

2024

ANNUAL REPORT & ACCOUNTS

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

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A-/BBB+

S&P / Fitch Ratings

42

Aircraft sold
representing US\$1.6
billion of assets

987

Owned, managed and
committed aircraft

67%

Of our fleet is
comprised of new
technology aircraft

5.5

Weighted average
age of fleet in years

260+

Professionals
represented in 10
global locations

84%

Of our portfolio
is comprised of
narrowbody aircraft

100+

Airline customers
in 47 countries
worldwide

11

CSR Programme
entering its 11th
year with 16 active
charity partnerships

Having joined SMBC Aviation Capital last year, I have now fully embedded myself in the business and am incredibly proud to be Chairman of one of the world's leading aircraft leasing companies. It is a business with positive, constructive, deeply embedded values, supported by its careful and committed relationship with its shareholders and driven by the dedication of the people I serve alongside.



A GLOBAL BUSINESS AND TEAM

I BECAME CHAIRMAN of the Company in May 2023 as it embarked on an ambitious new phase in its development. SMBC Aviation Capital is now the second-largest aircraft lessor globally by number of aircraft, following the successful integration of Goshawk and additional direct investment in our portfolio of aircraft. With a clear focus on the most modern, fuel-efficient aircraft types that are most in demand with our customers, combined with the deep expertise within the business and the long-term support of our shareholders, our newfound scale has given us an increased competitive edge. The enlarged business provides an even broader range of innovative solutions to a growing customer base and is well placed to deliver significant long-term value to our shareholders as a result.

With the integration of Goshawk complete, we are now one unified company, with all of our Dublin-based employees located in a new state-of-the-art headquarters in the heart of the city with leading sustainability credentials. The move reflects our strong corporate culture, demonstrating how we prioritise both people and business strategy to maximise productivity and enhance socially responsible working practices.

SUPPORTIVE SHAREHOLDERS

SMBC Aviation Capital receives unwavering support from its shareholders – Sumitomo Mitsui Finance and Leasing (“SMFL”), a leading general leasing company in Japan and Sumitomo Mitsui Banking Corporation (“SMBC”), one of the world’s leading banks, giving us a robust financial position, reflected in our strong investment-grade credit ratings. Our shareholders’ support is critical to our success and is built on deep confidence in our leadership team, strategy, and the long-term potential of the business, which continues to grow and develop. As our primary lenders, they provide us with a huge competitive advantage, offering access to large-scale and competitively priced financing throughout the cycle. This was critical during the pandemic, enabling us to deliver high-quality balance sheet growth at the low point in the cycle which offered greatest value, and we are now well positioned to fully capitalise on the strong opportunities in our industry.



STRONG BUSINESS, SOLID FOOTING

During the past year we have continued to deliver outstanding performance, demonstrating the Company's resilience and resounding recovery following the pandemic. The strength of these results – headlined by record profit before tax – underlines our ability to unlock value from large-scale, strategically timed asset growth, backed by our supportive shareholders.

In the current supply-constrained market, our aircraft are in high demand, with our management constructing a portfolio of high-quality assets that our customers both want and need. On the trading side, we focus on selling aircraft for profit as well as portfolio management. We trade older assets and recycle capital into newer, fuel-efficient aircraft, which represent 67% of the portfolio today.

ESG

SMBC Aviation Capital's ambition is to help create a sustainable future for our business, communities, and other stakeholders and we are fully committed to each element of our Environmental, Social, and Governance ("ESG") strategy.

We firmly believe that aviation makes a strongly positive contribution to society and our actions as a business can help deliver a more sustainable future for the sector, while also delivering a positive impact for our employees and the communities in which we operate. This year, we are proud to have opened the Trinity College Dublin Sustainable Aviation Fuel ("SAF") Research Facility at our Dublin headquarters, which underscores our dedication to contributing to the aviation industry's overall decarbonisation journey. Notably, the SAF Research Facility hosts Trinity College Dublin's contribution to the EU SAF Clearing House, whose mission is to support and drive the EU-wide and global deployment of SAFs.

The Social aspect of our ESG strategy concerns the way we interact with the stakeholders most crucial to our business – people. Our various teams and committees ensure positive action across key issues, such as employee well-being, social elements, Equality, Diversity and Inclusion ("EDI") initiatives, and employment standards.

