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 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 | 26 | - | (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 |
| **Dividend paid** | | - | - | - | (102,150) | (102,150) |
| **Total comprehensive income** | | | | | | |
| Profit for the year | | - | - | - | 1,104,657 | 1,104,657 |
| Other comprehensive income for the year | 26 | - | 978 | 26,860 | - | 27,838 |
| | | - | 978 | 26,860 | 1,104,657 | 1,132,495 |
| **BALANCE AT 31 MARCH 2024** | | 2,249,513 | 468,588 | 52,839 | 2,266,276 | 5,037,216 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2024



| | Note | Year ended 31 March 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|---|
| **PROFIT BEFORE TAX** | | 1,194,601 | 341,482 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 10 | 672,934 | 413,633 |
| Impairment of property, plant and equipment | 10 | 69,019 | 70,260 |
| Amortisation of computer software intangible assets | | 1,390 | 1,158 |
| Lease incentive asset amortisation | 18 | 50,737 | 40,574 |
| Credit impairment (credit) / charge on trade debtors | 16 | (11,545) | 31,693 |
| Net interest expense | | 670,153 | 367,506 |
| Profit on disposal of assets held under operating leases | 4 | (57,020) | (29,736) |
| | | 2,590,269 | 1,236,570 |
| Decrease in receivables | | 129,588 | 18,502 |
| Increase in payables | | 4,402 | 238,553 |
| **CASH GENERATED BY OPERATIONS** | | 2,724,259 | 1,493,625 |
| Income taxes paid | | (17,786) | (1,532) |
| Interest paid | | (670,192) | (279,130) |
| **NET CASH FROM OPERATING ACTIVITIES** | | 2,036,281 | 1,212,963 |
| **INVESTING ACTIVITIES** | | | |
| Proceeds on disposal of property, plant and equipment | | 1,565,943 | 1,230,805 |
| Purchases of property, plant and equipment | | (2,140,610) | (2,941,763) |
| Purchases of intangible assets | | (1,728) | (1,479) |
| Net investment in business combination | 2 | - | (1,310,327) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | (576,395) | (3,022,764) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of share capital | | - | 1,362,000 |
| Dividends paid | | (102,150) | - |
| Proceeds from indebtedness | | 2,169,519 | 4,355,582 |
| Repayments of indebtedness | | (3,229,783) | (4,162,957) |
| **NET CASH (USED IN) / FROM FINANCING ACTIVITES** | | (1,162,414) | 1,554,625 |
| **EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS** | | (90) | (878) |
| **NET INCREASE / (DECREASE) IN UNRESTRICTED CASH AND CASH EQUIVALENTS** | | 297,382 | (256,054) |
| **UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | | 738,220 | 994,274 |
| **UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | 17 | 1,035,602 | 738,220 |
| **Unrestricted cash and cash equivalents as above** | 17 | 1,035,602 | 738,220 |
| **Restricted cash as reported** | 17 | - | - |
| **Total cash and cash equivalents** | 17 | 1,035,602 | 738,220 |

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

# COMPANY STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 MARCH 2024



| | Note | Year ended 31 March 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|---|
| **PROFIT BEFORE TAX** | | 1,253,651 | 320,900 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 10 | 382,991 | 350,078 |
| Impairment of property, plant and equipment | 10 | 56,127 | 70,260 |
| Amortisation of computer software intangible assets | | 1,390 | 1,158 |
| Lease incentive asset amortisation | 18 | 49,481 | 40,574 |
| Credit impairment (credit) / charge on trade debtors | 16 | (25,046) | 23,586 |
| Dividend income | | (60,000) | - |
| Net interest expense | | 380,096 | 291,655 |
| Profit on disposal of assets held under operating leases | | (47,607) | (30,005) |
| | | 1,991,083 | 1,068,206 |
| Decrease / (increase) in receivables | | 1,055,610 | (1,218,772) |
| Increase / (decrease) in payables | | 97,541 | (548,117) |
| **CASH GENERATED BY OPERATIONS** | | 3,144,234 | (698,683) |
| Income taxes paid | | - | (1) |
| Interest paid | | (369,193) | (274,417) |
| **NET CASH (USED IN) / FROM OPERATING ACTIVITIES** | | 2,775,041 | (973,101) |
| **INVESTING ACTIVITIES** | | | |
| Proceeds on disposal of property, plant and equipment | | 1,556,530 | 1,231,074 |
| Purchases of property, plant and equipment | | (4,078,232) | (2,386,857) |
| Purchases of intangible assets | | (1,728) | (1,479) |
| Investment in subsidiary | | (774,438) | (672,003) |
| Loans repaid by / (provided to) subsidiaries | | 2,366,302 | (301,418) |
| **NET CASH USED IN INVESTING ACTIVITIES:** | | (931,566) | (2,130,683) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of share capital | | - | 1,362,000 |
| Dividends paid | | (102,150) | - |
| Proceeds from indebtedness | | 532,500 | 4,713,955 |
| Repayments of indebtedness | | (1,950,514) | (3,293,926) |
| **NET CASH (USED IN) / FROM FINANCING ACTIVITES** | | (1,520,164) | 2,782,029 |
| **EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS** | | 196 | (343) |
| **NET INCREASE / (DECREASE) IN UNRESTRICTED CASH AND CASH EQUIVALENTS** | | 323,507 | (322,098) |
| **UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | | 658,353 | 980,451 |
| **UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | 17 | 981,860 | 658,353 |
| **Unrestricted cash and cash equivalents as above** | 17 | 981,860 | 658,353 |
| **Restricted cash as reported** | 17 | - | - |
| **Total cash and cash equivalents** | 17 | 981,860 | 658,353 |

The accompanying notes form an integral part of these 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 Fitzwilliam 28, Fitzwilliam Street Lower, Dublin 2, Ireland.

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

### 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 21 'Borrowings' and (ii) its future aircraft purchases as set out in note 29 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 22 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 27 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of sanctions on Russia (see note 10 'Property, plant and equipment'). 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. 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 16 – 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.

## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c Basis of consolidation

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries, drawn up to 31 March 2024. The Group does not have investments in joint ventures as defined in IFRS.

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

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

**Subsidiaries**

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

**Common control transactions**

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

**Associates**

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

### 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.

## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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.

## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m Property, plant and equipment (continued)

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.

### 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.

## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### t Financial instruments (continued)

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') became a priority for global regulators. During the current year, the Group and Company migrated all contracts that referenced LIBOR to the Secured Overnight Financing Rate ("SOFR"), which replaced LIBOR. The Group has recognised the hedging instruments set out note 14 at fair value, which are exposed to the impact of SOFR. The Group also has certain floating rate liabilities where the reference rate were linked to LIBOR. These contracts were also transitioned to SOFR during the current year with no material impact.

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

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

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

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

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

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

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

### 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 a finance cost.

## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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.

## 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### ii New standards adoption and amendments to IFRS

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

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Initial Application of IFRS 17 and IFRS 9 Comparative Information (Amendments to IFRS 17)
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

These standards, other than Amendments to IAS 12, had no impact on the Group. For Amendments to IAS 12, the Group applied the relief from deferred tax accounting for Pillar Two top-up taxes immediately upon the release of the amendments in May 2023.

The Group provided new disclosures about its exposure to these taxes (note 9), while the adoption of Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12) had no impact on the statement of financial position as related balances qualify for offset under paragraph 74 of IAS 12.

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 2024, and have not been applied in preparing these financial statements:

- Classification of Liabilities as Current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lack of Exchangeability (Amendments to IAS 21)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

These are all effective for annual periods beginning on or after 1 January 2024 (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.

## 2 BUSINESS COMBINATIONS

During the prior year, 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 25) and shareholder funding (note 21). 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 in the year ended 31 March 2023. The acquired business also contributed net income of $21.8 million for the year ended 31 March 2023.

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 ended 31 March 2023 would have been $418.1 million.

***Acquisition related costs***
Costs related to the acquisition and integration of Goshawk of $26.7 million were included in general and administrative expenses (note 5) in the consolidated statement of comprehensive income and in operating cash flows in the statement of cash flows for the year ended 31 March 2023.

