SMBC AVIATION CAPITAL

Annual Report & Accounts 2018

We are a leading global aircraft leasing company. Our strategy is to invest in the most modern, technologically advanced aircraft in the world that are most sought after by our airline customers and investors.

Contents

REPORT

2018 Highlights	**5**
Chairman's Statement	**8**
Chief Executive's Statement	**12**
The National Gallery of Ireland	**16**
Financial Review	**18**
Some of Our Recent Activity	**22**
Our Team	**26**
Promoting Ireland's Prominent Position in Aircraft Leasing	**30**

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENT 2018

Directors and Other Information	**34**
Directors' Report	**35**
Statement of Directors' Responsibilities	**38**
Independent Auditors' Report	**39**
Consolidated Statement of Comprehensive Income	**41**
Consolidated Statement of Financial Position	**42**
Company Statement of Financial Position	**43**
Consolidated Statement of Changes in Equity	**44**
Company Statement of Changes in Equity	**45**
Consolidated Statement of Cash Flows	**46**
Company Statement of Cash Flows	**47**
Notes to the Consolidated Financial Statements	**48**
Acronyms and Abbreviations	**85**

2018 Highlights

Through active fleet management, we maintain one of the youngest fleets in the industry. We adopt a disciplined approach to risk management, understanding our customers and their markets.

The support of our ultimate Japanese shareholders, Sumitomo Mitsui Financial Group and Sumitomo Corporation sets us apart by giving us the scale to provide one of the broadest product offerings in this industry.

Our consistent disciplined strategy has served us very well, allowing us to deliver consistent returns to our business and shareholders.

675

OUR FLEET

Our fleet comprises of 675 owned / managed / committed aircraft.

A-/BBB+

OUR RATING

Fitch & S&P ratings, one of the highest rated lessors in the industry.

175+

OUR PEOPLE

Over 175 professionals working worldwide.

OUR TRADING

c. 400 aircraft sold to 100+ investors

175+

OUR CUSTOMERS

Airline and investor customers in c.50 countries

OUR HISTORY

Over seventeen year track record of operating profitability.

4.5

OUR FLEET

Weighted average age of our fleet is 4.5 years

OUR EXPERIENCE

Our senior management team have 150+ years combined experience.

Our ambition is to be the leading aircraft leasing company in the world. At 31 March 2018, we owned a fleet of 226 aircraft and managed a further 199 aircraft with a value of approximately $18 billion.

Chairman's Statement

It is my pleasure as Chairman to report to our employees, shareholders and investors that the company has enjoyed another positive year across the business. Last year featured a number of highlights. We sold a record number of aircraft from both our owned and managed portfolio taking advantage of the favourable market conditions to the fullest possible extent.

SHINICHI HAYASHIDA
Chairman

I am also delighted to report that we took further steps in our shift towards having the most technologically-advanced portfolio of aircraft. While we remain focused on the narrow body market, the increasing demand for the newest generation of wide-body aircraft has seen us respond accordingly.

> We have continued to expand our geographic footprint, engaging with several new airline customers and entering into new markets, as well as further cementing our strong existing relationships.

Taken together, this means, we have been able to diligently follow our strategic plan. This was set out when we were acquired by Sumitomo Mitsui Financial Group and Sumitomo Corporation, a very supportive partnership which continues to have mutual benefits for all involved. The commitment from our shareholders to inject a further $1bn in capital into our business further demonstrates their overall confidence in our strategy.

We are also pleased with our latest bond issuance; debt capital markets continue to be a positive place for us to raise finance. I am also pleased that we have expanded our banking relationships during the year, which provides a variety of funding options in anticipation of the deliveries of our order book during 2019.

The sale and leaseback market continues to be competitive but we nevertheless secured deals of scale with a number of our existing customers. Our ability to secure these deals, utilising the financial support of our shareholders represents a competitive advantage. The focus for us now in the months ahead is on placing aircraft from our order book up to 2022.

We are also delighted since year end to welcome four new non-executive directors to our board, Shinichiro Watanabe, Masahiko Oshima, Koichi Tanaka and Eiji Ishida. They succeed Yoshinori Kawamura, Yasuyuki Kawasaki, Isao Sakata and Takeshi Murata. Individually and collectively, they bring significant industry experience and we look forward to their counsel and input. I would like to thank our outgoing Directors for their valuable contribution during their respective tenures.

Once again, I wish to pay tribute to the strength in depth of our team at SMBC Aviation Capital, without which the successful year we enjoyed would not have been possible. Our management team has again achieved our key strategic objectives and delivered record profits. We remain poised for further expansion as we follow our disciplined strategy and I am confident that we are well positioned for the future.

The Boeing 737 MAX aircraft is one of the newest additions to our fleet. This year, we have secured sale and leaseback deals of scale with Aeromexico and Jet Airways involving these aircraft.

Chief Executive's Statement

The financial year ended 31 March 2018 was another year of record profits for SMBC Aviation Capital. This is a business that has delivered consistent profitability over its 17 years in operation. Recognising the challenges and opportunities of an evolving marketplace, we have continued to pursue a disciplined strategy.

PETER BARRETT
Chief Executive Officer

The combination of a strong balance sheet, a high quality portfolio and the relevance of our product offering to our customer base ensures that we are well positioned to remain a leading global player in the aircraft leasing industry.

Our profits for the year increased by 2.2% at the pre-tax level to $319 million while our balance sheet strengthened further by improvements on the liabilities side.

Current demand fundamentals for aircraft leasing are strong. Driven by continuing growth in air travel, airlines are continuing to expand their networks and flight frequencies, stimulating demand for new and replacement aircraft.

OPERATIONAL REVIEW
During the year, we took advantage of the continued strong investor appetite for aircraft to further manage our portfolio, selling a total of 72 owned and managed aircraft. This activity included large scale bilateral deals with other leasing companies, including the sale of 19 narrow-body aircraft to Aircastle. By adopting this approach, we maintained the average age of our portfolio at just 4.5 years at year end, one of the youngest portfolios in the industry.

> Reflecting these disposals, undertaken in advance of new aircraft deliveries from our direct order book, total assets were steady at $10.7 billion at the year-end.

This was a positive year for sale and leaseback activity, and despite competition in this marketplace, we undertook a number of deals of scale. The 43 sale and leaseback deals contracted during the year ended 31 March 2018 included 10 Boeing 737 MAX 8 aircraft with Aeromexico, 11 Airbus A320neo family aircraft with Avianca and 13 Boeing 737 MAX 8 with Jet Airways, one of our largest deals to date in India. Our credibility and financial strength combined with our ability to offer pre delivery financing on these transactions has given us the competitive advantage to win.

We see our order book as a strategic advantage for our business. By the end of March 2018, we had placed all of the aircraft due for delivery before the end of March 2019. This has meant we are well progressed in transitioning our overall portfolio of aircraft from the existing to the latest fuel efficient aircraft available today. Already, almost 22% of our fleet by value is new technology aircraft manufactured by Airbus and Boeing.

Chief Executive's Statement

CONTINUED

→ John Paul Gilroy, Diana Galeriu, Mohamed Nabiel, Mengying Liu, Benjamin Landes, from our 2017 Graduate Programme

↑ A team of employees volunteered for the LauraLynn Gardening Day
← Michael Inglese, CEO of Aircastle and Peter Barrett at the announcement of a 19 aircraft portfolio deal, one of the largest bilateral trades in the market this year

During the year under review, we continued to develop in all our key markets. We entered into leases with new customers in Argentina, the Philippines and Thailand and significantly deepened relationships with existing customers. Our developments in Europe, Asia and South America, in particular, were consistent with our strategy of maintaining a diversified, global portfolio.

OUR SHAREHOLDERS

The strong relationship with our Japanese shareholders has also afforded us a unique competitive advantage in the market. We took advantage of this during the year to offer a range of innovative financing solutions to airlines, including Japanese Operating Leases with Call Options (JOLCOs) to a number of airlines including Icelandair, American Airlines and Copa.

Shareholder support was also evidenced in the announcement by Sumitomo Mitsui Financial Group and Sumitomo Corporation of their intention to invest up to $700 million equity capital and to provide $300 million by way of a subordinated loan by March 2019. This will further strengthen our balance sheet in anticipation of our order book deliveries from 2019.

In addition to this and in line with our overall strategy, we continued to diversify our funding base. Confidence in our strategy is reflected in the support of lending institutions to our business. This was well demonstrated in the closing of a $600 million syndicated financing transaction comprising a $200 million term loan and a $400 million revolving credit facility with a consortium of primarily Asian banks. The high level of over-subscription and the terms on which the facility was provided reflect our reputation as one of the industry's highest rated investment grade aircraft lessors.

OUR PEOPLE

The ability of a business to consistently perform well depends on the technical competence and commitment of individual staff and the ability of those individuals to work together as a strong, highly focused team.

Our staff increased during the year from 167 to 179. It is important to acknowledge the role played in our success by those team members based both in Ireland and overseas who give us an excellent "finger on the pulse" of markets globally.

In an industry where appropriately skilled and experienced staff are increasingly scarce and sought after it is also important that we develop our own talent. We are committed to recruiting and developing such talent through our own highly successful two-year graduate recruitment programme.

We have continued with our sponsorship of the MSc in Aviation Finance in UCD and last year we also supported the Irish Aviation Student's Association (IASA) which is responsible for connecting aviation students from both second and third level who have an interest in working in aviation.

We also recognise that the more successful we are as a company globally, the greater the obligation on us to contribute in socially responsible ways to the communities in which we operate. This has been demonstrated through a range of initiatives enthusiastically supported by our staff.

For example, we have funded a new community school in Mtsinje in southern Malawi and have also committed further financial support for three years to Open Arms Malawi's ongoing programmes. We also support a number of local initiatives including Ireland's Children's Hospice, LauraLynn, the Trinity School of Intellectual Disabilities (TCPID) and Suas, a literacy and numeracy programme in local disadvantaged schools.

In Ireland, we have become the first corporate partner of the National Gallery of Ireland since its major refurbishment and reopening of its historic wings. This is an institution of great cultural importance both in Ireland and internationally, and our sponsorship has elicited strong staff, customer and shareholder engagement.

OUTLOOK

We will continue to develop new customers and new markets and build stronger relationships to take advantage of opportunities as they arise to build our lease platform around the globe.

In conclusion, with a robust and proven strategy in place, the support of staff and shareholders and the continuing strong fundamentals in the global aviation industry, we are well positioned to continue to prosper in all market conditions.