OPEN ARMS MALAWI
SMBC Aviation Capital have visited our charity partner Open Arms Malawi since June 2016.



BELVEDERE YOUTH CLUB

Peter Barrett (CEO), Paschal Donohoe (Minister for Public Expenditure, National Development Plan Delivery and Reform), Noriyuki Hiruta (Chairman) and Jenny Courtney (CEO, Belvedere Youth Club).

As a business, we understand our responsibility to the communities in which we operate. We aim to embody the values of our employees, customers, and shareholders through our CSR activities, making a meaningful, authentic contribution to society. Our CSR programme reflects our commitment to giving back to communities at a local and international level, supporting vulnerable groups and engaging our staff in impactful projects. This also provides our staff with opportunities for growth and development, which is a cornerstone of our culture, and we are proud to have supported meaningful change in the lives of the people we have the privilege of supporting.

During this fiscal year, two groups of SMBC Aviation Capital employees travelled to India and Malawi to work with our charity partners, Pratyek and Open Arms Malawi. Additionally, 300 of our employees took part in our 4th and largest-ever Difference Day activity in Ballymun (Dublin), transforming an underprivileged DEIS (Delivering Equality of Opportunity in Schools) senior school, helping us give back to the local community.

As part of our commitment to being a force for good, SMBC Aviation Capital has established a partnership with the Dublin-based Together Academy, an outstanding organisation that provides education and social support programmes for young adults with Down Syndrome. Together Academy will have a training facility and training cafe for their students in SMBC Aviation Capital's new headquarters and we feel privileged to have them work alongside us.

EXPANSIVE OPPORTUNITIES

It has been a productive year, and the combination of organic and inorganic growth positions us well for the future – both strategically and operationally. We have added scale, reinforced our portfolio of high-quality aircraft assets and cemented our position as a market leader. With a talented team of world-class people, an attractive portfolio of new technology and tradeable assets and a strong balance sheet, I firmly believe SMBC Aviation Capital is ideally placed to capitalise on the broad range of global opportunities in our sector, this year and beyond.

NORIYUKI HIRUTA
CHAIRMAN

PICTURED BELOW

Some of the team from The Together Academy who will be working in Fitzwilliam 28.



IN MARCH 2024, SMBC Aviation Capital moved into its new headquarters – Fitzwilliam 28, an iconic building located in the heart of Dublin’s historic Georgian Mile.