***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.

## 2 BUSINESS COMBINATIONS (CONTINUED)

***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.

***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 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|
| Operating lease revenue | | |
| Rentals receivable | 1,927,778 | 1,390,481 |
| Lease incentive amortisation (note 18) | (50,737) | (40,574) |
| Maintenance income / (expense) | 29,877 | (1,945) |
| Lease revenue | 1,906,918 | 1,347,962 |
| Fee income | | |
| Aircraft management fees | 7,408 | 9,072 |
| Other revenue | 7,408 | 9,072 |
| | 1,914,326 | 1,357,034 |

Rentals receivable increased due to the inclusion of the first full year's operational results of Goshawk Management Limited (subsequently been renamed SMBC Aviation Capital Management Limited; "Goshawk acquisition"), which was acquired on 21 December 2022. Maintenance income include redelivery payments received during the period, which increased compared to the prior period due to a higher level of redelivery activity. Maintenance income in the prior year also included certain cost provisions for maintenance events relating to certain off-lease aircraft.

| Included in operating lease revenue above are the following amounts: | | |
|---|---|---|
| Contingent rentals | 77,393 | 76,354 |

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 2024 US $'000 | Year ended 31 March 2024 % | Year ended 31 March 2023 US $'000 | Year ended 31 March 2023 % |
|---|---|---|---|---|
| Emerging Asia | 493,511 | 25.6 | 380,992 | 27.4 |
| South America | 269,889 | 14.0 | 250,287 | 18.0 |
| Developed Europe | 427,967 | 22.2 | 278,096 | 20.0 |
| Emerging Europe | 69,400 | 3.6 | 34,762 | 2.5 |
| Asia | 219,767 | 11.4 | 143,220 | 10.3 |
| Middle East & Africa | 177,356 | 9.2 | 122,362 | 8.8 |
| North America | 269,888 | 14.0 | 180,762 | 13.0 |
| | 1,927,778 | 100.0 | 1,390,481 | 100.0 |

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

## 4 OTHER OPERATING INCOME

| | 31 March 2024 US $'000 | 31 March 2023 US $'000 |
|---|---|---|
| Profit on disposal of property, plant and equipment | 57,020 | 29,736 |
| Other operating income | 775,814 | 21,881 |
| | 832,834 | 51,617 |

Profit on disposal of property, plant and equipment increased in the current period due to increased aircraft trading activity.

Other operating income in the current period include insurance settlement proceeds of $755.8 million (note 10) received in respect of aircraft previously leased to certain Russian airlines. Other operating income in the prior year include $3.3 million received by the Group in respect of letters of credit which were drawn down and received as part of the termination of leasing of aircraft with Russian airlines.

## 5 OTHER OPERATING EXPENSES

| | Year ended 31 March 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|
| Administration expenses | (151,387) | (181,175) |
| Amortisation of computer software intangible assets | (1,390) | (1,158) |
| | (152,777) | (182,333) |

Operating expenses decreased during the year due to once-off acquisition costs included in the prior year (note 2).

## 6 PROFIT FROM OPERATING ACTIVITIES

| **Operating profit has been arrived at after charging** | Year ended 31 March 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|
| Depreciation | 672,934 | 413,633 |
| Asset impairment charge | 69,019 | 70,260 |
| Credit impairment (credit) / charge | (11,545) | 31,693 |
| Group service fee | 7,883 | 11,742 |
| Auditors remuneration | 1,589 | 1,983 |
| Staff costs (note 7) | 85,383 | 90,544 |
| Other operating expenses | 57,210 | 84,538 |
| Foreign exchange (gain) / loss | (299) | 2,046 |

Operating expenses in the prior year included $26.7 million of acquisition costs related to the acquisition and integration of Goshawk (note 2).

| | | |
|---|---|---|
| Auditors remuneration: | | |
| Audit of the Group financial statements | 794 | 616 |
| Audit of the Subsidiary financial statements | 310 | 297 |
| Other assurance services | 181 | 382 |
| Other non-audit services | - | - |
| Tax advisory services | 304 | 688 |
| | 1,589 | 1,983 |
| Of which related to the Company | 1,086 | 1,407 |

## 7 STAFF COSTS

| | Year ended 31 March 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|
| Staff costs | 72,874 | 79,446 |
| Social security costs | 7,431 | 6,741 |
| Other pension costs | 5,078 | 4,357 |
| | 85,383 | 90,544 |

Staff costs decreased due to completion payments as part of the Goshawk acquisition in the prior year, while no staff costs were capitalised during the year (year ended 31 March 2023: $nil). The average number of people in the organisation during the financial year was 268 (2023: 230), consisting of both direct employees and representatives, of which 100 staff members were dedicated to commercial & strategy functions (2023: 80), 65 to operational (2023: 88) and the remainder to finance, compliance and other support functions.

## 8 NET FINANCE COSTS

| | Year ended 31 March 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|
| Finance income: | | |
| Interest income on swaps | 235,874 | 196,937 |
| Interest income on finance lease and loan receivables | 59,333 | 47,811 |
| Interest income on deposits | 24,037 | 21,116 |
| Total interest income | 319,244 | 265,864 |

| | Year ended 31 March 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|
| Finance expense: | | |
| Interest payable on swaps | (164,178) | (195,807) |
| Interest payable on borrowings | (804,035) | (430,267) |
| Less: Interest capitalised to the cost of aircraft (see note 21) | 30,202 | 23,036 |
| Bank charges, guarantee & other fees on borrowings | (50,607) | (32,076) |
| Total interest payable and related charges | (988,618) | (635,114) |
| Net interest payable | (669,374) | (369,250) |

Interest payable on borrowings is disclosed net of break gains related to derivatives and liability management of $68.3 million (year ended 31 March 2023: $170.3 million).

## 9 TAXATION

| a ANALYSIS OF TAX CHARGE FOR THE YEAR | Year ended 31 March 2024 US $'000 | Year ended 31 March 2023 US $'000 |
|---|---|---|
| Current tax charge: | | |
| - Current year | 14,356 | 2,742 |
| Deferred tax - origination and reversal of temporary differences: | | |
| - Current year | 145,543 | 42,629 |
| Tax charge | 159,899 | 45,371 |

### b FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

| | | |
|---|---|---|
| Profit before tax subject to tax at 12.5% (2023: 12.5%) | 1,184,599 | 333,440 |
| Profit before tax subject to tax at 25% (2023: 25%) | 1,952 | 2,824 |
| Profit before tax subject to tax at 17% (2023: 17%) | 131 | - |
| Profit before tax subject to tax at 16.5% (2023: 16.5%) | 517 | 434 |
| Profit before tax subject to tax at 8.25% (2023: 8.25%) | 7,402 | 4,784 |
| | 1,194,601 | 341,482 |
| Tax on profit at the rate of 12.5% (2023: 12.5%) | 148,075 | 41,680 |
| Tax on profit at the rate of 25% (2023: 25%) | 488 | 709 |
| Tax on profit at the rate of 17% (2023: 17%) | 22 | - |
| Tax on profit at the rate of 16.5% (2023: 16.5%) | 85 | 72 |
| Tax on profit at the rate of 8.25% (2023: 8.25%) | 611 | 395 |
| Other differences | 2,179 | (119) |
| Permanent difference - non-taxable income | (13) | (302) |
| Permanent difference - disallowed expenses | 8,452 | 2,936 |
| Tax charge | 159,899 | 45,371 |

On 15 December 2022, the Council of the European Union formally adopted the OECD's Pillar Two Directive. The EU Minimum Tax Directive implements a minimum 15% tax rate on certain multinational enterprises in line with the OECD's Pillar Two Model Rules. Ireland has enacted the EU Minimum Tax Directive into domestic legislation and the Company will be in scope for the accounting year beginning 1 April 2024, which in principle will require the Company to have a minimum effective tax rate of 15%. Additional guidance is expected from the OECD on the operation of Pillar Two and this could impact the Company's future effective tax rate. We are continuing to assess the impact of the Pillar Two rules on future periods for the Company.

## 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 & fittings US $'000 | Group Right-of-use assets US $'000 | Group Total US $'000 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 April 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 19) | (318,673) | - | - | - | (318,673) |
| At 31 March 2023 | 24,750,614 | 982,062 | 13,576 | 92,619 | 25,838,871 |
| Additions | 1,947,613 | 364,725 | 31,928 | 960 | 2,345,226 |
| Transfers | 234,453 | (234,453) | - | - | - |
| Written off | (1,072,162) | - | - | - | (1,072,162) |
| Disposals | (1,648,097) | - | - | (5,689) | (1,653,786) |
| Transfer to assets held for sale (see note 19) | (301,639) | - | - | - | (301,639) |
| At 31 March 2024 | 23,910,782 | 1,112,334 | 45,504 | 87,890 | 25,156,510 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | |
| At 1 April 2022 | 3,971,188 | - | 11,800 | 8,282 | 3,991,270 |
| Charge for the year | 408,960 | - | 505 | 4,168 | 413,633 |
| Impairment charge for the year | 70,260 | - | - | - | 70,260 |
| Disposals | (291,836) | - | - | (2,606) | (294,442) |
| Transfer to assets held for sale (see note 19) | (89,441) | - | - | - | (89,441) |
| At 31 March 2023 | 4,069,131 | - | 12,305 | 9,844 | 4,091,280 |
| Charge for the year | 664,379 | - | 495 | 8,060 | 672,934 |
| Impairment charge for the year | 69,019 | - | - | - | 69,019 |
| Written off | (1,072,162) | - | - | - | (1,072,162) |
| Disposals | (232,245) | - | - | (945) | (233,190) |
| Transfer to assets held for sale (see note 19) | (25,637) | - | - | - | (25,637) |
| At 31 March 2024 | 3,472,485 | - | 12,800 | 16,959 | 3,502,244 |
| **CARRYING AMOUNT** | | | | | |
| Net Book Value at 31 March 2024 | 20,438,297 | 1,112,334 | 32,704 | 70,931 | 21,654,266 |
| Net Book Value at 31 March 2023 | 20,681,483 | 982,062 | 1,271 | 82,775 | 21,747,591 |

During the year ended 31 March 2023, the Group acquired 154 aircraft and other fixed assets as part of its acquisition of Goshawk.