The National Gallery of Ireland

SMBC Aviation Capital becomes the first new Corporate Partner to the National Gallery of Ireland

In November 2017, SMBC Aviation Capital signed up as the first new Corporate Partner to the National Gallery of Ireland (NGI) following its major refurbishment. The National Gallery of Ireland is one of the most important cultural institutions in Ireland. This is a three year partnership and is the first of its type between an arts organisation and the Aircraft Leasing Industry in Ireland. We are delighted to be pioneers in this field.

We have already hosted a number of successful events including a customer event in January 2018, during Airfinance Week, for all of our global airline customers, investors and financiers in the magnificently restored Shaw Room.

Staff engagement has been hugely positive with strong demand for attendance at exhibitions, lectures, screenings and behind the scenes events within the Gallery.

Our employees and shareholders have benefited greatly from this association. The Gallery's Director, Sean Rainbird shared his views on Innovation and Disruption in Art at an event in our IFSC offices. To encourage innovation amongst our employees, the Gallery has also facilitated a number of creative workshops on illustration and painting.

Commenting on the partnership, Sean Rainbird said, "We are delighted to welcome SMBC Aviation Capital as our first new corporate partner since the re-opening of the Gallery and look forward to working with them. Our corporate partners are very important to the Gallery and their support allows us to expand our programmes and reach out to a wider audience through our work with the Gallery's permanent collection and exhibitions programme."

Peter Barrett, CEO, SMBC Aviation Capital added, "We are very pleased to announce this partnership with the National Gallery of Ireland, which is recognised as a leading institution of cultural importance, both in Ireland and internationally. The Gallery contributes significantly to our society and we look forward to celebrating this association with our colleagues and customers who visit Ireland from around the globe."

Peter Barrett with Sean Rainbird, Director of the National Gallery of Ireland

Financial Review

The financial year ended March 31 2018 saw another record set for profit before tax at SMBC Aviation Capital. While income from continuing operations was down slightly at $1.032 billion for the year, profit before taxation increased by $7m (2.2%) to $319 million and our core operating margin rose to 42.3%. We ended the year with total aircraft related assets in excess of $10.3 billion.

BARRY FLANNERY
Chief Financial Officer

This continued strong performance in an ever more competitive market was achieved through adhering to our prudent financial and operating model which focuses on maximising revenue from the core leasing business and maintaining a fleet of modern, technologically advanced aircraft, which are highly attractive to customers around the world.

Prudent risk management is also a cornerstone of our strategy and we pride ourselves on our balanced exposures by geography, customer, aircraft type and credit quality. Our rental revenues remained relatively constant by geography year on year and our focus on credit quality has been highly successful throughout our history, demonstrated by the fact that we have leased over 800 aircraft in the last 17 years, with only 18 requiring any form of early termination.

OPERATING PERFORMANCE

We closed 123 transactions during the year under review. Of particular note was our continued transition to the newest technology aircraft. These newer generation of highly efficient and longer range aircraft are in strong demand by airlines for both economic and environmental reasons. These aircraft now make up over one-fifth of our fleet by value, representing remarkable progress from a position where we had none just three years ago.

> We continued to take advantage of opportunities to sell aircraft owned, fifty in total with a particular emphasis on older aircraft.

While headline profit from this activity fell from $60 million to $41 million, break funding losses associated with these disposals fell by $14 million year on year also.

Our ongoing acquisition and disposal activity has maintained the average age of aircraft in our portfolio at 4.5 years. Fleet utilisation remained at 99.96% for the period, reflecting the attractiveness of our aircraft to our customer base. We have continued to place our order book of new aircraft, with aircraft placed for lease in 2020 and 2021.

It was an active year for sale and leasebacks, with 43 future deliveries secured. While the market remains competitive and the historically low cost of finance has further reduced the barriers for new entrants, we have continued to perform strongly as a result of our focus on our points of differentiation. Among these is our ability to finance larger transactions with large deals executed with Jet Airways (13 aircraft), Avianca (11 aircraft) and Aeromexico (10 aircraft).

We also further expanded our third party funding activities. During the year, we successfully added 12 new banking partners and raised $1.4 billion, with third party debt funding making up almost half of our total debt financing. In addition our shareholders committed to providing a further $1 billion in capital by March 2019. This funding optionality allows us to focus on deals of scale as we expand our long term relationships with our customers in order to position the business for future growth.

Financial Review

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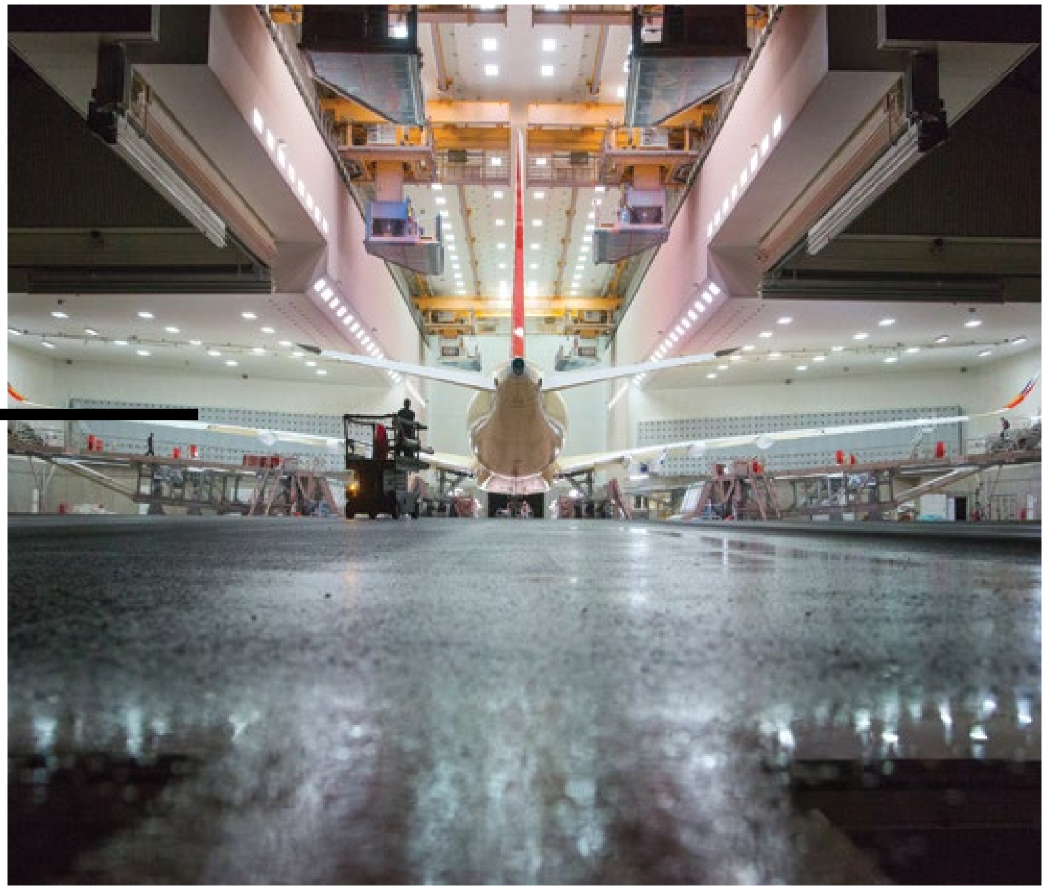


OVERVIEW OF FINANCIAL PERFORMANCE

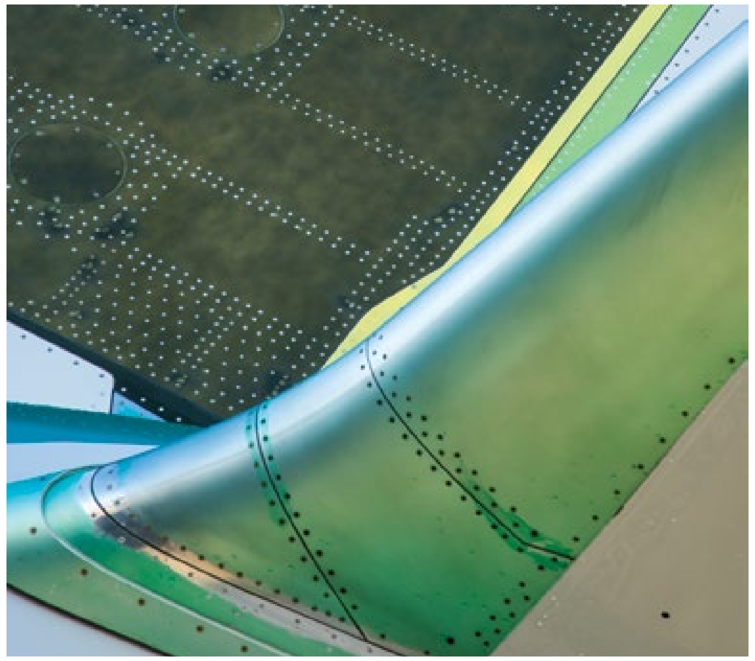
While total lease revenues were down, primarily due to lower maintenance compensation, core lease revenues were up 1.1% from $924 million to $934 million. This was a positive result, achieved despite average operating assets being 1.3% lower year on year. Maintenance compensation from lessees reduced to $38 million and is reflective of fewer aircraft returns, as a higher percentage of leases were extended during the year. However, this reduction in maintenance income does not impact our overall profit before tax as there is a similar reduction in end of lease depreciation on these aircraft.

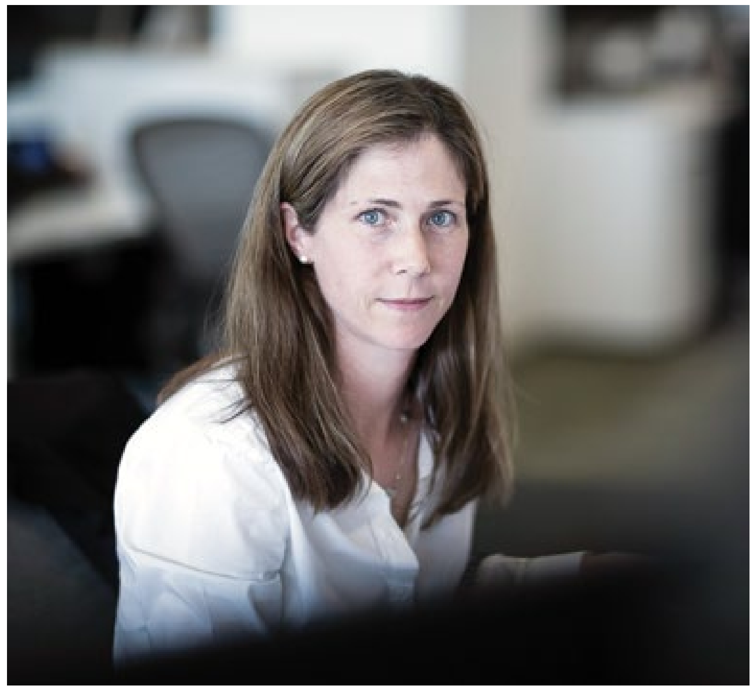
Profit from continuing operations rose to a new record of $275 million from $270 million. This was mainly due to a combination of increased core rental revenues and lower core depreciation as we sold 50 aircraft with an average age of 8.6 years. We also took advantage of the current market environment to reduce our interest expenses with our average interest rate during the year down by 21 basis points to 3.62%. Impairment charges rose by $9 million to $29 million year on year, mainly driven by prudent assumptions in relation to potential repossessions.