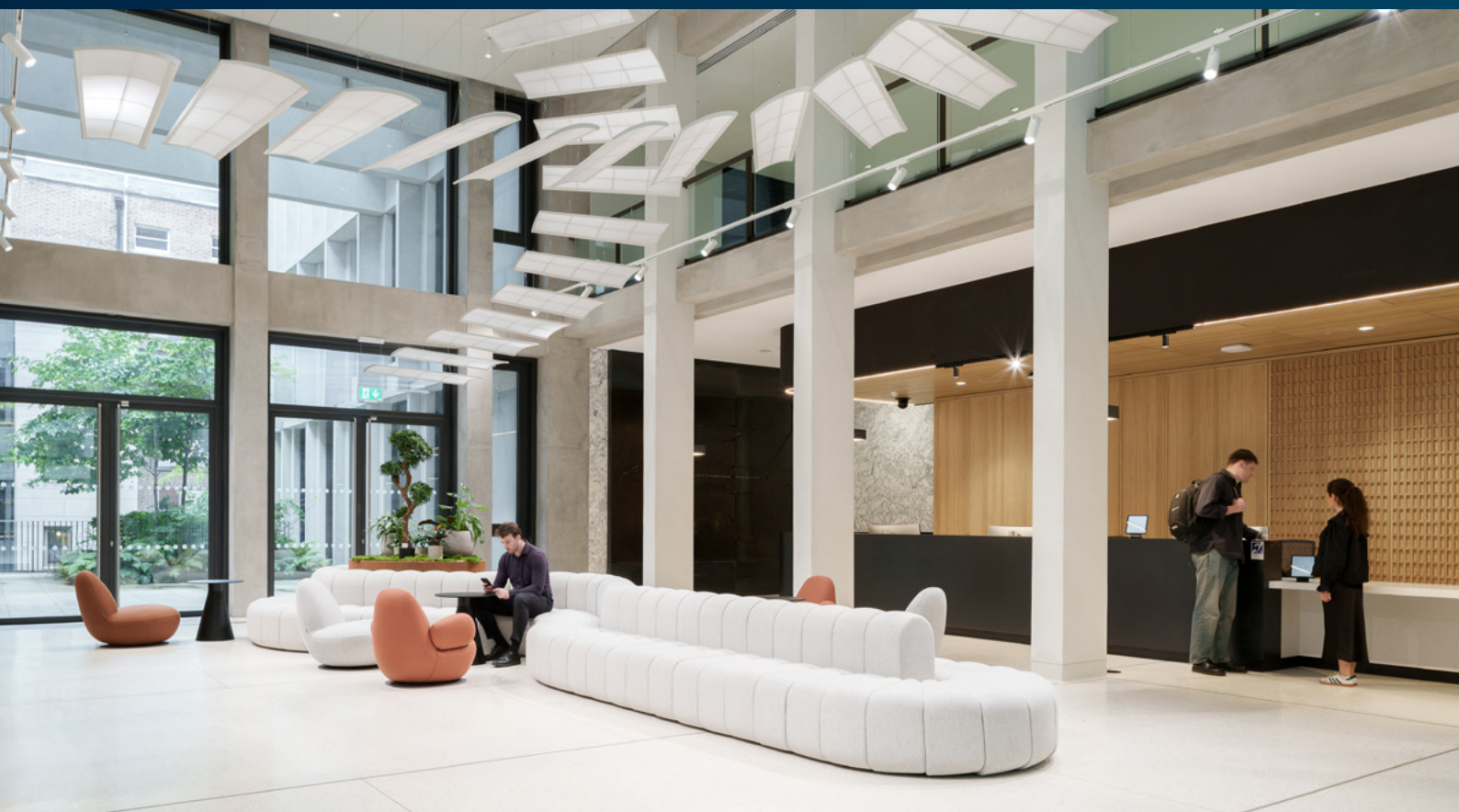
In 2011, an award-winning design for the new headquarters of the ESB, the national electricity supplier, was completed. In 2022, work was completed on the site, which sits within Dublin’s historic Georgian Mile, where sixteen houses had previously been demolished in 1961. The new building now sits comfortably among its 18th-century surroundings, striking a balance between the historic fabric of the district and modern functionality, allowing the building to stand out while harmonising with the neighbourhood’s architectural heritage.

Our new headquarters reflects our commitment to reducing our carbon footprint, standing out as one of the most sustainable office developments of its scale in Ireland. The development incorporates several innovative sustainable technologies, while delivering a near-zero energy building. The building is built to the LEEDv4.1 Gold standard – a globally recognised symbol of achievement in sustainability.

We have also welcomed two additional neighbours who will share our space in Fitzwilliam 28. Together Academy is a unique training and employment initiative designed to provide young adults with Down Syndrome, certified training, practical work experience, employment opportunities and a critical social and support network. Together Academy will operate a training café on our ground floor and a training facility and office on the lower ground floor.

The Trinity College Dublin Sustainable Aviation Fuel Research Facility is located on the ground floor. Trinity College Dublin staff, as delivery partners for the EASA sponsored EU SAF Clearing House, will play a crucial role in identifying and validating new, sustainable fuels. SMBC Aviation Capital is proud to support this crucial work on the future sustainability of the aviation sector.

We are delighted to take up residence in our new global headquarters and look forward to the next chapter in the proud story of our business here in the historic heart of Dublin.



The past year has been another significant one for SMBC Aviation Capital and, as the industry emerged from the pandemic, our business continued to deliver strong growth driven by its long-term strategy and consistent shareholder support. We built significant momentum, with our high-quality portfolio of assets and healthy order book giving us a real advantage and are well positioned to deliver for our customers, our shareholders and our people going forward. As a result, we are well-placed to create long-term growth and reliable investment returns and also have the resources to fulfil our ESG commitments.



RECORD-BREAKING PERFORMANCE

SMBC AVIATION CAPITAL posted a positive set of results for the financial year to 31 March 2024, underpinned by our disciplined approach to capital allocation and asset investment. The business generated its highest profit before tax during the year, which is testament to the hard work and dedication of our people. This sets us up very well for the future, and we are well positioned to take advantage of current supply-constrained market conditions, with significant demand from airlines and investors for the modern, fuel-efficient aircraft that our portfolio provides.