During the year, assets in the Group with a carrying value of $1.52 billion (year ended 31 March 2023: $1.48 billion) and average age of 8.9 years (year ended 31 March 2023: 8.4 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 2023: 6%).

The carrying amount before impairment of these aircraft of $1.59 billion (year ended 31 March 2023: $1.55 billion) was determined to be higher than the value in use, maintenance adjusted current market value or fair value less costs to sell of $1.52 billion (year ended 31 March 2023: $1.48 billion) and an impairment loss of $69.0 million (year ended 31 March 2023: $70.3 million) was recognised during the year. The current and prior year charges related to aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value as set out below.

## 10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated time on the ground, estimated residual values, economic conditions, technology and airline demand for particular aircraft variants. These estimated cashflows were discounted at 6% (year ended 31 March 2023: 6%) 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 $1.49 billion (31 March 2023: $558.7 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 2024 or 31 March 2023.

At 31 March 2024 the Group owned 496 aircraft, including aircraft classified as finance lease and loan receivables. The Group has ten aircraft off-lease at year-end and 24 aircraft on lease which are scheduled to complete their lease term within the next twelve months. There were eight aircraft held for sale at 31 March 2024 (31 March 2023: seven).

The Group recognised a write off of $1.62 billion in the period ended 31 March 2022, representing 100% of the carrying value of 34 aircraft lost in Russia. These 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. Some of the aircraft are also the subject of litigation before the UK Courts.

During the current period under review, the Group received insurance settlement proceeds (note 4) in respect of certain of its aircraft previously leased to certain Russian airlines. The amounts represent settlements of the Group's insurance claims under the relevant airlines' insurance and reinsurance policies relating to relevant aircraft and associated engines. The insurance settlements and receipt of the insurance settlement proceeds were carried out in full compliance with all applicable laws, sanctions and regulations and have been approved by the U.S. Department of Commerce and the U.S. Department of the Treasury.

## 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 & fittings US $'000 | Company Right-of-use assets US $'000 | Company Total US $'000 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 April 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 19) | (318,673) | - | - | - | (318,673) |
| At 31 March 2023 | 18,425,995 | 982,062 | 13,558 | 86,574 | 19,508,189 |
| Additions | 3,710,379 | 364,725 | 31,929 | 862 | 4,107,895 |
| Transfers | 234,453 | (234,453) | - | - | - |
| Written off | (1,072,162) | - | - | - | (1,072,162) |
| Disposals | (1,474,579) | - | - | - | (1,474,579) |
| Transfer to assets held for sale (see note 19) | (233,486) | - | - | - | (233,486) |
| At 31 March 2024 | 19,590,600 | 1,112,334 | 45,487 | 87,436 | 20,835,857 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | |
| At 1 April 2022 | 3,970,955 | - | 11,785 | 5,416 | 3,988,156 |
| Charge for the year | 345,707 | - | 504 | 3,867 | 350,078 |
| Impairment charge for the year | 70,260 | - | - | - | 70,260 |
| Disposals | (291,836) | - | - | - | (291,836) |
| Transfer to assets held for sale (see note 19) | (89,441) | - | - | - | (89,441) |
| At 31 March 2023 | 4,005,645 | - | 12,289 | 9,283 | 4,027,217 |
| Charge for the year | 375,268 | - | 494 | 7,229 | 382,991 |
| Impairment charge for the year | 56,127 | - | - | - | 56,127 |
| Written off | (1,072,162) | - | - | - | (1,072,162) |
| Disposals | (203,358) | - | - | - | (203,358) |
| Transfer to assets held for sale (see note 19) | (18,555) | - | - | - | (18,555) |
| At 31 March 2024 | 3,142,965 | - | 12,783 | 16,512 | 3,172,260 |
| **CARRYING AMOUNT** | | | | | |
| Net Book Value at 31 March 2024 | 16,447,635 | 1,112,334 | 32,704 | 70,924 | 17,663,597 |
| Net Book Value at 31 March 2023 | 14,420,350 | 982,062 | 1,269 | 77,291 | 15,480,972 |

## 11 INVESTMENT IN SUBSIDIARIES - COMPANY

| | 31 March 2024 US $'000 | 31 March 2023 US $'000 |
|---|---|---|
| At cost | 1,572,278 | 728,700 |

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 Hong Kong Limited (4) | Leasing | China |
| SMBC Aviation Capital Hong Kong 3 Limited (4) | Leasing | China |

Registered addresses of entities above, denoted by reference attached to each entity name:
1) Fitzwilliam 28, Fitzwilliam Street Lower, Dublin 2, Ireland
2) 32 Molesworth Street, Dublin 2, Ireland
3) 31 & 32/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong

| Movements during the year: | US $'000 |
|---|---|
| At 1 April 2022 | 56,697 |
| Addition during the year | 672,003 |
| At 31 March 2023 | 728,700 |
| Additions during the year | 859,058 |
| Repayment of investment | (15,480) |
| At 31 March 2024 | 1,572,278 |

During the year, the Company received a total dividend of $60.0 million (2023: $nil) from two subsidiary companies.

## 12 FINANCIAL INSTRUMENTS

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

| | Group Carrying Value US $'000 | Group Fair Value US $'000 | Company Carrying Value US $'000 | Company Fair Value US $'000 |
|---|---|---|---|---|
| At 31 March 2024 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Derivative financial instruments | 52,100 | 52,100 | 52,100 | 52,100 |
| Financial assets measured at amortised cost | | | | |
| Advances to OEMs | 72,629 | 72,629 | 72,629 | 72,629 |
| Finance lease and loan receivables | 560,906 | 561,413 | 3,253,566 | 3,690,496 |
| Trade and other receivables | 222,429 | 222,429 | 240,396 | 240,396 |
| Cash and cash equivalents | 1,035,602 | 1,035,602 | 981,860 | 981,860 |
| Financial assets | 1,943,666 | 1,944,173 | 4,600,551 | 5,037,481 |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivative financial instruments | 3,764 | 3,764 | 3,764 | 3,764 |
| Financial liabilities measured at amortised cost: | | | | |
| Trade and other payables | 2,026,704 | 2,026,704 | 2,237,890 | 2,237,890 |
| Borrowings | 16,230,089 | 15,441,268 | 16,268,274 | 15,468,676 |
| Subordinated liabilities | 300,000 | 289,967 | 300,000 | 289,967 |
| Financial liabilities | 18,560,557 | 17,761,703 | 18,809,928 | 18,000,297 |

| | Group Carrying Value US $'000 | Group Fair Value US $'000 | Company Carrying Value US $'000 | Company Fair Value US $'000 |
|---|---|---|---|---|
| At 31 March 2023 | | | | |
| 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 |

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

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

## 12 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

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

## 13 DERIVATIVES AT FAIR VALUE

All derivatives held at the reporting date are with Sumitomo Mitsui Banking Corporation Capital Markets Inc., and are in US Dollars only. All derivatives entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IAS39 hedge accounting criteria are held for economic hedging purposes. The value of derivatives designated as cash flow hedge relationships is $48.3 million (2023: $31.2 million). The value of derivative assets designated as fair value hedge relationships is $nil (2023: $nil). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2023: $nil) in respect of certain ineffective cashflow hedges and a $nil (2023: $nil) in respect of certain ineffective fair values hedges.

| | Group Notional Contract | Group Fair values | | Company Notional Contract | Company Fair values | |
|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | Assets | Liabilities |
| At 31 March 2024 | US $'000 | US $'000 | US $'000 | US $'000 | US $'000 | US $'000 |
| Derivatives designated as hedging instruments in cash flow hedges | | | | | | |
| Interest rate swaps | 3,600,234 | 52,100 | (3,764) | 3,600,234 | 52,100 | (3,764) |
| | 3,600,234 | 52,100 | (3,764) | 3,600,234 | 52,100 | (3,764) |
| Total | 3,600,234 | 52,100 | (3,764) | 3,600,234 | 52,100 | (3,764) |
| 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) |

| Summary | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Assets due within one year | 9,434 | 806 | 9,434 | 806 |
| Assets due after one year | 42,666 | 80,492 | 42,666 | 80,492 |
| Liabilities due within one year | - | - | - | - |
| Liabilities due after one year | (3,764) | (50,074) | (3,764) | (50,074) |
| Total | 48,336 | 31,224 | 48,336 | 31,224 |

## 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 2024 | 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 | 3,600,234 | 52,100 | (3,764) |
| | 3,600,234 | 52,100 | (3,764) |
| **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) |

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 2024 | 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 | 211,552 | 154,232 | 241,296 | 12,274 |
| Cash outflows | (152,319) | (140,604) | (249,928) | (11,837) |

During the financial year ended 31 March 2024, $31.9 million (2023: $113.3 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 (2023: $nil).