Available liquidity at 31 March 2018 was strong, at over $3.4 billion comprising unrestricted cash of $240 million, shareholder approval of $1.9 billion of additional borrowing capacity and $1.3 billion of third party facilities. This ensures the business has the capacity both to take advantage of opportunities as they arise as well as deal with unforeseen events which might occur.

Our strong balance sheet, low level of external gearing, stable financial performance, and high quality portfolio positions the business well for growth.

Profit from continuing operations rose to a new record of $275 million. This was mainly due to a combination of increased core rental revenues and lower core depreciation as we sold 50 aircraft with an average of 8.6 years.





Some of our Recent Activity

S7 AIRLINES

8 × A320neo | Direct Order Placement

GENESIS

Portfolio of 8 owned & managed aircraft sold

JET AIRWAYS

13 × B737 MAX | PDP Financing & SLB

WIZZ

5 x A321ceo | SLB

AIR ASTANA

3 × A320neo Aircraft | Direct Order Placement

AVIANCA

11 A320neo family | PDP Financing & SLB

AEROMEXICO

10 × B737 MAX | PDP Financing & SLB

LUCKY AIR

4 × B737 MAX Aircraft | Direct order placement

PHILIPPINE AIRLINES

2 × A350-900 | PDP Financing & SLB

AIRCASTLE

Portfolio of 19 aircraft sold

SKY

5 x A320neo | Direct Order Placement

ICELANDAIR

2 x B737 MAX Aircraft | JOLCO

We continue to transition to the newest, most technologically advanced aircraft so we are best positioned to meet our airline customers' needs. Our fleet now comprises almost 22% by value of the newest technology aircraft from just 1.2% two years ago.

Our Team

The people we work with are what differentiates us as a company. Our success is built on our team of 179 dedicated professionals from various countries and backgrounds who bring a highly professional and customer focused approach to everything we do. Our team has grown from just 69 people when we were acquired six years ago and we pride ourselves on our ability to attract the very best candidates to join and stay with us to build successful careers.

Attendees of a one day workshop, held as part of innovation week, April 2018.

OUR CULTURE

Candidates are attracted by a variety of factors including exceptionally good career prospects, the ability to travel and the opportunity to work across different teams. We also have a focus on learning and development which includes the opportunity to engage in further studies and to also learn from experienced individuals within the business through frequent tutorials.

Our comprehensive global CSR programme and events through our Sports and Social Committee ensures we are offering employees the chance to engage in activity outside of their daily roles.

Culture is another important factor in drawing people to work with us. Our culture is underpinned by our core behaviours.

Our exceptionally low level of staff turnover at less than 2% annually is testament to this. We have a strong cohort of long serving employees with over 50 having more than ten years' service. This helps people form strong working relationships. We also focus on providing our employees with programmes assisting them with career development and mentoring.

OUR RECRUITMENT PROCESSES

Our culture would be impossible to sustain without rigorous recruitment processes designed to select the best candidates and those who fit well.

Our graduate recruitment programme is an integral part of that process and we are the only aircraft leasing company with such a programme. In September 2018, we will take on seven graduates, our largest intake ever. We are a principal sponsor of the MSc in Aviation Finance at UCD Michael Smurfit Graduate Business school, the first of its type in Europe. All of these initiatives ensure that we are cultivating the next generation of talent in aircraft and leasing.

This year, we delivered Philippine Airlines' first A350 XWB on sale and leaseback which included PDP financing. This is the first of two aircraft and will set a new standard by allowing the flag carrier to fly non-stop almost halfway around the world on the longest routes ever to be served by a Philippine carrier.

Promoting Ireland's Prominent Position in Aircraft Leasing

→ Photographed at the launch of Aircraft Leasing Ireland (ALI) were, Danny McCoy, CEO of Ibec, David Swan, Chairperson ALI and COO SMBC Aviation Capital, Minister for Finance, Paschal Donohoe TD and Declan Kelly, Vice Chairperson ALI.

Today, Ireland is a major operational base for the world's largest aircraft leasing companies globally with over 50 aircraft leasing companies choosing Ireland as their primary location.

Irish-based lessors manage 65% of the world's leased commercial aircraft.

Leasing of aircraft began close to 40 years ago and Ireland has a strong legacy dating back to the formation of Guinness Peat Aviation ("GPA"). GPA planted the seeds of a vibrant industry, which has developed deep roots in the country. Many of the people behind today's highly successful Irish-based leasing companies learned their trade with GPA and Ireland has an exceptional depth of knowledge, experience and professional skill base in the sector.

It's a rapid growth sector, too, with 35,000 new and replacement aircraft required in the next 20 years to sustain passenger growth. Aircraft leasing companies will play a major role in the provision of these aircraft.

Within Ireland over 5,000 direct and indirect jobs have been created in the industry and in the supporting professional services in legal, tax, accounting and a vibrant Maintenance Repair and Overhaul ("MRO") sector which has built up at Dublin and Shannon airports to support the technical maintenance and transitioning of aircraft.

The aircraft leasing companies in Ireland recently launched a new initiative, Aircraft Leasing Ireland, to ensure that the sector continues to flourish here by adopting a more coordinated voice.

50+

COMPANIES

over 50 aircraft leasing companies based in Ireland.

+60%

LOCATION

over 60% of the world's leased aircraft are managed from Ireland.

5,000

JOBS

supporting 5,000 local jobs.

MSc

EDUCATION

first European Masters in Aviation Finance.

€550m+

ECONOMY

€550 million+ contribution to the local economy.

40

EXPERIENCE

40 years of experience dating back to the foundation of GPA.

Source: PwC Taking Flight 2018

Directors' Report and Consolidated Financial Statement 2018

Directors and other information

DIRECTORS

P Barrett (Irish)
C A Ennis (Irish)
B Flannery (Irish)
D Swan (Irish)
B Harvey (American)
S Hayashida (Japanese)
M Tachibana (Japanese; appointed 1 June 2017)
E Ishida (Japanese; appointed 23 April 2018)
M Oshima (Japanese; appointed 23 April 2018)
K Tanaka (Japanese; appointed 23 April 2018)
S Watanabe (Japanese; appointed 23 April 2018)

SECRETARY

C A Ennis

REGISTERED OFFICE

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Chartered Accountants
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Dublin 1
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Directors' Report

The Directors present their report and the audited consolidated financial statements of SMBC Aviation Capital Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 March 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union.

PRINCIPAL ACTIVITIES

The principal business activities of the Group and Company include acting in the capacity of principal, agent or broker, the financing of aircraft, plant, equipment, machinery, engines, vehicles or other modes of transport and their components and parts, by way of loan, hire purchase, lease rental, credit sale or other appropriate methods of finance, and the sale or purchase, ownership, leasing or management or in any other way dealing with aircraft, plant, equipment, machinery, engines, vehicles or other modes of transport and their components parts. The Group and Company also 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 therefore presented in US Dollars.

The Group and Company is a member of the Japanese consortium of Sumitomo Mitsui Financial Group ("SMFG") and Sumitomo Corporation ("SC") (the "Consortium"). The annual reports of these entities can be obtained at:
Sumitomo Corporation -
http://www.sumitomocorp.co.jp/english/ir/report/annual_report.html
Sumitomo Mitsui Financial Group -
http://www.smfg.co.jp/english/investor/financial/latest_statement.html.

PERFORMANCE AND STRATEGY

The Group and Company's strategy is to work closely and build strong relationships with its airline and investor customers to meet their specific requirements, while owning and leasing the most modern, efficient and desirable aircraft. The Group and Company continues to actively manage the profile of its aircraft portfolio and, as a result, have maintained a young fleet with an average weighted age of 4.5 years as at 31 March 2018 (31 March 2017: 4.5).

At the end of the financial year, the financial position showed total assets of $10,702 million (31 March 2017: $10,637 million). The net book value of property, plant and equipment, including aircraft classified as held for sale of $194 million (31 March 2017: $nil), was $10,268 million at the year-end (31 March 2017: $10,142 million).

The Directors do not recommend the payment of a dividend (31 March 2017: $nil).

FINANCING

The Group and Company continues to benefit from its ownership structure noted above, which combines one of the world's largest financial institutions with one of the world's largest trading companies. This brings substantial financial strength and scale to the Group and Company's offering, reflected in the Group and Company's credit rating of A- from Fitch Ratings and BBB+ from Standard & Poor's (31 March 2017: BBB+ from both). Fitch Ratings upgraded the Group and Company credit rating on 11 May 2017 to A- from BBB+. This affirms the Group and Company's position as one of the highest rated aircraft leasing companies in the industry, positioning us well to execute on our growth plans in the coming years.

In addition to the Group and Company's existing funding from parent group undertakings and third party Japanese financial institutions, the Group successfully closed the sale of $500 million of its 3.00% senior unsecured notes due 2022 through its whollyowned subsidiary, SMBC Aviation Capital Finance DAC, on 19 July 2017 after a similar offering during 2016. The Group also agreed a new $100 million undrawn loan facility with a large Japanese bank and closed a $600 million syndicated financing transaction comprising a $200 million term loan and a $400 million revolving credit facility with a consortium of primarily Asian banks during March 2018. Furthermore, the Group has access to a $600 million revolving credit facility with a consortium of five major banks.

On 6 November 2017, the Group's shareholders announced their intention to contribute up to $1 billion in additional capital to the Group during the year ending 31 March 2019 as part of an overall reorganisation of the SMFG and SC joint leasing partnership whereby the primary leasing vehicle between both companies, Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL"), will become a 50:50 joint venture. The additional capital will consist of an investment of $700 million equity capital from SMFL and SMBC and an additional $300 million subordinated loan from SMBC into the Company. All aspects are expected to complete over the period November 2018 to January 2019.