CUSTOMERS

Our customers remain at the heart of our business and we are ideally placed to meet their aircraft needs. Following the challenges of the COVID-19 pandemic, which impacted everyone in the industry, market conditions normalised over the course of 2023 as demand for air travel recovered and the credit standing of our customers improved.

Lease rates for both new and used aircraft are robust due to a combination of rising demand, constrained supply and the effects of the higher interest rate environment. SMBC Aviation Capital has emerged as a key beneficiary of the current supply and demand dynamics, thanks to the scale of the growth achieved in the early part of the current cycle and our access to a direct orderbook for 271 narrow-body aircraft extending out as far as 2031.





RESPONSIBILITY

In addition to our operational and financial success, SMBC Aviation Capital is committed to operating responsibly, and we are focused on practical solutions that will help the industry meet its long-term sustainability goals. We believe that our performance is a function of our commitment to doing business responsibly and sustainably.

As well as focusing on our operations, we are also helping our customers achieve their own sustainability goals at a time when this matters more than ever. There are many paths to decarbonisation and we have embarked on a multi-stage approach to achieve as much as we can, as effectively as possible.

Deployment of newer, more fuel-efficient aircraft is the first step and is already delivering significant results, with new-generation engine designs reducing fuel consumption by 15%. As at 31 March 2024, 67% of our fleet (by net book value) is new-generation technology. While many airlines see fuel efficiency as a core part of their emissions reduction strategy, it also plays a key role in reducing their fuel costs, making our fleet particularly appealing in periods of elevated fuel prices.

In addition to managing one of the most fuel efficient portfolios of any major leasing company, SMBC Aviation Capital sponsors innovation, accelerating the industry's decarbonisation journey. We are a proud partner of Trinity College Dublin on their Sustainable Aviation Fuel ("SAF") Research Facility, which is located in our Dublin headquarters, providing a dedicated facility for the research, development and deployment of sustainable aviation fuels which are set to enable even more efficient flying.

Beyond our commitment to decarbonisation, SMBC Aviation Capital is a global business and a keen advocate for diversity, with a wide-ranging group of stakeholders. We are focused on adopting an empathetic and responsible approach and strive for inclusivity, allowing us to support all of our people to achieve their ambitions and contribute to our future success.

STRATEGICALLY TIMED ASSET ACQUISITION

Tactical management of our portfolio, combined with carefully timed asset acquisitions, is a key part of our strategy and plays an important role in driving our long-term performance. As the aircraft leasing industry has grown and developed in recent years, economies of scale have become increasingly important and our position as one of the world's largest aircraft lessors has allowed us to grow our customer offering and deliver attractive returns to our shareholders.

Since April 2020, we have executed on over US\$18 billion of organic and inorganic acquisition opportunities. We achieved growth and delivered real scale to our business at the low point in the cycle which offered the greatest possible value. Importantly, we achieved this without compromise to the high-quality nature of our portfolio and balance sheet. As of March 31, 2024, SMBC Aviation Capital was the second-largest global aircraft leasing company, and largest Japanese-owned lessor by a considerable distance, with an owned, managed and committed fleet of close to 1,000 aircraft.

COMPELLING ORDER BOOK

Our potential is underpinned by our strong pipeline of deliveries and, in 2023, we grew our order book by an additional 85 prime, narrow-body aircraft. The move ensured that the Company's customers have access to a portfolio of the most technologically advanced aircraft, which has become even more important in the post-pandemic market where availability of new aircraft positions has been constrained.

In addition, trading activity plays an important role in our value creation, as cash flows from trading support corporate liquidity across our portfolio. An effective trading strategy allows us to remain nimble and ensure that our fleet composition meets the changing needs of our customers. This enables us to take advantage of new opportunities presented by growing demand and shifts in market preferences. SMBC Aviation Capital is one of the most active traders in the sector and, on average, we trade about 10% of our portfolio every year. This successful programme of disposals also supports our acquisition agenda, since selling well shows that we bought well.





SHAREHOLDER SUPPORT

The strength, depth and breadth of our shareholder support lies at the heart of SMBC Aviation Capital's success. Having benefitted from the trust of our shareholders over the years, we are able to offer attractive financial returns, rewarding their faith in us and creating value in the business.

WORKPLACE INVESTMENT

People make our business what it is. We are focused on developing talent, while providing the optimal working environment to enable our colleagues to deliver their best for the business.