Company

| At 31 March 2024 | 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 | 3,600,234 | 52,100 | (3,764) |
| | 3,600,234 | 52,100 | (3,764) |
| **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) |

## 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 2024 | 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 | 211,552 | 154,232 | 241,296 | 12,274 |
| Cash outflows | (152,319) | (140,604) | (249,928) | (11,837) |

During the financial year ended 31 March 2024, $31.9 million (2023: $113.3 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 (2023: $nil).

| Analysis of effective portion of changes in fair value of cash flow hedges | Group Year ended 31 March 2024 US $'000 | Group Year ended 31 March 2023 US $'000 | Company Year ended 31 March 2024 US $'000 | Company Year ended 31 March 2023 US $'000 |
|---|---|---|---|---|
| Derivatives in place for the full year | 53,698 | 102,330 | 53,698 | 102,330 |
| Derivatives matured during the year | (22,654) | 58,506 | (22,654) | 58,506 |
| Derivatives entered into during the year | 850 | (47,519) | 850 | (47,519) |
| Effective portion of changes in fair value of cash flow hedges | 31,894 | 113,317 | 31,894 | 113,317 |
| Tax effect | (3,987) | (14,165) | (3,987) | (14,165) |
| | 27,907 | 99,152 | 27,907 | 99,152 |

## 15 FINANCE LEASES AND LOAN RECEIVABLES

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Current | | | | |
| Fixed rate receivables | | | | |
| Finance leases | 3,546 | 3,218 | - | - |
| Loan receivables | - | - | 2,523 | 2,523 |
| Floating rate receivables | | | | |
| Loan receivables | 35,878 | 29,044 | 161,457 | 1,247,232 |
| | 39,424 | 32,262 | 163,980 | 1,249,755 |
| Non-current | | | | |
| Fixed rate receivables | | | | |
| Finance leases | 34,570 | 37,652 | - | - |
| Loan receivables | - | - | 66,995 | 69,518 |
| Floating rate receivables | | | | |
| Loan receivables | 486,912 | 523,255 | 3,022,591 | 4,300,595 |
| | 521,482 | 560,907 | 3,089,586 | 4,370,113 |
| Total finance lease and loan receivables | 560,906 | 593,169 | 3,253,566 | 5,619,868 |

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

| | | | | |
|---|---|---|---|---|
| Less than 1 year | 6,372 | 6,329 | - | - |
| 1-2 years | 6,372 | 6,225 | - | - |
| 2-3 years | 32,345 | 6,225 | - | - |
| 3-4 years | - | 32,170 | - | - |
| 4-5 years | - | - | - | - |
| Total undiscounted lease payments receivable | 45,089 | 50,949 | | |
| Unearned finance income | (6,973) | (10,079) | - | - |
| Net investment in finance leases | 38,116 | 40,870 | - | - |

**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 $59.3 million (31 March 2023: $47.8 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 and are considered fully recoverable.

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.

## 16 TRADE AND OTHER RECEIVABLES

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Trade debtors | 89,674 | 159,677 | 42,805 | 98,295 |
| Deferred lease receivables | 42,253 | 53,587 | 42,253 | 53,587 |
| Credit impairment provisions | (48,061) | (66,945) | (31,712) | (58,839) |
| Net lease receivables | 83,866 | 146,319 | 53,346 | 93,043 |
| Amounts due from parent group undertakings | 16,717 | 6,999 | 85,440 | 89,297 |
| Prepayments | 101,369 | 99,824 | 85,857 | 89,276 |
| Other debtors | 20,477 | 28,308 | 15,753 | 24,267 |
| | 222,429 | 281,450 | 240,396 | 295,883 |
| Age analysis of net trade debtors | | | | |
| Less than one month | 10,950 | 19,175 | 3,478 | 12,758 |
| One to two months | 10,279 | 9,833 | 7,148 | 5,686 |
| More than two months | 68,445 | 130,669 | 32,179 | 79,851 |
| | 89,674 | 159,677 | 42,805 | 98,295 |

Most airline customers continue to experience improved performance post-Covid, which, in addition to the conclusion of a restructuring during the period, have resulted in lower trade receivables. The credit impairment reversal in the current period of $11.5 million (year ended 31 March 2023: charge of $31.7 million) was impacted by the decrease 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 22(d)).

Other debtors include inventory of engines and airframes totalling $3.8 million (31 March 2023: $5.2 million).

## 17 CASH AND CASH EQUIVALENTS

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Bank account | 54,500 | 83,693 | 758 | 3,826 |
| Bank account with parent group undertakings | 14,947 | 16,711 | 14,947 | 16,711 |
| Short-term deposits with parent group undertakings | 966,155 | 637,816 | 966,155 | 637,816 |
| | 1,035,602 | 738,220 | 981,860 | 658,353 |
| Restricted cash | - | - | - | - |
| Cash and cash equivalents net of restricted cash | 1,035,602 | 738,220 | 981,860 | 658,353 |

## 18 LEASE INCENTIVE ASSETS

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Lease incentive assets | 184,655 | 88,152 | 184,655 | 88,152 |
| Amortised during the year (note 3) | (50,737) | (40,574) | (50,737) | (40,574) |
| Additions of lease incentive assets | 112,947 | 167,719 | 112,947 | 167,719 |
| Release of lease incentive assets on disposal of aircraft | (24,844) | (14,594) | (24,844) | (14,594) |
| Transfer to assets held for sale (note 19) | (2,053) | (16,048) | (2,053) | (16,048) |
| | 219,968 | 184,655 | 219,968 | 184,655 |
| Current lease incentive assets (amortising within 12 months) | 52,423 | 43,775 | 52,423 | 43,775 |
| Non-current lease incentive assets (amortising after 12 months) | 167,545 | 140,880 | 167,545 | 140,880 |
| | 219,968 | 184,655 | 219,968 | 184,655 |

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

## 19 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 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Assets held for sale | | | | |
| Property, plant and equipment - aircraft | 276,001 | 229,232 | 214,932 | 229,232 |
| Lease incentive assets | 2,053 | 16,048 | 2,053 | 16,048 |
| | 278,054 | 245,280 | 216,985 | 245,280 |
| Liabilities associated with assets held for sale | | | | |
| Security deposits | 3,185 | 3,420 | 1,913 | 3,420 |
| Maintenance reserve | 25,956 | 4,033 | 9,729 | 4,033 |
| Lessor contributions | 4,576 | 19,371 | 2,780 | 19,371 |
| | 33,717 | 26,824 | 14,422 | 26,824 |
| | 244,337 | 218,456 | 202,563 | 218,456 |

At 31 March 2024, the Group classified eight aircraft (31 March 2023: seven) 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.