OPERATIONAL

The Group has 92 airline customers in 43 countries. The Group's fleet consists of 675 owned, managed and committed aircraft.

We closed 80 transactions, including roll-off placements, lease placements of new aircraft from our order book and via sale and leaseback, lease extensions and aircraft sales during the year under review. Of particular note during the year was our continued transition to the latest technology aircraft. The latest generation of highly efficient and longer range aircraft are in strong demand by airlines for both economic and environmental reasons. Just over one fifth of our fleet has been transitioned to date representing remarkable progress from a position where we had none just three years ago.

We continued to take advantage of opportunities to sell on older aircraft. Profit from this activity decreased from $60 million to $41 million. On the other hand, break losses incurred also decreased by $14 million year on year. The ongoing transitioning of our fleet has kept the average age of aircraft in our portfolio at 4.5 years.

Fleet utilisation remained at 99.95% for the year, reflecting the attractiveness of our aircraft to our customer base. We have continued to place out our order book of new aircraft with 100% of them placed for the year to 31 March 2019.

Directors' Report (continued)

It was a positive year for sale and leaseback business. While the market remains intensely competitive and the historically low cost of finance has further reduced the barriers for new entrants we have continued to perform strongly as a result of our focus on points of differentiation. We signed letters of intent for 50 sale and leaseback aircraft including multi-aircraft transactions for Aeromexico, Avianca, Wizz Air and Jet Airways.

PEOPLE

We continue 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 173 (2017: average of 162), 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The airline industry is cyclical and highly competitive. The Group and Company's aircraft are under operating leases where the cost of the aircraft is 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

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

GOING CONCERN

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, along with the financial position of the Group and Company. In addition, also as noted above, note 24 to the financial statements includes: the objectives, policies and processes for managing capital; the financial risk management objectives; details of financial instruments and hedging activities; and the exposures to credit risk and liquidity risk, to the extent that these were in place at 31 March 2018 and the preceding year.

Risks are managed in line with guidance given by the Group's parent companies. Exposure to both interest rate risk and currency risk is minimised by the use of derivatives and fixed rate loans. The current economic conditions create risks and uncertainties associated with the airline industry. However, the Group has considerable long-term contracts with a number of customers. Past experience indicates that airline risk can be managed carefully and successfully.

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

DIRECTORS' 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 34. The following changes took place during the year:

Directors	Appointed
Y Kawasaki	Appointed 28 April 2017
M Tachibana	Appointed 1 June 2017
E Ishida	Appointed 23 April 2018
M Oshima	Appointed 23 April 2018
K Tanaka	Appointed 23 April 2018
S Watanabe	Appointed 23 April 2018

Directors	Resigned
M Takashima	Resigned 28 April 2017
M Hosokawa	Resigned 1 June 2017
Y Kawamura	Resigned 23 April 2018
Y Kawasaki	Resigned 23 April 2018
T Murata	Resigned 23 April 2018
I Sakata	Resigned 23 April 2018

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

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

ACCOUNTING RECORDS

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

POLITICAL DONATIONS

The Company did not make any political donations in the year ended 31 March 2018 (2017: $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 23 April 2018, Mr. Y. Kawamura, Mr. Y. Kawasaki, Mr. T. Murata and Mr. I. Sakata resigned as Directors. On the same day, Mr. E. Ishida, Mr. M. Oshima, Mr. K. Tanaka and Mr. S. Watanabe were appointed as Directors.

No other significant events affecting the Group and Company have occurred since 31 March 2018, 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	**B Flannery**
Director	*Director*
24 May 2018	24 May 2018

Company Registration No: 270775

Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union; and
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Group and Company, or cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014.

On behalf of the Board:

P Barrett
Director

24 May 2018

B Flannery
Director

24 May 2018

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

1 Report on the audit of the financial statements

Opinion

We have audited the Group and Company financial statements ("financial statements") of SMBC Aviation Capital for the year ended 31 March 2018, which comprise the Group statement of profit or loss and other comprehensive income, Group and Company statement of financial position, Group and Company statement of changes in equity, Group and 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 Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2018 and of its profit for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2018;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information presented in the financial statements. The other information comprises the information included in the directors' report. 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;

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

Opinions on other matters prescribed by the Companies Act 2014

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

In our opinion the accounting records of the Group 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.

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for 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.

In preparing the financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013%2D1cf6%2D458b%2D9b8f%2Da98202dc9c3a/Description_of_auditors_responsiblities_for_audit.pdf

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

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

Paul Dobey
24 May 2018

for and on behalf of

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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
CONTINUING OPERATIONS			
Income			
Lease revenue	2	962,622	1,002,159
Other revenue	2	12,830	13,954
Total revenues	2	975,452	1,016,113
Other operating income	3	57,495	72,979
		1,032,947	**1,089,092**
Operating expenses			
Depreciation	10	(296,099)	(347,736)
Impairment	10/11	(29,044)	(20,598)
Other operating expenses	4	(112,162)	(107,774)
Net trading income	7	22	398
PROFIT FROM OPERATING ACTIVITIES		**595,664**	**613,382**
Finance costs			
Interest income	8	36,112	33,977
Interest expense	8	(307,134)	(315,689)
Break losses	8	(5,295)	(19,185)
NET FINANCE COSTS		**(276,317)**	**(300,897)**
PROFIT BEFORE TAXATION		**319,347**	**312,485**
Tax expense	9	(43,670)	(41,757)
PROFIT FROM CONTINUING OPERATIONS		**275,677**	**270,728**
OTHER COMPREHENSIVE INCOME			
Effective portion of changes in fair value of cash flow hedges	15	14,935	50,880
Tax on other comprehensive income		(1,871)	(6,399)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET		**13,064**	**44,481**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**288,741**	**315,209**

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

24 May 2018

B Flannery
Director

24 May 2018

Consolidated statement of financial position

as at 31 March 2018

	Note	31 March 2018 $'000	31 March 2017 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	10,074,420	10,141,783
Goodwill and intangible assets	11	4,309	12,558
Derivative financial instruments	14	27,023	16,339
Lease incentive assets	19	58,679	95,376
		10,164,431	10,266,056
CURRENT ASSETS			
Assets held for sale	20	204,508	-
Trade and other receivables	17	64,113	67,891
Cash and cash equivalents	18	254,212	278,393
Derivative financial instruments	14	244	6
Lease incentive assets	19	14,112	24,165
		537,189	370,455
TOTAL ASSETS		10,701,620	10,636,511
EQUITY			
Share capital	26	187,513	187,513
Other components of equity	27	228,789	215,725
Profit or loss account		1,658,712	1,383,035
TOTAL EQUITY		2,075,014	1,786,273
NON-CURRENT LIABILITIES			
Trade and other payables	21	490,454	505,573
Obligations under finance leases	22	132,336	227,028
Borrowings	23	6,838,364	6,681,890
Deferred tax liabilities	25	316,280	294,198
Derivative financial instruments	14	25,131	21,320
		7,802,565	7,730,009
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	60,979	-
Trade and other payables	21	319,673	488,812
Obligations under finance leases	22	48,880	59,556
Borrowings	23	394,509	571,861
		824,041	1,120,229
TOTAL LIABILITIES		8,626,606	8,850,238
TOTAL EQUITY AND LIABILITIES		10,701,620	10,636,511

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

P Barrett
Director

24 May 2018

B Flannery
Director

24 May 2018

Company statement of financial position

as at 31 March 2018

	Note	31 March 2018 $'000	31 March 2017 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	9,884,515	9,582,139
Goodwill and intangible assets	11	4,251	6,694
Loan receivables	16	-	70,263
Investment in subsidiaries	12	210,622	212,922
Derivative financial instruments	14	27,023	16,339
Lease incentive assets	19	58,679	93,545
		10,185,090	9,981,902
CURRENT ASSETS			
Assets held for sale	20	204,508	-
Loan receivables	16	-	66,442
Trade and other receivables	17	127,303	219,034
Cash and cash equivalents	18	215,002	227,347
Derivative financial instruments	14	244	6
Lease incentive assets	19	14,112	23,153
		561,169	535,982
TOTAL ASSETS		10,746,259	10,517,884
EQUITY			
Share capital	26	187,513	187,513
Other components of equity	27	226,821	213,782
Profit or loss account		1,593,796	1,328,692
TOTAL EQUITY		2,008,130	1,729,987
NON-CURRENT LIABILITIES			
Trade and other payables	21	475,202	481,631
Obligations under finance leases	22	132,336	227,028
Borrowings	23	6,821,419	6,580,856
Deferred tax liabilities	25	306,158	265,523
Derivative financial instruments	14	25,131	21,288
		7,760,246	7,576,326
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	60,979	-
Trade and other payables	21	294,826	433,040
Obligations under finance leases	22	48,880	59,556
Borrowings	23	573,198	718,975
		977,883	1,211,571
TOTAL LIABILITIES		8,738,129	8,787,897
TOTAL EQUITY AND LIABILITIES		10,746,259	10,517,884

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

P Barrett
Director

24 May 2018

B Flannery
Director

24 May 2018

Consolidated statement of changes in equity

as at 31 March 2018

	Note	Share Capital $'000	Other Reserves $'000	Cash Flow Hedge Reserve $'000	Profit and loss account $'000	Total Equity $'000
BALANCE AT 1 APRIL 2016		187,513	209,453	(38,209)	1,112,307	1,471,064
Profit for the period		-	-	-	270,728	270,728
Cash flow hedge reserve	27	-	-	44,481	-	44,481
		-	-	44,481	270,728	315,209
BALANCE AT 31 MARCH 2017		187,513	209,453	6,272	1,383,035	1,786,273
Profit for the period		-	-	-	275,677	275,677
Cash flow hedge reserve	27	-	-	13,064	-	13,064
		-	-	13,064	275,677	288,741
BALANCE AT 31 MARCH 2018		187,513	209,453	19,336	1,658,712	2,075,014

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

Company statement of changes in equity

as at 31 March 2018

	Note	Share Capital $'000	Other Reserves $'000	Cash Flow Hedge Reserve $'000	Profit and loss account $'000	Total Equity $'000
BALANCE AT 1 APRIL 2016		187,513	207,486	(37,954)	1,077,316	1,434,361
Profit for the period		-	-	-	251,376	251,376
Cash flow hedge reserve	27	-	-	44,250	-	44,250
		-	-	44,250	251,376	295,626
BALANCE AT 31 MARCH 2017		187,513	207,486	6,296	1,328,692	1,729,987
Profit for the period		-	-	-	265,104	265,104
Cash flow hedge reserve	27	-	-	13,039	-	13,039
		-	-	13,039	265,104	278,143
BALANCE AT 31 MARCH 2018		187,513	207,486	19,335	1,593,796	2,008,130