The most visible sign of our commitment to the working environment has been the move to our new headquarters, Fitzwilliam 28, located on Dublin's Georgian Mile in the heart of the city. Housing all of our people in Dublin under one roof has played a key part in furthering our culture, bringing the legacy SMBC Aviation Capital and Goshawk teams together and completing the integration process.

The state-of-the-art workplace environment is increasing efficiency by acting as a hub for collaboration, training and development, while sending clear signals that the Company fosters health and well-being. Moreover, this iconic building with modern facilities and features provides extensive sustainability-driven benefits and has been accredited LEEDv4.1 Gold status indicating excellence in sustainable design and operation.

FITZWILLIAM 28

The design involves a site-responsive set of buildings along Fitzwilliam Street Lower, engaging the Georgian buildings' typical characteristics, with the intention to 'reinststate the unconscious rhythm of the Georgian street' that had been lost in the 1960s.



PRACTICALITY AND PARTNERSHIP

The success of SMBC Aviation Capital over the past 23 years comes from disciplined decision-making, which has allowed us to generate lasting value through economic cycles by adopting a practical, solutions based approach anchored in the long-term partnerships we have established with our shareholder and our customers. Having demonstrated our resilience by navigating the macroeconomic headwinds posed by the COVID-19 pandemic and ongoing geopolitical challenges, we now have real momentum and confidence going forward. This strategic approach coupled with the support of our investors, allowed us to see the bigger picture and take advantage of the cyclical nature of our industry, even in the depths of the pandemic.

Throughout the recent worldwide challenges, it has been our firm view that air travel is an intrinsic part of the global economy and we have been proved right. Air traffic levels exceeded 2019 benchmark rates across key markets globally by the end of 2023, following a sustained recovery cycle. Looking ahead, while dynamics vary from market to market, there is a positive outlook across the board.

The future is bright for our business, with our strong balance sheet, consistent shareholder support, considered long-term strategy, high-quality assets, healthy order book and a world class team. These factors all place us in an excellent position to drive long-term growth and reliable investment returns in the most socially and environmentally responsible manner possible.

In closing, I would like to thank our shareholder for their steadfast support, my colleagues for their hard work and commitment and our customers for their ongoing business – this is what makes us a success.

PETER BARRETT
CHIEF EXECUTIVE OFFICER



The global operating environment in which we participate is highly dynamic. No year is the same as the previous one or the next. While change is inevitable, our performance is strong, our balance sheet is robust, and the underlying fundamentals supporting the long-term profitable growth of our business are sound.



FINANCIAL PERFORMANCE

UNDERLYING PROFIT before tax, before exceptional items, increased to US\$460 million for the financial year ended 31 March 2024. This represented a record year of profit for our business and equated a 35% year-on-year increase.

Overall profit before tax was US\$1.2 billion when including Russian insurance proceeds of US\$756 million. Accretive to this performance was a US\$43 million decrease in credit impairment charges as the global bounce-back from COVID-19 bolstered the financial strength of airline customers.

This was reflected in operating cash flow, before Russian insurance proceeds net of related charges, of US\$2 billion, up 33% year-on-year, with lease revenues of US\$1.9 billion, up 41% year-on-year.

This performance was achieved through a disciplined approach to capital allocation and asset acquisition, allowing us to take advantage of opportunities presented by the strong demand for our assets.

We agreed US\$5 billion of long-term leases in the period, including US\$3.5 billion of aircraft bought directly from manufacturers and US\$1.5 billion of sale-and-leaseback transactions. The Company delivered US\$2.1 billion of aircraft to 18 different customers. In total, the Company now has 271 narrow-body aircraft on order, which are almost all from the Airbus A320NEO and Boeing 737 MAX families. It was also a record year for SMBC Aviation Capital in terms of trading aircraft, with 42 sale completions representing US\$1.6 billion of assets, while the average age of the assets sold was 7.5 years.

The Company completed the Goshawk acquisition in December 2022 and therefore had a contribution of approximately three months from Goshawk within the profit and loss account and the balance sheet in the prior year. There is, of course, a full-year contribution in the current period. The combined business performance is surpassing our expectations at the time of the acquisition.



BALANCE SHEET HIGHLIGHTS

This strong financial and operational performance was supported by our robust balance sheet and A- and BBB+ investment grade ratings from S&P and Fitch respectively. Evidence of this strength is illustrated by our first 10-year bond issuance in July 2023. The demand for longer-tenor debt reflects investor appetite for our name and their long-term confidence in our business.