## 20 TRADE AND OTHER PAYABLES

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Security deposits | 153,901 | 154,848 | 115,895 | 102,683 |
| Maintenance reserves | 665,138 | 692,056 | 329,925 | 296,936 |
| Lessor contributions | 333,645 | 294,597 | 309,212 | 217,089 |
| Prepaid lease rentals and fee income received | 148,552 | 148,552 | 115,436 | 99,916 |
| Trade creditors | 50,407 | 33,651 | 35,612 | 17,954 |
| Accrued interest - third party undertakings | 139,305 | 109,573 | 94,056 | 80,307 |
| Amounts due to parent group undertakings | 201,842 | 144,961 | 926,697 | 165,241 |
| Collateral cash received | 66,800 | 41,800 | 66,800 | 41,800 |
| Other creditors | 233,397 | 203,777 | 229,835 | 193,256 |
| | 1,992,987 | 1,823,815 | 2,223,468 | 1,215,182 |
| Analysed as: | | | | |
| Non-current trade and other payables (payable after 12 months) | 1,079,609 | 1,112,607 | 729,748 | 583,671 |
| Current trade and other payables (payable within 12 months) | 913,378 | 711,208 | 1,493,720 | 631,511 |
| | 1,992,987 | 1,823,815 | 2,223,468 | 1,215,182 |

| Analysis of Group trade and other payables: | Due < 12 months US $'000 | Due > 12 months US $'000 | Total US $'000 |
|---|---|---|---|
| At 31 March 2024 | | | |
| Security deposits | 7,182 | 146,719 | 153,901 |
| Maintenance reserve | 63,703 | 601,435 | 665,138 |
| Lessor contributions | 77,042 | 256,603 | 333,645 |
| Prepaid lease rentals and fee income received | 148,552 | - | 148,552 |
| Trade creditors | 50,407 | - | 50,407 |
| Accrued interest - third party undertakings | 139,305 | - | 139,305 |
| Amounts due to parent group undertakings | 201,842 | - | 201,842 |
| Collateral cash received | 66,800 | - | 66,800 |
| Other creditors | 158,545 | 74,852 | 233,397 |
| | 913,378 | 1,079,609 | 1,992,987 |

| | Due < 12 months US $'000 | Due > 12 months US $'000 | Total US $'000 |
|---|---|---|---|
| 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 |

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.

## 21 BORROWINGS

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Loan amounts due to third party undertakings | 5,503,350 | 5,502,868 | 4,585,225 | 4,584,743 |
| Loan amounts due to parent group undertakings | 7,593,453 | 9,789,094 | 7,593,453 | 9,789,093 |
| Loan amounts due to subsidiaries | - | - | 4,089,596 | 3,071,258 |
| Other debt securities issued | 3,133,286 | 1,994,232 | - | - |
| | 16,230,089 | 17,286,194 | 16,268,274 | 17,445,094 |
| The borrowings are repayable as follows: | | | | |
| On demand or within one year | 1,183,210 | 784,441 | 483,210 | 784,441 |
| In the second year | 1,673,281 | 1,243,166 | 1,873,281 | 1,243,166 |
| In the third to fifth year inclusive | 6,197,471 | 5,735,348 | 4,568,331 | 5,735,348 |
| After five years | 7,176,127 | 9,523,239 | 9,343,452 | 9,682,139 |
| | 16,230,089 | 17,286,194 | 16,268,274 | 17,445,094 |
| Less: Amounts due for settlement within 12 months | (1,183,210) | (784,441) | (483,210) | (784,441) |
| Amounts due for settlement after 12 months | 15,046,879 | 16,501,753 | 15,785,064 | 16,660,653 |

As at 31 March 2024, the Group had $12.2 billion of available capacity in place through a combination of undrawn shareholder funding ($8.9 billion), third party availability ($2.2 billion) and unrestricted cash balances. The Group has short-term debt repayment obligations (due within 12 months) totalling $1.2 billion and other current liabilities of $947.1 million. The short-term debt obligations include shareholder funding repayments of $283.2 million, which will become available as additional capacity on repayment. The Group also had purchase commitments consisting of direct orders and sale-leaseback commitments totalling $1.9bn due to fall due within a year (note 29).

The Group closed the sale of $650 million of its 5.45% senior unsecured notes due 2028 on 3 May 2023 as well as the sale of $1.0 billion of its 5.70% senior unsecured notes due 2033 on 18 July 2023. At 31 March 2024, the Group had the following notes in issuance:

– $500 million of its 3.55% senior unsecured notes due 2024 issued on 15 April 2019
– $500 million of its 2.30% senior unsecured notes due 2028 issued on 15 June 2021
– $500 million of its 1.90% senior unsecured notes due 2026 issued on 15 October 2021
– $650 million of its 5.45% senior unsecured notes due 2028 issued on 3 May 2023
– $1.0 billion of its 5.70% senior unsecured notes due 2033 issued on 18 July 2023

The Group closed the sale of these notes 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 $30.2 million (year ended 31 March 2023: $23.0 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.

## 21 BORROWINGS (CONTINUED)

Reconciliation of cash and non-cash movements of Group borrowings

| | As at 1 April 2023 US $'000 | Cash flows in the period US $'000 | Non-cash changes Fair value changes US $'000 | Non-cash changes Amortisation of issuing costs US $'000 | As at 31 March 2024 US $'000 |
|---|---|---|---|---|---|
| Floating rate borrowings | | | | | |
| Loan amounts due to third party undertakings | 4,840,000 | - | - | - | 4,840,000 |
| Loan amount due to parent group undertakings | 736,482 | (638,982) | - | - | 97,500 |
| | 5,576,482 | (638,982) | - | - | 4,937,500 |
| Fixed rate borrowings | | | | | |
| Loan amount due to parent group undertakings | 9,052,612 | (1,556,659) | - | - | 7,495,953 |
| Loan amounts due to third party undertakings | 662,868 | 482 | - | - | 663,350 |
| Other debt securities issued | 1,994,232 | 1,150,000 | - | (10,946) | 3,133,286 |
| | 17,286,194 | (1,045,159) | - | (10,946) | 16,230,089 |

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

| | interest rate % | Average maturity | Year of < 12 months US $'000 | Due > 12 months US $'000 | Due Total US $'000 |
|---|---|---|---|---|---|
| At 31 March 2024 | | | | | |
| Floating rate borrowings | | | | | |
| Loan amounts due to third party undertakings | 6.74 | 2025-2029 | 400,000 | 4,440,000 | 4,840,000 |
| Loan amount due to parent group undertakings | 6.97 | 2028-2029 | 20,000 | 77,500 | 97,500 |
| | | | 420,000 | 4,517,500 | 4,937,500 |
| Fixed rate borrowings | | | | | |
| Loan amount due to parent group undertakings | 4.61 | 2024-2035 | 263,210 | 7,232,743 | 7,495,953 |
| Loan amounts due to third party undertakings | 2.92 | 2025-2031 | - | 663,350 | 663,350 |
| Other debt securities issued | 4.16 | 2024-2033 | 500,000 | 2,633,286 | 3,133,286 |
| | | | 1,183,210 | 15,046,879 | 16,230,089 |

As at 31 March 2024, the average interest rate on floating rate borrowings after the impact of derivatives is 5.35% (31 March 2023: 4.98%).

| | interest rate % | Average maturity | Year of < 12 months US $'000 | Due > 12 months US $'000 | Due 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 |

## 22 FINANCIAL RISK MANAGEMENT

**Risk Management Framework**

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

**a Currency Risk**

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

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 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Euro assets | 207,753 | 45,603 | 185,038 | 29,422 |
| Sterling assets | 16,473 | 389 | 16,100 | 219 |
| Japanese yen assets | 2,997 | 5,767 | 1,695 | 4,789 |
| Hong Kong dollar assets | 4,988 | 4,750 | 4,427 | 3,077 |
| Euro liabilities | (199,702) | (115,798) | (177,309) | (98,893) |
| Sterling liabilities | (5,886) | (1,167) | (5,813) | (1,166) |
| Japanese yen liabilities | (512) | (5,002) | (464) | (4,892) |
| Hong Kong dollar liabilities | (3,517) | (7,636) | (284) | (201) |
| Chinese yuan liabilities | (135) | (459) | (135) | (459) |

At 31 March 2024, 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 $1.1 million lower / higher, and for the Company would have been $1.1 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 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Financial assets | | | | |
| - variable rate | 522,790 | 552,299 | 3,184,048 | 5,547,827 |
| - fixed rate | 1,076,900 | 723,516 | 1,108,302 | 754,687 |
| - non-interest bearing | 343,976 | 463,152 | 308,201 | 397,718 |
| Total Financial Assets | 1,943,666 | 1,738,967 | 4,600,551 | 6,700,232 |
| Financial liabilities | | | | |
| - variable rate | 5,237,500 | 5,876,482 | 4,319,375 | 6,035,382 |
| - fixed rate | 11,292,589 | 11,709,712 | 12,248,899 | 11,709,712 |
| - non-interest bearing | 2,030,468 | 1,900,713 | 2,241,654 | 1,292,080 |
| Total Financial Liabilities | 18,560,557 | 19,486,907 | 18,809,928 | 19,037,174 |

## 22 FINANCIAL RISK MANAGEMENT (CONTINUED)

**b Interest Rate Risk (continued)**

The Group and Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. At 31 March 2024, 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 $0.4 million lower / higher; other components of equity would have been $7.7 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 4.70%.