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

Consolidated statement of cash flows

for the year ended 31 March 2018

	Note	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
PROFIT BEFORE TAX		319,347	312,485
Adjustments for:			
Depreciation and impairment on property, plant and equipment		325,143	368,398
Amortisation and impairment of intangible assets		4,001	5,216
Lease incentive asset amortisation		24,392	30,804
Lessee betterment provision		9,287	-
Interest expense		273,182	278,740
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(22)	(398)
Profit on disposal of assets held under operating leases		(41,275)	(60,284)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		914,055	934,961
Increase in receivables		(4,808)	(11,965)
Decrease in payables		(182,577)	(57,771)
CASH GENERATED BY OPERATIONS		726,670	865,225
Income taxes paid		(13,223)	(582)
Interest paid		(283,461)	(281,789)
NET CASH FROM OPERATING ACTIVITIES		429,986	582,854
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		1,662,693	883,398
Purchases of property, plant and equipment		(2,011,502)	(1,772,246)
Purchases of intangible assets		-	(49)
NET CASH USED IN INVESTING ACTIVITIES:		(348,809)	(888,897)
FINANCING ACTIVITIES			
Receipts from restricted cash accounts		8,982	21,982
Repayment of obligations under finance leases		(89,017)	(54,723)
(Repayment of) / proceeds from indebtedness		(17,548)	434,909
NET CASH (USED IN) / FROM FINANCING ACTIVITES		(97,583)	402,168
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		1,207	(486)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(15,199)	95,639
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		255,202	159,563
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	240,003	255,202
Unrestricted cash and cash equivalents as above	18	240,003	255,202
Restricted cash as reported	18	14,209	23,191
Total cash and cash equivalents	18	254,212	278,393

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

Company statement of cash flows

for the year ended 31 March 2018

	Note	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
PROFIT BEFORE TAX		306,176	287,508
Adjustments for:			
Depreciation and impairment on property, plant and equipment		311,470	351,606
Amortisation and impairment of intangible assets		2,443	2,435
Lease incentive asset amortisation		23,605	29,032
Revision of lessee betterment provision		9,287	-
Dividend income		(11,800)	(870)
Interest expense		290,231	276,573
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(22)	(398)
Profit on disposal of assets held under operating leases		(34,924)	(52,822)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		896,466	893,064
Decrease / (increase) in receivables		249,793	(180,495)
Decrease in payables		(157,802)	(29,278)
CASH GENERATED BY OPERATIONS		988,457	683,291
Income taxes paid		(2)	(24)
Interest paid		(305,616)	(275,757)
NET CASH FROM OPERATING ACTIVITIES		682,839	407,510
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		1,607,511	838,472
Purchases of property, plant and equipment		(2,328,425)	(1,652,728)
Purchases of intangible assets		-	(49)
Dividends received		11,800	870
NET CASH USED IN INVESTING ACTIVITIES:		(709,114)	(813,435)
FINANCING ACTIVITIES			
Receipts from restricted cash accounts		8,982	21,982
Repayment of obligations under finance leases		(89,017)	(54,723)
Proceeds from indebtedness		101,432	536,700
NET CASH FROM FINANCING ACTIVITIES		21,397	503,959
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		1,515	(376)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(3,363)	97,658
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		204,156	106,498
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	200,793	204,156
Unrestricted cash and cash equivalents as above	18	200,793	204,156
Restricted cash as reported	18	14,209	23,191
Total cash and cash equivalents	18	215,002	227,347

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

Notes to the consolidated financial statements

1 SIGNIFICANT ACCOUNTING POLICIES

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

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

a Basis of preparation

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

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

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

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

b Estimates and judgements

The preparation of 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 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 discounts rates. Estimates also include the intervals used (currently 5 years) to determine future market values for the purposes of setting depreciation rates for individual aircraft.

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

c Basis of consolidation

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries, drawn up to 31 March 2018. The Group does not have investments in associates or joint ventures as defined in IFRS.

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

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

Subsidiaries

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

Common control transactions

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

d Investment in subsidiaries

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

e Income under finance and operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance lease income, which includes the amortisation of the investment in the lease, is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

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

f Fee income

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

g Borrowing costs

Borrowing costs directly attributable to the acquisition of aircraft not yet delivered are capitalised as part of aircraft cost. All other borrowing costs are recognised as an expense in the period in which they are incurred.

h Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside the 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.

i 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.

j Property, plant and equipment

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

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

Aircraft for hire under operating leases
- to the next useful economic life ("UEL") point, maximum of 5 years

Office equipment and fixtures & fittings
- 3 to 10 years from date when brought into use

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

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

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

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

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

Notes to the consolidated financial statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

k Goodwill and impairment

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

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

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

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

l Intangible assets (other than goodwill)

Intangible assets are initially recognised at cost which is their fair value at the date of acquisition. Subsequently intangible assets are carried at cost less any accumulated amortisation and impairment. Cost is amortised on a straight-line basis over their estimated useful lives which vary from two years to ten years. Carrying values are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

m Impairment of non-financial assets (other than goodwill)

Long-term tangible and intangible assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

n Pre-delivery payments

Pre-delivery payments ("PDPs") are recorded in the 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. As aircraft which are subject to PDPs, are delivered all applicable PDPs and financing costs are reclassified to Property, Plant and Equipment.

o 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.

p Financial instruments

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

The Group and Company's financial liabilities are categorised as either 'financial liabilities measured at amortised cost' 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 Statement of Financial Position.

The purchase of financial assets is recognised using trade date accounting. The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financials asset and the transfer qualifies for derecognition in accordance with IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. All financial assets and liabilities at fair value through the profit or loss are derivative financial instruments classed as 'held for trading' and hedge accounting instruments under IAS 39.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

q Derivatives and hedge accounting

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

All derivatives are recognised on the 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 Comprehensive Income under trading income/expense.

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

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

r Provisions

A provision is recognised if, as a result of a past event, the Group and Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

s Amounts receivable under finance leases

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

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

Notes to the consolidated financial statements (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

t Loans receivable

Loan receivables are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the 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.

u Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

v 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.

w 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.

x Obligations under finance leases

Assets held under finance leases are recognised as assets of the Group and Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the 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.

y 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.

z 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.

aa Short term employee benefits

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

bb Profit from operating activities

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

cc 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.

dd New standards adoption and amendments to IFRS

The following new standards approved by the IASB will be relevant to the Group and Company, but were not effective at 31 March 2018, and have not been applied in preparing these financial statements:

IFRS 9 Financial Instruments
IFRS 9 will replace the IAS 39, which deals with the accounting treatment for financial instruments, from annual periods beginning on or after 1 January 2018.

IFRS 9 consists of the following key areas which represent changes from that of IAS 39:
- Revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities, mainly relating to the recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in other comprehensive income ("OCI") as opposed to the income statement.
- An expected credit loss ("ECL") impairment model.
- Revised requirements and simplifications for hedge accounting.

The Group and Company is making the accounting policy choice allowed under IFRS 9 to continue to apply the hedge accounting requirements of IAS 39, but will implement IFRS 9's revised hedge accounting disclosures from the effective date. The Group and Company's date of adoption of the IFRS 9 revised hedge accounting requirements will be based on further IFRS developments with respect to the IASB's macro hedge accounting project or on the Group and Company deeming it opportune to adopt the revised requirements. The adoption of IFRS 9 is not expected to be significant to the financial statements of the Group and Company.

IFRS 15 Revenue from Contracts with Customers
This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

dd New standards adoption and amendments to IFRS (continued)

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer.

The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.

The standard does not apply to revenue associated with leases and therefore does not impact the majority of the Group and Company's revenue.

The adoption of IFRS 15 is not expected to be significant to the financial statements of the Group and Company on transition after the effective date of annual periods beginning on or after 1 January 2018.

IFRS 16 Leases
This standard will replace the IAS 17 as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).

The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet.

The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use ("ROU") asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 have not changed substantially in terms of this standard. A lessor hence continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17. In addition, the standard requires lessors to provide enhanced disclosures about its leasing activities and, in particular, about its exposure to residual value risk and how it is managed.

As the accounting for lessors will not materially change, the adoption of IFRS 16 is not expected to be significant to the financial statements of the Group and Company. The effective date will be annual periods beginning on or after 1 January 2019.

Notes to the consolidated financial statements (continued)

2 REVENUE

	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
Operating lease revenue		
Rentals receivable	958,420	954,631
Lease incentive amortisation (note 19)	(24,392)	(30,804)
Maintenance income	37,881	78,332
Lessee betterment provision	(9,287)	-
Lease revenue	962,622	1,002,159
Fee income		
Aircraft management fees	12,830	13,781
Other fee income	-	173
Other revenue	12,830	13,954
	975,452	1,016,113

Rentals receivable for the period are reported net of a provision for deferred rentals of $4,022,000 (year ended 31 March 2017: $3,038,000. Total rentals receivables recognised as deferred rentals as at 31 March 2018 are $7,039,000 (31 March 2017: $3,038,000).

Included in operating lease revenue above are the following amounts:		
Contingent rentals	21,665	2,704

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

Total revenue distribution by geographical region:	%	%
Developed Europe	29.2	27.1
Emerging Europe	11.9	12.3
South America	21.0	20.5
Emerging Asia	18.5	22.3
Asia	8.1	5.2
North America	6.8	7.8
Middle East & Africa	4.5	4.8
	100.0	100.0

3 OTHER OPERATING INCOME

	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
Profit on disposal of property, plant and equipment	41,275	60,284
Other operating income	16,220	12,695
	57,495	72,979

4 OTHER OPERATING EXPENSES

	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
Administration expenses	(108,161)	(102,494)
Amortisation of intangible assets	(4,001)	(5,280)
	(112,162)	(107,774)

5 PROFIT FROM OPERATING ACTIVITIES

	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
Operating profit has been arrived at after charging:		
Depreciation	296,099	347,736
Impairment of assets	29,044	20,598
Negative goodwill realised	-	64
Bad debt charge	-	-
Fees and commissions	16	14
Group service fee	21,441	23,214
Auditors remuneration	1,186	826
Rent on property	2,107	2,102
Staff costs (note 6)	76,610	73,052
Other operating expenses	32,243	33,258
Foreign exchange loss	794	1,227
Auditors remuneration:		
Audit of the Group accounts	426	373
Other assurance services	141	119
Tax advisory services	619	334
	1,186	826
Of which related to the Company	1,077	746

6 STAFF COSTS

	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
Staff costs	67,571	64,738
Social security costs	5,834	5,229
Other pension costs	3,205	3,085
	76,610	73,052

No staff costs were capitalised during the year (year ended 31 March 2017: $nil). The average number of people in the organisation during the financial year was 173 (2017: 162), consisting of both direct employees and representatives, of which 37 staff members were dedicated to commercial & strategy functions (2017: 37), 71 to operational (2017: 66) and the remainder to finance, compliance and other support functions.