Our balance sheet remains 100% unsecured, a unique feature in the sector. As a result of our focus on deleveraging, our net debt-to-equity fell from 3.8x to 2.8x during the course of 2023. We operate one of the most prudent interest rate hedging policies in the sector and have a maturity gap, the difference between the weighted average maturity of our leases and weighted average tenor of our debt, of less than one year, which is industry leading.

Reflecting the company-wide commitment to ESG policies, we executed our first sustainability linked loan (“SLL”) agreement, whereby the associated margin will adjust subject to our satisfactory delivery on carbon intensity and workforce diversity targets.

FUNDING STRATEGY

We operate in a cyclical industry and we closely monitor financial, geopolitical and macroeconomic developments. While many parts of our industry will see more limited short-term changes, we know from our extensive experience that if, and indeed when, they do change, they can change dramatically.

We put ourselves in a strong position to respond to those changes through our focus on the diversification of our funding sources. Since FY 2022, we have raised over US\$7 billion in the third-party funding markets. This includes a mix of capital sourced from the bank and bond markets, as well as financing provided by the Japan Bank for International Cooperation (“JBIC”).

Together with our third party funding strategy, the long-term backing we receive from our shareholders sets us apart. This support comes through equity and debt financing that is flexible enough to reduce risks and sustain a healthy balance sheet in all market conditions.

This funding advantage has given us the flexibility to capitalise on attractive acquisition opportunities at times when access to capital was restricted or prohibitively expensive for others. This has enabled us to deliver the strategically timed asset growth that has provided real scale and momentum to our business going into the current cycle.

The nature of our financial relationships means we enjoy efficient access to large-scale and competitively priced capital in all market conditions. We can deploy this capital both quickly and in-scale to capitalise on market opportunities.

Looking forward, we are well positioned to continue to deliver long-term profitable growth to our shareholders.

AISLING KENNY
CHIEF FINANCIAL OFFICER



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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

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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 Tataru	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
Director
Date: 4 June 2024



A Kenny
Director
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**

4 June 2024

for and on behalf of

KPMGChartered 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)
		1,863,975	710,732
PROFIT FROM OPERATING ACTIVITIES			
Finance income	8	319,244	265,864
Finance expense	8	(988,618)	(635,114)
		(669,374)	(369,250)
PROFIT BEFORE TAXATION			
		1,194,601	341,482
Tax expense	9	(159,899)	(45,371)
		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)
		28,216	98,441
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
		<u>22,394,460</u>	<u>22,558,878</u>
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
		<u>1,709,995</u>	<u>1,361,536</u>
TOTAL ASSETS		<u>24,104,455</u>	<u>23,920,414</u>
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		<u>5,052,342</u>	<u>4,091,574</u>
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
		<u>16,921,808</u>	<u>18,306,367</u>
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
		<u>2,130,305</u>	<u>1,522,473</u>
TOTAL LIABILITIES		<u>19,052,113</u>	<u>19,828,840</u>
TOTAL EQUITY AND LIABILITIES		<u>24,104,455</u>	<u>23,920,414</u>

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
		<u>22,544,173</u>	<u>20,830,165</u>
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
		<u>1,737,707</u>	<u>2,513,595</u>
TOTAL ASSETS		<u>24,281,880</u>	<u>23,343,760</u>
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		<u>5,037,216</u>	<u>4,006,871</u>
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
		<u>17,253,312</u>	<u>17,894,113</u>
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
		<u>1,991,352</u>	<u>1,442,776</u>
TOTAL LIABILITIES		<u>19,244,664</u>	<u>19,336,889</u>
TOTAL EQUITY AND LIABILITIES		<u>24,281,880</u>	<u>23,343,760</u>

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
		<u>-</u>	<u>(978)</u>	<u>99,797</u>	<u>277,914</u>	<u>376,733</u>
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
		<u>-</u>	<u>978</u>	<u>26,860</u>	<u>1,104,657</u>	<u>1,132,495</u>
BALANCE AT 31 MARCH 2024		<u>2,249,513</u>	<u>468,588</u>	<u>52,839</u>	<u>2,266,276</u>	<u>5,037,216</u>