**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 2024, the Group had put in place $12.2 billion of available capacity through a combination of undrawn shareholder funding ($8.9 billion), third party availability ($2.2 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. Operating cash flows have increased in the current year, which, along with 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 2024 US $'000 | Group Contracted cashflows 31 March 2024 US $'000 | Group Carrying value 31 March 2023 US $'000 | Group Contracted cashflows 31 March 2023 US $'000 |
|---|---|---|---|---|
| Liabilities associated with assets held for sale | 33,717 | 33,717 | 26,824 | 26,824 |
| Trade and other payables | 1,844,435 | 1,844,435 | 1,675,263 | 1,675,263 |
| Obligations under finance leases | - | - | - | - |
| Borrowings | 16,230,089 | 19,879,785 | 17,286,194 | 21,887,820 |
| Subordinated liabilities | 300,000 | 685,357 | 300,000 | 678,375 |
| Interest rate swaps | 3,764 | 554,689 | 50,074 | 746,891 |
| | 18,412,005 | 22,997,983 | 19,338,355 | 25,015,173 |

| **At 31 March 2024** | Group Less than 1 year US $'000 | Group 1 to 2 years years US $'000 | Group 3 to 5 years US $'000 | Group Over 5 years US $'000 |
|---|---|---|---|---|
| Non-derivative financial instruments | | | | |
| Liabilities associated with assets held for sale | (33,717) | - | - | - |
| Trade and other payables | (764,826) | (118,128) | (442,779) | (518,702) |
| Borrowings | (2,929,295) | (2,284,954) | (7,448,537) | (7,216,999) |
| Subordinated liabilities | (28,726) | (25,038) | (68,574) | (563,019) |
| Total non-derivative financial instruments outflows | (3,756,564) | (2,428,120) | (7,959,890) | (8,298,720) |
| Derivative financial instruments (gross) | | | | |
| *Interest Rate Swaps* | | | | |
| Net Settled - inflow | 59,233 | 13,628 | - | 436 |
| Net Settled - outflow | - | - | (8,632) | - |
| Total Outflows | (3,697,331) | (2,414,492) | (7,968,522) | (8,298,284) |

## 22 FINANCIAL RISK MANAGEMENT (CONTINUED)

### c Liquidity Risk (continued)

| At 31 March 2023 | Group Less than 1 year US $'000 | Group 1 to 2 years years US $'000 | Group 3 to 5 years US $'000 | Group Over 5 years US $'000 |
|---|---|---|---|---|
| Non-derivative financial instruments | | | | |
| Trade and other payables | (26,824) | - | - | - |
| Obligations under finance leases | (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) |

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

| | Company Carrying value 31 March 2024 US $'000 | Company Contracted cashflows 31 March 2024 US $'000 | Company Carrying value 31 March 2023 US $'000 | Company Contracted cashflows 31 March 2023 US $'000 |
|---|---|---|---|---|
| Liabilities associated with assets held for sale | 33,717 | 33,717 | 26,824 | 26,824 |
| Trade and other payables | 2,108,032 | 2,108,032 | 1,115,266 | 1,115,266 |
| Obligations under finance leases | - | - | - | - |
| Borrowings | 16,268,274 | 19,917,970 | 17,445,094 | 21,954,870 |
| Subordinated liabilities | 300,000 | 685,357 | 300,000 | 678,375 |
| Interest rate swaps | 3,764 | 554,689 | 50,074 | 746,891 |
| | 18,713,787 | 23,299,765 | 18,937,258 | 24,522,226 |

| | Company Less than 1 year US $'000 | Company 1 to 2 years years US $'000 | Company 3 to 5 years US $'000 | Company Over 5 years US $'000 |
|---|---|---|---|---|
| Non-derivative Financial Instruments | | | | |
| Liabilities associated with assets held for sale | (33,717) | - | - | - |
| Trade and other payables | (1,378,284) | (113,486) | (259,548) | (356,712) |
| Borrowings | (2,967,480) | (2,284,954) | (7,448,537) | (7,216,999) |
| Subordinated liabilities | (28,726) | (25,038) | (68,574) | (563,019) |
| Total Non-derivative Financial Instruments Outflows | (4,408,207) | (2,423,478) | (7,776,659) | (8,136,730) |
| Derivative Financial Instruments (gross) | | | | |
| *Interest Rate Swaps* | | | | |
| Net Settled - inflow | 59,233 | 13,628 | - | 436 |
| Net Settled - outflow | - | - | (8,632) | - |
| Total Outflows | (4,348,974) | (2,409,850) | (7,785,291) | (8,136,294) |

## 22 FINANCIAL RISK MANAGEMENT (CONTINUED)

### c Liquidity Risk (continued)

| At 31 March 2023 | Company Less than 1 year US $'000 | Company 1 to 2 years years US $'000 | Company 3 to 5 years US $'000 | Company Over 5 years US $'000 |
|---|---|---|---|---|
| Non-derivative Financial Instruments | | | | |
| Trade and other payables | (26,824) | - | - | - |
| Obligations under finance leases | (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) |

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

### 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.

## 22 FINANCIAL RISK MANAGEMENT (CONTINUED)

**d Credit Risk (continued)**

The Group's principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables ($222.4 million of which $83.9 million relate to lease receivables) resulting from its leasing activities, advances to OEMs ($72.6 million) and cash and cash equivalents (bank accounts totalling $1.04 billion; including $981.1 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 2024, the Group's significant cash and deposit counterparties were:

| | US $'000 |
|---|---|
| SMBC (credit rating A (S&P)) | 981,102 |
| Citibank (credit rating A+ (S&P)) | 54,500 |
| | 1,035,602 |

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 31 March 2024, the Group was exposed to trade debtors of $89.7 million (2023: $159.7 million) and held a provision for expected credit losses against these for $48.1 million (2023: $66.9 million). At the same date, the Group also held letters of credit in relation to lease rentals and maintenance exposures of $530.0 million (2023: $488.3 million) in addition to $848.2 million of cash security deposits and maintenance reserves (2023: $854.4 million; see note 20).

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 2024 | | Group 31 March 2023 | |
|---|---|---|---|---|---|---|
| | 31 March 2024 % | 31 March 2023 % | Gross carrying amount US $'000 | Impairment loss US $'000 | Gross carrying amount US $'000 | Impairment loss US $'000 |
| Category 1 | 0.2% | 0.2% | 146 | - | 8,600 | - |
| Category 2 | 1.1% | 1.1% | - | - | 3,024 | - |
| Category 3 | 7.2% | 7.2% | 3,646 | 86 | 8,328 | - |
| Category 4 | 33% - 100% | 33% - 100% | 85,882 | 47,975 | 139,725 | 66,945 |
| | | | 89,674 | 48,061 | 159,677 | 66,945 |

| | Expected credit loss provision % | | Company 31 March 2024 | | Company 31 March 2023 | |
|---|---|---|---|---|---|---|
| | 31 March 2024 % | 31 March 2023 % | Gross carrying amount US $'000 | Impairment loss US $'000 | Gross carrying amount US $'000 | Impairment loss US $'000 |
| Category 1 | 0.2% | 0.2% | 50 | - | 8,600 | - |
| Category 2 | 1.1% | 1.1% | - | - | 2,387 | - |
| Category 3 | 7.2% | 7.2% | 776 | 86 | 926 | - |
| Category 4 | 33% - 100% | 33% - 100% | 41,979 | 31,626 | 86,382 | 58,839 |
| | | | 42,805 | 31,712 | 98,295 | 58,839 |

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 $14.0 million, $37.4 million and $34.4 million with applicable credit loss provision rates of 33%, 50% and 100% respectively.

## 22 FINANCIAL RISK MANAGEMENT (CONTINUED)

**d Credit Risk (continued)**

The Group and Company continues to monitor the economic environment of its customers as well as taking actions to limit its credit exposures. The table above reflects lower overall receivable and provisioning balances at year-end due to improved airline trading conditions, 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 2022 | 35,253 | 35,253 |
| Credit impairment credit on financial assets | 31,693 | 23,586 |
| Trade debtors written off | (1) | - |
| Balance at 31 March 2023 | 66,945 | 58,839 |
| Credit impairment charge on financial assets | (11,545) | (25,046) |
| Trade debtors written off | (7,339) | (2,081) |
| Balance at 31 March 2024 | 48,061 | 31,712 |

The Group provision for expected credit losses include a provision of $48.0 million in relation to lease receivables (31 March 2023: $66.8 million).