Notes to the consolidated financial statements (continued)

7 NET TRADING INCOME

	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
Fair value movement on interest rate swaps in qualifying hedging relationships	(5,682)	(18,243)
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	5,704	18,667
Net income from financial instruments at fair value (note 23)	22	424
Other net trading expense	-	(26)
Net trading income	22	398

The portion of the net income from financial instruments carried at fair value relating to the ineffective portion of the fair value hedges at 31 March 2018 is a gain of $22,000 (year ended 31 March 2017: $424,000).

8 FINANCE COSTS

	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
Finance income:		
Interest income on swaps	35,742	33,796
Interest income on deposits	370	181
Total interest income	36,112	33,977
Finance costs:		
Interest payable on swaps	(42,098)	(42,404)
Interest payable on borrowings	(262,136)	(254,789)
Interest payable on security deposits	(255)	(54)
Bank charges, guarantee & other fees on borrowings	(2,645)	(18,442)
Total interest payable and related charges	(307,134)	(315,689)
Net interest payable	(271,022)	(281,712)
Break costs related to derivatives and liability management	(5,295)	(19,185)

9 TAXATION

a ANALYSIS OF TAX CHARGE FOR THE YEAR

	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
Current tax charge:		
- Current year	23,459	13,860
Deferred tax - origination and reversal of temporary differences:		
- Current year	20,211	27,897
Tax charge	43,670	41,757

b FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

	Year ended 31 March 2018 $'000	Year ended 31 March 2017 $'000
Profit before tax subject to tax at 12.5%	298,156	290,659
Profit before tax subject to tax at 33.33%	14	45
Profit before tax subject to tax at 25%	21,177	21,781
	319,347	312,485
Tax on profit at the rate of 12.5% (2017: 12.5%)	37,270	36,332
Tax on profit at the rate of 33.33% (2017: 33.33%)	5	15
Tax on profit at the rate of 25% (2017: 25%)	5,294	5,445
Other differences	688	(150)
Permanent difference - non-taxable income	(88)	110
Permanent difference - disallowed expenses	501	5
Tax charge	43,670	41,757

10 PROPERTY, PLANT AND EQUIPMENT

	Group Aircraft for hire under operating leases $'000	Group Pre-Delivery Payments $'000	Group Office equipment and fixtures & fittings $'000	Group Total $'000
COST				
At 1 April 2016	10,790,810	308,354	10,900	11,110,064
Additions	1,654,056	201,973	80	1,856,109
Transfers	46,947	(46,947)	-	-
Disposals	(1,398,675)	-	(88)	(1,398,763)
At 31 March 2017	11,093,138	463,380	10,892	11,567,410
Additions	1,200,771	835,525	310	2,036,606
Transfers	170,710	(170,710)	-	-
Disposals	(2,172,162)	-	(342)	(2,172,504)
Transfer to assets held for sale (see note 20)	(288,238)	-	-	(288,238)
At 31 March 2018	10,004,219	1,128,195	10,860	11,143,274
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 April 2016	1,556,429	-	2,714	1,559,143
Charge for the year	345,634	-	2,102	347,736
Impairment charge for the year	20,662	-	-	20,662
Disposals	(501,821)	-	(93)	(501,914)
At 31 March 2017	1,420,904	-	4,723	1,425,627
Charge for the year	294,010	-	2,089	296,099
Impairment charge for the year	29,044	-	-	29,044
Disposals	(587,126)	-	(342)	(587,468)
Transfer to assets held for sale (see note 20)	(94,448)	-	-	(94,448)
At 31 March 2018	1,062,384	-	6,470	1,068,854
CARRYING AMOUNT				
Net Book Value at 31 March 2018	8,941,835	1,128,195	4,390	10,074,420
Net Book Value at 31 March 2017	9,672,234	463,380	6,169	10,141,783

During the year, assets in the Group with a carrying value of $571,820,000 (year ended 31 March 2017: $478,947,000) and average age of 9.1 years (year ended 31 March 2017: 11.2 years) were subject to impairment partly due to a deterioration in the inherent value of these aircraft and an assessment of the value of the leases attached to them, when assessed at discount rates ranging between 5%-6% (year ended 31 March 2017: 5%-6%) depending on the nature of the cash flows assessed, as well as anticipated losses on disposal of specific aircraft at year-end.

The carrying amount before impairment of $600,864,000 (year ended 31 March 2017: $499,609,000) of aircraft was determined to be higher than the value in use of $571,820,000 (year ended 31 March 2017: $478,947,000) and an impairment loss of $29,044,000 (year ended 31 March 2017: $20,662,000) was recognised during the year.

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

The total impairment charge for the prior year of $20,598,000 (year ended 31 March 2018: $29,044,000) was net of an adjustment to goodwill and other intangible assets of $64,000 (year ended 31 March 2018: $nil).

Notes to the consolidated financial statements (continued)

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Company Aircraft for hire under operating leases $'000	Company Pre-Delivery Payments $'000	Company Office equipment and fixtures & fittings $'000	Company Total $'000
COST				
At 1 April 2016	10,394,917	238,123	10,608	10,643,648
Additions	1,588,917	78,433	42	1,667,392
Transfers	46,947	(46,947)	-	-
Disposals	(1,232,352)	-	(88)	(1,232,440)
At 31 March 2017	10,798,429	269,609	10,562	11,078,600
Additions	1,584,932	784,222	308	2,369,462
Transfers	8,681	(8,681)	-	-
Disposals	(2,116,947)	-	(20)	(2,116,967)
Transfer to assets held for sale (see note 20)	(288,238)	-	-	(288,238)
At 31 March 2018	9,986,857	1,045,150	10,850	11,042,857
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 April 2016	1,576,051	-	2,428	1,578,479
Charge for the year	331,831	-	2,060	333,891
Impairment charge for the year	17,715	-	-	17,715
Disposals	(433,536)	-	(88)	(433,624)
At 31 March 2017	1,492,061	-	4,400	1,496,461
Charge for the year	280,343	-	2,083	282,426
Impairment charge for the year	29,044	-	-	29,044
Disposals	(555,121)	-	(20)	(555,141)
Transfer to assets held for sale (see note 20)	(94,448)	-	-	(94,448)
At 31 March 2018	1,151,879	-	6,463	1,158,342
CARRYING AMOUNT				
Net Book Value at 31 March 2018	8,834,978	1,045,150	4,387	9,884,515
Net Book Value at 31 March 2017	9,306,368	269,609	6,162	9,582,139

The carrying amount of assets included in Group and Company above subject to obligations under finance leases is $598,437,000 (31 March 2017: $712,628,000; note 22).

On 31 March 2018, the Group classified qualifying assets with a carrying value of $193,790,000 as assets held for sale as they met the relevant criteria (see note 20).

11 GOODWILL AND INTANGIBLE ASSETS

	Group Goodwill $'000	Group Intangible assets $'000	Group Total $'000	Company Intangible assets $'000
COST				
At 1 April 2016	2,076	36,949	39,025	13,395
Additions	-	49	49	49
Disposals	-	(10,971)	(10,971)	-
At 31 March 2017	2,076	26,027	28,103	13,444
Additions	-	-	-	-
Disposals	(2,076)	(9,244)	(11,320)	-
At 31 March 2018	-	16,783	16,783	13,444
AMORTISATION, IMPAIRMENT AND OTHER ADJUSTMENTS				
At 1 April 2016	-	17,008	17,008	4,315
Amortisation for the year	-	5,280	5,280	2,435
Adjustment to goodwill during the year	298	-	298	-
Disposals	-	(7,041)	(7,041)	-
At 31 March 2017	298	15,247	15,545	6,750
Amortisation for the year	-	4,001	4,001	2,443
Disposals	(298)	(6,774)	(7,072)	-
At 31 March 2018	-	12,474	12,474	9,193
TOTAL GOODWILL AND INTANGIBLE ASSETS				
At 31 March 2018	-	4,309	4,309	4,251
At 31 March 2017	1,778	10,780	12,558	6,694

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

Amortisation of intangible assets is accelerated upon disposal of the aircraft to which the lease intangible relates. This accelerated amortisation is recognised as part of the profit or loss on disposal as part of operating income (note 3).

Notes to the consolidated financial statements (continued)

12 INVESTMENT IN SUBSIDIARIES - COMPANY

	31 March 2018 $'000	31 March 2017 $'000
At cost	210,622	212,922

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

Owned by the Company:	Nature of business:	Country of incorporation:
SMBC Aviation Capital Ireland Leasing 3 Limited (1)	Leasing	Ireland
SMBC Aviation Capital Ireland Leasing 4 Limited (1)	Leasing	Ireland
SMBC Aviation Capital Aircraft Holdings B.V. (2)	Leasing	Netherlands
SMBC Aviation Capital Netherlands B.V. (2)	Leasing	Netherlands
SMBC Aviation Capital Paris Leasing 2 SARL (3)	Leasing	France
SMBC Aviation Capital GAL Holdings Limited (4)	Intermediate leasing company	Bermuda
SMBC Aviation Capital Finance Designated Activity Company (1)	Debt issuance	Ireland

It is the Group's intention to commence winding up procedures in respect of SMBC Aviation Capital Ireland Leasing 4 Limited and SMBC Aviation Capital Aircraft Holdings B.V. in the near future once all remaining assets have been sold and liabilities have been settled. These procedures have not commenced yet.

Interest in structured entities:		
Soller Aviation Limited (5)	PDP financing company	Cayman Islands

Registered addresses of entities above, denoted by reference attached to each entity name:
1) IFSC House, IFSC, Dublin 1, Ireland
2) Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands
3) 52, rue de la Victoire, 75009 Paris, France
4) Canon's Court, 22 Victoria St, Hamilton HM 12, Bermuda
5) 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands

The aircraft deliveries for which Mallorca Limited, a PDP financing company ("structured entity") in which the Group had an interest as at 31 March 2017, was set up for, occurred during the year. This extinguished the PDP financing previously in place, following which the Group was no longer exposed to variation of returns in respect of the structured entity and accordingly the entity is not consolidated by the Group as at 31 March 2018.