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

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

		Year ended 31 March 2024 US \$'000	Year ended 31 March 2023 US \$'000
	Note		
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)
		<u>2,590,269</u>	<u>1,236,570</u>
Decrease in receivables		129,588	18,502
Increase in payables		4,402	238,553
		<u>2,724,259</u>	<u>1,493,625</u>
CASH GENERATED BY OPERATIONS			
Income taxes paid		(17,786)	(1,532)
Interest paid		(670,192)	(279,130)
		<u>2,036,281</u>	<u>1,212,963</u>
NET CASH FROM OPERATING ACTIVITIES			
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)
		<u>(576,395)</u>	<u>(3,022,764)</u>
NET CASH USED IN INVESTING ACTIVITIES			
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)
		<u>(1,162,414)</u>	<u>1,554,625</u>
NET CASH (USED IN) / FROM FINANCING ACTIVITIES			
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	<u>1,035,602</u>	<u>738,220</u>
Unrestricted cash and cash equivalents as above	17	1,035,602	738,220
Restricted cash as reported	17	-	-
Total cash and cash equivalents	17	<u>1,035,602</u>	<u>738,220</u>

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

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

		Year ended 31 March 2024 US \$'000	Year ended 31 March 2023 US \$'000
	Note		
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)
		<u>1,991,083</u>	<u>1,068,206</u>
Decrease / (increase) in receivables		1,055,610	(1,218,772)
Increase / (decrease) in payables		97,541	(548,117)
		<u>3,144,234</u>	<u>(698,683)</u>
CASH GENERATED BY OPERATIONS			
Income taxes paid		-	(1)
Interest paid		(369,193)	(274,417)
		<u>2,775,041</u>	<u>(973,101)</u>
NET CASH (USED IN) / FROM OPERATING ACTIVITIES			
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)
		<u>(931,566)</u>	<u>(2,130,683)</u>
NET CASH USED IN INVESTING ACTIVITIES:			
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)
		<u>(1,520,164)</u>	<u>2,782,029</u>
NET CASH (USED IN) / FROM FINANCING ACTIVITIES			
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	<u>981,860</u>	<u>658,353</u>
Unrestricted cash and cash equivalents as above	17	981,860	658,353
Restricted cash as reported	17	-	-
Total cash and cash equivalents	17	<u>981,860</u>	<u>658,353</u>

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

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

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

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

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 inherent 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
	<u>1,914,326</u>	<u>1,357,034</u>

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	<u>77,393</u>	<u>76,354</u>
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The contingent element relates to lease rentals that are variable based on market interest rates and certain lease amendment agreements. The rates can be in the favour of the lessee or the Group depending on the contract and prevailing market rates.

	Year ended 31 March 2024 US \$'000	Year ended 31 March 2024 %	Year ended 31 March 2023 US \$'000	Year ended 31 March 2023 %
Total rentals receivable distribution by geographical region:				
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
	<u>1,927,778</u>	<u>100.0</u>	<u>1,390,481</u>	<u>100.0</u>

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
	<u>832,834</u>	<u>51,617</u>

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)
	<u>(152,777)</u>	<u>(182,333)</u>

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

6 PROFIT FROM OPERATING ACTIVITIES

	Year ended 31 March 2024 US \$'000	Year ended 31 March 2023 US \$'000
Operating profit has been arrived at after charging	US \$'000	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
	<u></u>	<u></u>

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
	<u>1,589</u>	<u>1,983</u>
Of which related to the Company	<u>1,086</u>	<u>1,407</u>

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

	Year ended 31 March 2024 US \$'000	Year ended 31 March 2023 US \$'000
a ANALYSIS OF TAX CHARGE FOR THE YEAR		
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
	<hr/>
At 31 March 2023	728,700
Additions during the year	859,058
Repayment of investment	(15,480)
	<hr/>
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
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 US \$'000	Group Fair values		Company Notional Contract US \$'000	Company Fair values	
		Assets US \$'000	Liabilities US \$'000		Assets US \$'000	Liabilities US \$'000
At 31 March 2024						
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						
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	Liabilities US \$'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,600,234	52,100	(3,764)
	<u>3,600,234</u>	<u>52,100</u>	<u>(3,764)</u>
At 31 March 2023			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,435,907	81,298	(50,074)
	<u>4,435,907</u>	<u>81,298</u>	<u>(50,074)</u>