**e Concentration Risk**

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

**f Technical, Maintenance and Environmental Risk**

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

**g Asset Value Risk**

Asset value risk is the risk that internal and external factors may adversely affect the inherent value of any asset held. 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.

## 23 DEFERRED TAX

| Movements during the year: | Group US $'000 | Company US $'000 |
|---|---|---|
| At 1 April 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 | 42,574 | - |
| At 31 March 2023 | 341,933 | 299,715 |
| Charge to income from continuing operations (note 9) | 145,543 | 148,994 |
| Transfers of trade from subsidiaries | 243 | (17,810) |
| Charge to other comprehensive income | 3,837 | 3,837 |
| At 31 March 2024 | 491,556 | 434,736 |

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Deferred tax assets | 582 | 6,451 | 582 | 6,451 |
| Deferred tax liabilities | (492,138) | (348,384) | (435,318) | (306,166) |
| | (491,556) | (341,933) | (434,736) | (299,715) |

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

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Accelerated capital allowances on assets financed less carried forward tax losses - net deferred tax liability | (484,008) | (338,222) | (427,188) | (296,004) |
| Fair value adjustments on financial instruments - deferred tax asset | 582 | 6,451 | 582 | 6,451 |
| Fair value adjustments on financial instruments - deferred tax liability | (8,130) | (10,162) | (8,130) | (10,162) |
| | (491,556) | (341,933) | (434,736) | (299,715) |

The Group has estimated tax losses of $6.5 billion (31 March 2023: $7.8 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.

## 24 SUBORDINATED LIABILITIES

| | Average interest rate % | Year of maturity | Group & Company 31 March 2024 US $'000 | Group & Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| $300 million floating rate loan due to parent group undertakings | 9.39 | 2040 | 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 2040 and can be extended further with the agreement of both parties.

## 25 SHARE CAPITAL

| | 31 March 2024 | 31 March 2023 |
|---|---|---|
| Authorised: | | |
| Ordinary shares of $1 each | 300,000,000 | 300,000,000 |
| A Preference shares of $1 each | 1,362,000,000 | 1,362,000,000 |
| B Preference shares of $1 each | 700,000,000 | 700,000,000 |
| | 2,362,000,000 | 2,362,000,000 |
| 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 | 1,362,000,000 |
| B Preference shares of $1 each | 700,000,000 | 700,000,000 |
| | 2,249,512,800 | 2,249,512,800 |

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 2024 Number of shares | 31 March 2023 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 | 1,362,000,000 |
| B Preference shares of $1 each | 700,000,000 | 700,000,000 |
| | 2,362,000,000 | 2,362,000,000 |
| 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 | 1,362,000,000 |
| B Preference shares of $1 each | 700,000,000 | 700,000,000 |
| | 2,249,512,800 | 2,249,512,800 |

## 26 OTHER COMPONENTS OF EQUITY

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 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 | 52,839 | 25,979 | 52,839 | 25,979 |
| Total other reserves | 523,394 | 495,178 | 521,427 | 493,589 |

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.

## 27 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 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| Within one year | 1,934,417 | 1,913,409 | 1,553,940 | 1,280,351 |
| In the second year | 1,966,913 | 1,849,845 | 1,632,820 | 1,265,923 |
| In the third year | 1,865,882 | 1,702,427 | 1,568,904 | 1,205,618 |
| In the fourth year | 1,732,383 | 1,548,146 | 1,495,811 | 1,134,565 |
| In the fifth year | 1,550,428 | 1,429,807 | 1,359,642 | 1,090,810 |
| After five years | 5,528,006 | 4,632,392 | 5,209,246 | 3,997,688 |
| | 14,578,029 | 13,076,026 | 12,820,363 | 9,974,955 |

## 28 RELATED PARTIES

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries as documented in the accounting policy note 1c. A listing of the Company's 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.

| Transactions with parent companies: | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| **Sumitomo Mitsui Finance and Leasing Co., Ltd** | | | | |
| Transactions during the period: | | | | |
| Fee income | 1,311 | 4,055 | 1,311 | 4,055 |
| Interest expense | 121,872 | 25,455 | 121,872 | 25,455 |
| Dividend paid | (69,462) | - | (69,462) | - |
| Operating expenses | 6,698 | 4,928 | 6,698 | 4,928 |
| Balances at period end: | | | | |
| Borrowings | 2,490,697 | 2,487,109 | 2,490,697 | 2,487,109 |
| Sundry creditors | (14,439) | (11,018) | (14,439) | (11,018) |
| Transactions with associate companies: | | | | |
| **Aviation Management Co., Ltd.** | | | | |
| Transactions during the period: | | | | |
| Fee income | 2,457 | 2,392 | 2,450 | 2,385 |
| **SMBC Aviation Capital (UK) Limited** | | | | |
| Transactions during the period: | | | | |
| Lease rental income | 11,985 | 14,269 | 11,985 | 14,269 |
| Fee income | 602 | 1,189 | 602 | 1,189 |
| Interest expense | 1,773 | 1,698 | 1,773 | 1,698 |
| Balances at period end: | | | | |
| Amounts due to group undertakings | 165,672 | 102,719 | 165,672 | 102,719 |
| **SMBC Capital Markets Inc.** | | | | |
| Transactions during the period: | | | | |
| Interest income / (expense) | 67,289 | (2,928) | 67,289 | (2,928) |
| Balances at period end: | | | | |
| Cash held on behalf of | (66,800) | (41,800) | (66,800) | (41,800) |
| Derivative Financial Instruments | (66,221) | (45,045) | (66,221) | (45,045) |
| **SMBC Trust Bank** | | | | |
| Transactions during the period: | | | | |
| Interest expense | 160,235 | 147,335 | 160,235 | 147,335 |
| Balances at period end: | | | | |
| Borrowings | 2,938,339 | 2,873,660 | 2,938,339 | 2,873,660 |
| Amounts due to group undertakings | 13,500 | 18,916 | 13,500 | 18,916 |
| **SMBC Bank International plc** | | | | |
| Transactions during the period: | | | | |
| Fee income | 2,328 | - | 2,328 | - |
| Interest income | 6,097 | 12,053 | 6,097 | 12,053 |
| Operating expense | - | (40) | - | (40) |
| Balances at period end: | | | | |
| Cash | 2,846 | 6,039 | 2,845 | 6,038 |
| Sundry debtors | 1,753 | - | 1,753 | - |

## 28 RELATED PARTIES (CONTINUED)

| | Group 31 March 2024 US $'000 | Group 31 March 2023 US $'000 | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|---|---|
| **SMBC (Japan)** | | | | |
| Transactions during the period: | | | | |
| Dividend paid | (32,688) | - | (32,688) | - |
| Operating expenses | 14,680 | 10,504 | 14,680 | 10,504 |
| Balances at period end: | | | | |
| Amounts due to group undertakings | 8,513 | 5,500 | 8,513 | 5,500 |
| **SMBC (New York)** | | | | |
| Transactions during the period: | | | | |
| Interest expense | 75,880 | 46,423 | 75,880 | 46,423 |
| Balances at period end: | | | | |
| Borrowings | 2,455,114 | 4,715,433 | 2,455,114 | 4,715,433 |
| Cash | 978,257 | 648,487 | 978,257 | 648,487 |
| Amounts due to group undertakings | 48,429 | 25,043 | 48,429 | 25,043 |
| **SMFL (China) Co., Ltd.** | | | | |
| Transactions during the period: | | | | |
| Operating expenses | 326 | 583 | 326 | 583 |
| Balances at period end: | | | | |
| Other Debtors / (Creditors) | 209 | (133) | 209 | (133) |
| **SMFL (Singapore) Pte. Ltd.** | | | | |
| Transactions during the period: | | | | |
| Operating expenses | 499 | 513 | 499 | 513 |
| Balances at period end: | | | | |
| Other Debtors / (Creditors) | 118 | (126) | 118 | (126) |
| **SMBC Aero Engine Lease B.V.** | | | | |
| Transactions during the period: | | | | |
| Fee income | 1,882 | - | 1,882 | - |
| **Shanghai General SMFL Co., Ltd.** | | | | |
| Transactions during the period: | | | | |
| Operating expenses | 614 | 656 | 614 | 656 |
| Balances at period end: | | | | |
| Other Creditors | 143 | 162 | 143 | 162 |
| **SMBC Leasing and Finance,Inc.** | | | | |
| Transactions during the period: | | | | |
| Operating expenses | 2,160 | 3,950 | 2,160 | 3,950 |
| Balances at period end: | | | | |
| Other Creditors | 1,066 | 1,265 | 1,066 | 1,265 |
| **SMBC Bank EU AG** | | | | |
| Transactions during the period: | | | | |
| Operating (expense) / income | (276) | 95 | (276) | 95 |