Movements during the year:	$'000
At 1 April 2016	212,922
Addition during the year	-
At 31 March 2017	212,922
Addition during the year	0
Reduction in value during the year	(2,300)
Subsidiaries dissolved during the year	(0)
At 31 March 2018	210,622

A new subsidiary, SMBC Aviation Capital Paris Leasing 2 SARL, was incorporated on 5 July 2017. On 19 January 2018, the share capital of another subsidiary, SMBC Aviation Capital Paris Leasing 1 SARL, was transferred to this entity. On the same day SMBC Aviation Capital Paris Leasing 1 SARL was dissolved by its sole shareholder, SMBC Aviation Capital Paris Leasing 2 SARL, a subsidiary of the Company.

During the year, the Company received a distribution of $11.8m (2017: $nil) from a subsidiary company, recognised in other income, and consequently recognised a part-reduction in value of the investment in this subsidiary of $2.3m (2017: $nil).

13 FINANCIAL INSTRUMENTS

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

31 March 2018	Group Carrying Value $'000	Group Fair Value $'000	Company Carrying Value $'000	Company Fair Value $'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	27,267	27,267	27,267	27,267
Financial assets measured at amortised cost				
Trade and other receivables	64,113	64,113	127,303	127,303
Cash and cash equivalents	254,212	254,212	215,002	215,002
Financial assets	345,592	345,592	369,572	369,572
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	25,131	25,131	25,131	25,131
Borrowings (held for qualifying hedging relationships)	472,887	472,887	472,887	472,887
Financial liabilities measured at amortised cost:				
Liabilities associated with assets held for sale	60,979	61,531	60,979	61,531
Obligations under finance leases	181,216	190,236	181,216	190,236
Trade and other payables	810,127	810,127	770,028	770,028
Borrowings	6,759,986	7,313,230	6,921,730	7,474,738
Financial liabilities	8,310,326	8,873,142	8,431,971	8,994,551

31 March 2017	Group Carrying Value $'000	Group Fair Value $'000	Company Carrying Value $'000	Company Fair Value $'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	16,345	16,345	16,345	16,345
Financial assets measured at amortised cost				
Loans receivable	-	-	136,705	149,003
Trade and other receivables	67,891	67,891	219,034	219,034
Cash and cash equivalents	278,393	278,393	227,347	227,347
Financial assets	362,629	362,629	599,431	611,729
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	21,320	21,320	21,288	21,288
Borrowings (held for qualifying hedging relationships)	477,644	477,644	477,644	477,644
Financial liabilities measured at amortised cost:				
Obligations under finance leases	286,584	311,537	286,584	311,537
Trade and other payables	994,385	994,385	914,671	914,671
Borrowings	6,776,107	7,456,891	6,822,187	7,318,239
Financial liabilities	8,556,040	9,261,777	8,522,374	9,043,379

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

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

Notes to the consolidated financial statements (continued)

13 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.

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

Available for sale assets fall within Level 1 as fair values are based on publicly available quoted prices in an active market for identical assets.

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

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

14 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 $26,061,000 (2017: $13,268,000). The value of derivatives designated as fair value hedge relationships is $23,925,000 (2017: $18,243,000). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2017: $26,000 loss) in respect of certain ineffective cashflow hedges and a $22,000 gain (2017: $424,000 gain) in respect of certain ineffective fair values hedges.

	Group Notional Contract	Group Fair values		Company Notional Contract	Company Fair values	
As at 31 March 2018	$'000	Assets $'000	Liabilities $'000	$'000	Assets $'000	Liabilities $'000
Derivatives - Non Hedge Accounting						
Interest rate swaps	-	-	-	-	-	-
	-	-	-	-	-	-
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	500,000	-	(23,925)	500,000	-	(23,925)
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	1,027,937	27,267	(1,206)	1,027,937	27,267	(1,206)
	1,527,937	27,267	(25,131)	1,527,937	27,267	(25,131)
Total	1,527,937	27,267	(25,131)	1,527,937	27,267	(25,131)
As at 31 March 2017						
Derivatives - Non Hedge Accounting						
Interest rate swaps	-	-	-	-	-	-
	-	-	-	-	-	-
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	500,000	-	(18,243)	500,000	-	(18,243)
Derivatives designated as hedging instruments in cash flow hedges						
Interest rate swaps	1,184,465	16,345	(3,077)	1,163,839	16,345	(3,045)
	1,684,465	16,345	(21,320)	1,663,839	16,345	(21,288)
Total	1,684,465	16,345	(21,320)	1,663,839	16,345	(21,288)

Summary	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Assets due within one year	244	6	244	6
Assets due after one year	27,023	16,339	27,023	16,339
Liabilities due within one year	-	-	-	-
Liabilities due after one year	(25,131)	(21,320)	(25,131)	(21,288)
Total	2,136	(4,975)	2,136	(4,943)

Notes to the consolidated financial statements (continued)

15 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

As at 31 March 2018	Notional contract amount $'000	Fair values Assets $'000	Fair values Liabilities $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	1,027,937	27,267	(1,206)
	1,027,937	27,267	(1,206)
As at 31 March 2017			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	1,184,465	16,345	(3,077)
	1,184,465	16,345	(3,077)

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

31 March 2018	Less than 1 year $'000	In the 2nd year $'000	3 to 5 years $'000	Over 5 years $'000
Cash inflows	42,674	46,492	99,408	93,663
Cash outflows	(46,615)	(49,227)	(100,930)	(83,082)

During the financial year ended 31 March 2018, $14,935,000 (2017: $50,880,000) 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 (2017: $nil).

Company

As at 31 March 2018	Notional contract amount $'000	Fair values Assets $'000	Fair values Liabilities $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	1,027,937	27,267	(1,206)
	1,027,937	27,267	(1,206)

15 HEDGE ACCOUNTING (continued)

As at 31 March 2017	Notional contract amount $'000	Fair values Assets $'000	Fair values Liabilities $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	1,163,839	16,345	(3,045)
	1,163,839	16,345	(3,045)

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

31 March 2018	Less than 1 year $'000	In the 2nd year $'000	3 to 5 years $'000	Over 5 years $'000
Cash inflows	42,674	46,492	99,408	93,663
Cash outflows	(46,615)	(49,227)	(100,930)	(83,082)

During the financial year ended 31 March 2018, $14,902,000 (2017: $50,571,000) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedge. There was no amount recognised as hedge ineffectiveness in the Statement of Comprehensive Income (2017: $nil).

Analysis of effective portion of changes in fair value of cash flow hedges	Group Year ended 31 March 2018 $'000	Group Year ended 31 March 2017 $'000	Company Year ended 31 March 2018 $'000	Company Year ended 31 March 2017 $'000
Derivatives in place for the full year	24,786	24,786	24,477	24,477
Derivatives matured during the year	(5,993)	29,952	(5,717)	29,952
Derivatives entered into during the year	(3,858)	(3,858)	(3,858)	(3,858)
Effective portion of changes in fair value of cash flow hedges	14,935	50,880	14,902	50,571
Tax effect	(1,871)	(6,399)	(1,863)	(6,321)
	13,064	44,481	13,039	44,250

16 LOAN RECEIVABLES

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Amounts due from affiliated undertakings	-	-	-	136,705
Current asset	-	-	-	66,442
Non-current asset	-	-	-	70,263
	-	-	-	136,705

Notes to the consolidated financial statements (continued)

17 TRADE AND OTHER RECEIVABLES

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Trade debtors - net	14,324	8,670	14,274	8,662
Amounts due from group undertakings	14,901	16,614	78,412	175,410
Prepayments	18,046	23,929	17,963	23,851
Other debtors	16,842	18,678	16,654	11,111
	64,113	67,891	127,303	219,034

Amounts due from group companies in respect of the Company include balances receivable from structured entities which have been utilised as PDP finance vehicles (note 12).

18 CASH AND CASH EQUIVALENTS

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Bank account	16,736	18,702	16,311	18,405
Bank account with parent group undertakings	237,476	251,991	198,691	201,242
Short-term deposits with parent group undertakings	-	7,700	-	7,700
	254,212	278,393	215,002	227,347
Restricted cash	(14,209)	(23,191)	(14,209)	(23,191)
Cash and cash equivalents net of restricted cash	240,003	255,202	200,793	204,156

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

19 LEASE INCENTIVE ASSETS

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Lease incentive assets	119,541	92,144	116,698	87,026
Amortised during the year	(24,392)	(30,804)	(23,605)	(29,032)
Additions of lease incentive assets	35,193	71,021	35,193	70,774
Release of lease incentive assets on disposal of aircraft	(46,833)	(12,820)	(44,777)	(12,070)
Transfer to assets held for sale (see note 20)	(10,718)	-	(10,718)	-
	72,791	119,541	72,791	116,698
Current lease incentive assets (amortising within 12 months)	14,112	24,165	14,112	23,153
Non-current lease incentive assets (amortising after 12 months)	58,679	95,376	58,679	93,545
	72,791	119,541	72,791	116,698

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

20 ASSETS AND LIABILITIES HELD FOR SALE

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

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Assets held for sale				
Property, plant and equipment - aircraft	193,790	-	193,790	-
Lease incentive assets	10,718	-	10,718	-
	204,508	-	204,508	-
Liabilities associated with assets held for sale				
Obligations under finance leases	16,351	-	16,351	-
Security deposits	3,115	-	3,115	-
Maintenance reserve	27,715	-	27,715	-
Lessor contributions	13,798	-	13,798	-
	60,979	-	60,979	-
	143,529	-	143,529	-

At 31 March 2018, the Group and Company classified 7 aircraft (31 March 2017: nil) as held-for-sale as the Group and Company had agreements for the sale of these aircraft which met the requirement to be classified as held-for-sale. The Group and Company will continue to recognise lease rental income on all aircraft in these portfolios, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

Notes to the consolidated financial statements (continued)

21 TRADE AND OTHER PAYABLES

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Security deposits	80,689	88,033	80,421	85,410
Maintenance reserves	337,239	469,989	337,239	432,632
Lessor contributions	101,674	144,916	101,674	136,897
Prepaid lease rentals and fee income received	80,538	95,667	79,043	89,617
Trade creditors	19,472	13,682	19,053	13,222
Accrued interest - third party undertakings	25,524	20,101	19,482	17,267
Amounts due to parent group undertakings	49,878	47,635	40,894	38,312
Other creditors	115,113	114,362	92,222	101,314
	810,127	994,385	770,028	914,671