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

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	Liabilities US \$'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,600,234	52,100	(3,764)
	<u>3,600,234</u>	<u>52,100</u>	<u>(3,764)</u>
At 31 March 2023			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,435,907	81,298	(50,074)
	<u>4,435,907</u>	<u>81,298</u>	<u>(50,074)</u>

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
	<u>222,429</u>	<u>281,450</u>	<u>240,396</u>	<u>295,883</u>
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
	<u>89,674</u>	<u>159,677</u>	<u>42,805</u>	<u>98,295</u>

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
	<u>1,035,602</u>	<u>738,220</u>	<u>981,860</u>	<u>658,353</u>
Restricted cash	-	-	-	-
Cash and cash equivalents net of restricted cash	<u>1,035,602</u>	<u>738,220</u>	<u>981,860</u>	<u>658,353</u>

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)
	<u>219,968</u>	<u>184,655</u>	<u>219,968</u>	<u>184,655</u>
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
	<u>219,968</u>	<u>184,655</u>	<u>219,968</u>	<u>184,655</u>

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
	<u>278,054</u>	<u>245,280</u>	<u>216,985</u>	<u>245,280</u>
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
	<u>33,717</u>	<u>26,824</u>	<u>14,422</u>	<u>26,824</u>
	<u>244,337</u>	<u>218,456</u>	<u>202,563</u>	<u>218,456</u>

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
	<u>1,992,987</u>	<u>1,823,815</u>	<u>2,223,468</u>	<u>1,215,182</u>
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
	<u>1,992,987</u>	<u>1,823,815</u>	<u>2,223,468</u>	<u>1,215,182</u>
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
		<u>913,378</u>	<u>1,079,609</u>	<u>1,992,987</u>
		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
		<u>711,208</u>	<u>1,112,607</u>	<u>1,823,815</u>

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

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

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	-	-
	<u>16,230,089</u>	<u>17,286,194</u>	<u>16,268,274</u>	<u>17,445,094</u>

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
	<u>16,230,089</u>	<u>17,286,194</u>	<u>16,268,274</u>	<u>17,445,094</u>
Less: Amounts due for settlement within 12 months	(1,183,210)	(784,441)	(483,210)	(784,441)
Amounts due for settlement after 12 months	<u>15,046,879</u>	<u>16,501,753</u>	<u>15,785,064</u>	<u>16,660,653</u>

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		As at 31 March 2024 US \$'000
			Fair value changes US \$'000	Amortisation of issuing costs 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
	<u>18,412,005</u>	<u>22,997,983</u>	<u>19,338,355</u>	<u>25,015,173</u>
	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
At 31 March 2024				
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	<u>(3,756,564)</u>	<u>(2,428,120)</u>	<u>(7,959,890)</u>	<u>(8,298,720)</u>
Derivative financial instruments (gross)				
<i>Interest Rate Swaps</i>				
Net Settled - inflow	59,233	13,628	-	436
Net Settled - outflow	-	-	(8,632)	-
Total Outflows	<u>(3,697,331)</u>	<u>(2,414,492)</u>	<u>(7,968,522)</u>	<u>(8,298,284)</u>

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

c Liquidity Risk (continued)

	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
At 31 March 2023				
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)				
<i>Interest Rate Swaps</i>				
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)				
<i>Interest Rate Swaps</i>				
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)**

	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
At 31 March 2023				
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)				
<i>Interest Rate Swaps</i>				
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	Impairment loss	Gross carrying amount	Impairment loss
	%	%	US \$'000	US \$'000	US \$'000	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	Impairment loss	Gross carrying amount	Impairment loss
	%	%	US \$'000	US \$'000	US \$'000	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

	Group US \$'000	Company US \$'000
Movements during the year:		
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	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
	<hr/> 2,362,000,000	<hr/> 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
	<hr/> 2,249,512,800	<hr/> 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
	<hr/> 2,362,000,000	<hr/> 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
	<hr/> 2,249,512,800	<hr/> 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.

	Group 31 March 2024 US \$'000	Group 31 March 2023 US \$'000	Company 31 March 2024 US \$'000	Company 31 March 2023 US \$'000
Transactions with parent companies:				
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)

	Company 31 March 2024 US \$'000	Company 31 March 2023 US \$'000
Transactions with subsidiaries		
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)

	Company 31 March 2024 US \$'000	Company 31 March 2023 US \$'000
Transactions with subsidiaries		
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 A321XLR 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.

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