## 28 RELATED PARTIES (CONTINUED)

| Transactions with subsidiaries | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|
| **SMBC Aviation Capital Management Limited** | | |
| Transactions during the period: | | |
| Fee income | 27,889 | 8,991 |
| Interest income | 293,902 | 88,990 |
| Balances at period end: | | |
| Amounts due from group undertakings | 2,053,900 | 5,033,410 |
| **SMBC Aviation Capital Ireland Leasing 3 Limited** | | |
| Transactions during the period: | | |
| Fee income | 3,318 | 2,004 |
| Interest income | 43,691 | 31,888 |
| Dividend income | 15,000 | - |
| Balances at period end: | | |
| Amounts due from group undertakings | 521,437 | 557,090 |
| **SMBC Aviation Capital Netherlands B.V.** | | |
| Transactions during the period: | | |
| Fee expense | 2,592 | 4,482 |
| Interest expense | 1,011 | 3,641 |
| Dividend income | 45,000 | - |
| Balances at period end: | | |
| Amounts due to group undertakings | 3,276 | 62,432 |
| **SMBC Aviation Capital Paris Leasing 2 SARL** | | |
| Transactions during the period: | | |
| Fee expense | 1,241 | 1,150 |
| Balances at period end: | | |
| Amounts due to group undertakings | (501) | (197) |
| **SMBC Aviation Capital Hong Kong Limited** | | |
| Transactions during the period: | | |
| Fee expense | 3,560 | 3,518 |
| Balances at period end: | | |
| Amounts due from group undertakings | 3,031 | 3,727 |
| **SMBC Aviation Capital Hong Kong 2 Limited** | | |
| Interest expense | 62,793 | 23,674 |
| Fee expense | 3,947 | 2,766 |
| Balances at period end: | | |
| Amounts due to group undertakings | 921,634 | 917,202 |
| **SMBC Aviation Capital Hong Kong 3 Limited** | | |
| Transactions during the period: | | |
| Interest income | 2,796 | 1,253 |
| Balances at period end: | | |
| Amounts due from group undertakings | 29,236 | 25,436 |
| **SMBC Aviation Capital Singapore Pte. Ltd.** | | |
| Balances at period end: | | |
| Amounts due to group undertakings | 1,049 | - |

## 28 RELATED PARTIES (CONTINUED)

| Transactions with subsidiaries | Company 31 March 2024 US $'000 | Company 31 March 2023 US $'000 |
|---|---|---|
| **SMBC Aviation Capital Finance Designated Activity Company** | | |
| Transactions during the period: | | |
| Fee expense | 14 | 16 |
| Interest expense | 119,813 | 66,908 |
| Balances at period end: | | |
| Amounts due to group undertakings | 3,174,711 | 2,014,793 |

The Group closed the sale of $650 million of its 5.45% senior unsecured notes due 2028 on 3 May 2023 as well as the sale of $1.0 billion of its 5.70% senior unsecured notes due 2033 on 18 July 2023. At 31 March 2024, the Group had the following notes in issuance:

- $500 million of its 3.55% senior unsecured notes due 2024 issued on 15 April 2019
- $500 million of its 2.30% senior unsecured notes due 2028 issued on 15 June 2021
- $500 million of its 1.90% senior unsecured notes due 2026 issued on 15 October 2021
- $650 million of its 5.45% senior unsecured notes due 2028 issued on 3 May 2023
- $1.0 billion of its 5.70% senior unsecured notes due 2033 issued on 18 July 2023

The Group closed the sale of these notes 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.

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 no retirement compensation paid during the year ended 31 March 2024 (year ended 31 March 2023: $1.6 million):

| | 31 March 2024 US $'000 | 31 March 2023 US $'000 |
|---|---|---|
| Salaries and other short-term employee benefits | 10,883 | 14,134 |
| Post-employment benefits | 493 | 486 |
| Other long-term benefits | 1,711 | 825 |
| Total | 13,087 | 15,445 |

## 29 CAPITAL COMMITMENTS

The Group currently have a number of existing orders with Airbus and Boeing. The most significant of these orders were placed during the year ended 31 March 2015 when the Group placed an order for 110 A320neo aircraft and five A321ceo aircraft with Airbus and 90 Boeing 737 MAX 8 aircraft with Boeing respectively. The Group placed further direct orders for a mix of 56 Airbus A320neos and 15 Airbus A321neos during 2018.

Between May 2020 and March 2021, as the impact of the Covid-19 pandemic became clear, a number of agreements were concluded with both Airbus and Boeing to cancel a small number of existing orders, but also to defer the delivery of a large number of imminent deliveries by up to five years, with the latest deferred delivery now scheduled for 2027.

An additional agreement was concluded in May 2021 with Boeing for the purchase of a further 14 aircraft, while the Group's acquisition of Goshawk in December 2022 resulted in the addition of its existing order book with Boeing and Airbus of 20 aircraft each to the Group's total open order book.

More recently, the Group concluded an agreement with Boeing in September 2023 for the purchase of an additional 25 737 MAX aircraft with delivery dates in 2028 – 2029, while on 9 November 2023, the Group concluded an agreement with Airbus for the purchase of an additional 60 A320neo aircraft with delivery dates in 2029 – 2031.

The combined remaining purchase commitment for orders total $14.4 billion, including existing sale-leaseback and other capital commitments of $0.9 billion (31 March 2023: $Nil), and delivery dates are currently scheduled between 2024 and 2031 of which $1.9 billion relates to expected delivery dates within the next twelve months.

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.

## 30 CONTINGENT LIABILITIES

The Group and Company had no contingent liability at 31 March 2024 (31 March 2023: $nil).

## 31 SUBSEQUENT EVENTS

On 4 April 2024, the Group closed the issue of a combined value of $1.5 billion of its 5.30% and 5.55% senior unsecured notes due 2029 and 2034 (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 30 April 2024, Mr T. Imaeda, Mr K. Tanaka and Mr N. Hirose resigned as Directors. On the same day, Mr Y. Hyakutome, Mr T. Toyama and Mr H. Okado were appointed as Directors.

No other significant events affecting the Group and Company have occurred since 31 March 2024, which require adjustment to or disclosure in the Consolidated Financial Statements.

## 32 APPROVAL OF FINANCIAL STATEMENTS

The Directors approved these Financial Statements on 4 June 2024.

# ACRONYMS AND ABBREVIATIONS



| | |
|---|---|
| **ACCD** | Aircraft Credit Department |
| **ceo** | Current engine option |
| **CGU** | Cash generating unit |
| **Companies Act / The Act** | Companies Act 2014 |
| **Company** | SMBC Aviation Capital Limited |
| **Consortium** | SMFG and SC |
| **CSR** | Corporate Social Responsibility |
| **ECL** | Expected credit loss |
| **EDI** | Equality, Diversity and Inclusion |
| **ESG** | Environment Social Governance |
| **EU** | European Union |
| **Financial Statements** | The Group and Company financial statements |
| **Goshawk** | Goshawk Management Limited |
| **Group** | SMBC Aviation Capital Limited and its subsidiaries |
| **IAASA** | Irish Auditing and Accounting Supervisory Authority |
| **IAS** | International Accounting Standards |
| **IASB** | International Accounting Standards Board |
| **IBOR** | Interbank Offered Rate |
| **IFRS** | International Financial Reporting Standards |
| **IFSC** | International Financial Services Centre |
| **ISA** | International Standard on Auditing |
| **IT** | Information technology |
| **JBIC** | Japan Bank for International Cooperation |
| **Managed entity** | SMBC Aviation Capital (UK) Limited |
| **MSN** | Manufacturers Serial Number |
| **neo** | New engine option |
| **OCI** | Other comprehensive income |
| **OECD** | Organisation for Economic Co-operation and Development |
| **OEM** | Original equipment manufacturer |
| **PDP** | Pre-delivery payment |
| **Russia** | Russian Federation |
| **S&P** | Standard & Poor’s |
| **SAF** | Sustainable Aviation Fuel |
| **SC** | Sumitomo Corporation |
| **SLL** | Sustainability Linked Loan |
| **SMBC** | Sumitomo Mitsui Banking Corporation |
| **SMFG** | Sumitomo Mitsui Financial Group |
| **SMFL** | Sumitomo Mitsui Finance and Leasing Company, Ltd. |
| **SOFR** | Secured Overnight Financing Rate |
| **TBPD** | Transportation Business Planning Department |
| **UEL** | Useful economic life |
| **UK** | United Kingdom |
| **USA** | United States of America |

SMBC AVIATION CAPITAL

SMBC.AERO