	31 March 2018 $'000	31 March 2017 $'000	31 March 2018 $'000	31 March 2017 $'000
Analysed as:				
Non-current trade and other payables (payable after 12 months)	490,454	505,573	475,202	481,631
Current trade and other payables (payable within 12 months)	319,673	488,812	294,826	433,040
	810,127	994,385	770,028	914,671

Analysis of Group trade and other payables:

As at 31 March 2018	Due < 12 months $'000	Due > 12 months $'000	Total $'000
Security deposits	2,005	78,684	80,689
Maintenance reserve	40,315	296,924	337,239
Lessor contributions	15,824	85,850	101,674
Prepaid lease rentals and fee income received	80,538	-	80,538
Trade creditors	19,472	-	19,472
Accrued interest - third party undertakings	25,524	-	25,524
Amounts due to parent group undertakings	34,622	15,256	49,878
Other creditors	101,373	13,740	115,113
	319,673	490,454	810,127

As at 31 March 2017	Due < 12 months $'000	Due > 12 months $'000	Total $'000
Security deposits	6,639	81,394	88,033
Maintenance reserve	172,601	297,388	469,989
Lessor contributions	29,970	114,946	144,916
Prepaid lease rentals and fee income received	95,667	-	95,667
Trade creditors	13,682	-	13,682
Accrued interest - third party undertakings	20,101	-	20,101
Amounts due to parent group undertakings	35,790	11,845	47,635
Other creditors	114,362	-	114,362
	488,812	505,573	994,385

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.

22 OBLIGATIONS UNDER FINANCE LEASES

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Amounts payable under finance leases				
Minimum lease payments:				
Within one year	57,560	72,536	57,560	72,536
In the second to fifth years inclusive	141,803	245,979	141,803	245,979
After five years	-	2,473	-	2,473
	199,363	320,988	199,363	320,988
Less: future finance charges	(18,147)	(34,404)	(18,147)	(34,404)
Present value of lease obligations	181,216	286,584	181,216	286,584
Present value of minimum lease payments:				
Within one year	48,880	59,556	48,880	59,556
In the second to fifth years inclusive	132,336	224,639	132,336	224,639
After five years	-	2,389	-	2,389
	181,216	286,584	181,216	286,584

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

As at 31 March 2018	Average interest rate %	Year of maturity	Due < 12 months $'000	Due > 12 months $'000	Total $'000
Secured - due to third party undertakings					
Fixed rate obligations	4.62	2021	46,052	120,786	166,838
			46,052	120,786	166,838
Unsecured - due to parent group undertakings					
Fixed rate obligations	6.09	2022	2,828	11,550	14,378
			48,880	132,336	181,216

As at 31 March 2017	Average interest rate %	Year of maturity	Due < 12 months $'000	Due > 12 months $'000	Total $'000
Secured - due to third party undertakings					
Fixed rate obligations	4.65	2021	56,834	212,650	269,484
			56,834	212,650	269,484
Unsecured - due to parent group undertakings					
Fixed rate obligations	6.09	2022	2,722	14,378	17,100
			59,556	227,028	286,584

Notes to the consolidated financial statements (continued)

23 BORROWINGS

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Loan amounts due to third party undertakings	2,500,000	2,500,000	2,500,000	2,500,000
Loan amounts due to parent group undertakings	3,762,756	4,276,107	3,694,500	4,142,187
Loan amounts due to subsidiaries	-	-	1,200,117	657,644
Debt securities issued in qualifying hedging relationships	472,887	477,644	-	-
Other debt securities issued	497,230	-	-	-
	7,232,873	7,253,751	7,394,617	7,299,831
The borrowings are repayable as follows:				
On demand or within one year	394,509	571,861	573,198	718,975
In the second year	622,309	452,761	620,536	369,145
In the third to fifth year inclusive	2,812,026	2,336,291	2,796,853	2,318,966
After five years	3,404,029	3,892,838	3,404,030	3,892,745
	7,232,873	7,253,751	7,394,617	7,299,831
Less: Amounts due for settlement within 12 months	(394,509)	(571,861)	(573,198)	(718,975)
Amounts due for settlement after 12 months	6,838,364	6,681,890	6,821,419	6,580,856

On 19 July 2016, the Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited, and the hedged interest rate risk is measured at fair value through profit or loss. The debt securities were designated into a qualifying hedge relationship at inception and the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument. The debt securities are fair valued through profit or loss with respect to the hedged interest rate. The net fair value hedge ineffectiveness gain of $22,000 (note 7; year ended 31 March 2017: $424,000) recognised in the income statement reflects a charge from hedging instruments related to debt securities of $5,682,000 (year ended 31 March 2017: $18,243,000) partially offsetting a gain from these hedged debt securities of $5,704,000 (year ended 31 March 2017: $18,667,000).

On 19 July 2017, the Group closed the sale of $500 million of its 3.00% senior unsecured notes due 2022 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 and counterparty.

The amount of borrowing costs that were capitalised to the cost of aircraft in the year in the Group and Company was $23,019,000 (year ended 31 March 2017: $8,859,000; note 10). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

23 BORROWINGS (continued)

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

As at 31 March 2018	Average interest rate %	Year of maturity	Due < 12 months $'000	Due > 12 months $'000	Total $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	2.72	2020-2027	200,000	2,300,000	2,500,000
Loan amount due to parent group undertakings	4.76	2023-2029	26,051	1,046,777	1,072,828
			226,051	3,346,777	3,572,828
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.75	2018-2028	168,458	2,521,470	2,689,928
Debt securities issued in qualifying hedging relationships	2.65	2021	-	472,887	472,887
Other debt securities issued	3.00	2022	-	497,230	497,230
			394,509	6,838,364	7,232,873

As at 31 March 2017	Average interest rate %	Year of maturity	Due < 12 months $'000	Due > 12 months $'000	Total $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	2.36	2020-2027	200,000	2,300,000	2,500,000
Loan amount due to parent group undertakings	3.78	2019-2028	9,133	426,149	435,282
			209,133	2,726,149	2,935,282
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.68	2017-2028	362,728	3,478,097	3,840,825
Debt securities issued in qualifying hedging relationships	2.65	2021	-	477,644	477,644
			571,861	6,681,890	7,253,751

24 FINANCIAL RISK MANAGEMENT

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group and Company's risk management framework. The Board of Directors, in conjunction with the Aviation & Maritime Planning Department ("AMPD") 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 as the remaining contracts matured during the current year.

Notes to the consolidated financial statements (continued)

24 FINANCIAL RISK MANAGEMENT (continued)

a Currency Risk (continued)

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. Information on the currency derivatives is provided in note 14.

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

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Euro assets	4,388	16,339	3,938	15,461
Sterling assets	159	198	159	198
Japanese yen assets	553	652	553	652
Swiss franc assets	-	5	-	5
Euro liabilities	(23,051)	(11,975)	(1,676)	(14,602)
Sterling liabilities	(13)	36	(13)	36
Japanese yen liabilities	(121)	(546)	(121)	(546)
Australian dollar liabilities	-	(23)	-	(23)
Swiss franc liabilities	-	(16)	-	(16)
Canadian dollar liabilities	-	(8)	-	(8)

At 31 March 2018, 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 $904,127 lower/higher, and for the Company would have been $142,099 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.

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 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Financial assets				
- variable rate	14,209	23,191	14,209	23,191
- fixed rate	-	-	-	136,705
- non-interest bearing	331,383	339,438	355,363	439,535
Total Financial Assets	345,592	362,629	369,572	599,431
Financial liabilities				
- variable rate	3,572,828	2,935,282	3,572,828	2,914,656
- fixed rate	3,857,612	4,604,856	4,019,356	4,671,759
- non-interest bearing	879,886	1,015,902	839,787	935,959
Total Financial Liabilities	8,310,326	8,556,040	8,431,971	8,522,374

24 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 2018, 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 $35,000 lower/higher; other components of equity would have been $3,020,000 lower/ higher as a result of a decrease/increase in the fair value of cash flow hedge reserves.

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. 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.

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 2018 $'000	Group Contracted cashflows 31 March 2018 $'000	Group Carrying value 31 March 2017 $'000	Group Contracted cashflows 31 March 2017 $'000
Liabilities associated with assets held for sale	60,979	61,647	-	-
Trade and other payables	810,127	810,127	994,385	994,385
Obligations under finance leases	181,216	198,695	286,584	320,988
Borrowings	7,232,873	8,937,947	7,253,751	8,920,755
Interest rate swaps	25,131	279,854	21,320	233,313
	8,310,326	10,288,270	8,556,040	10,469,441

31 March 2018	Group Less than 1 year $'000	Group 1 to 2 years years $'000	Group 3 to 5 years $'000	Group Over 5 years $'000
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(61,647)	-	-	-
Trade and other payables	(319,673)	(72,720)	(218,208)	(199,526)
Obligations under finance leases	(56,892)	(57,082)	(84,721)	-
Borrowings	(657,421)	(892,367)	(3,465,609)	(3,922,550)
Total non-derivative financial instruments outflows	(1,095,633)	(1,022,169)	(3,768,538)	(4,122,076)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	-	-	10,581
Net Settled - outflow	(3,940)	(2,736)	(1,522)	-
Total Outflows	(1,099,573)	(1,024,905)	(3,770,060)	(4,111,495)

Notes to the consolidated financial statements (continued)

24 FINANCIAL RISK MANAGEMENT (continued)

c Liquidity Risk (continued)

31 March 2017	Group Less than 1 year $'000	Group 1 to 2 years $'000	Group 3 to 5 years $'000	Group Over 5 years $'000
Non-derivative financial instruments				
Trade and other payables	(488,812)	(65,249)	(238,919)	(201,405)
Obligations under finance leases	(72,536)	(72,747)	(173,233)	(2,472)
Borrowings	(815,599)	(685,539)	(3,001,014)	(4,418,603)
Total non-derivative financial instruments outflows	(1,376,947)	(823,535)	(3,413,166)	(4,622,480)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	-	-	15,326
Net Settled - outflow	(17,628)	(3,160)	(991)	-
Total Outflows	(1,394,575)	(826,695)	(3,414,157)	(4,607,154)

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

	Company Carrying value 31 March 2018 $'000	Company Contracted cashflows 31 March 2018 $'000	Company Carrying value 31 March 2017 $'000	Company Contracted cashflows 31 March 2017 $'000
Liabilities associated with assets held for sale	60,979	61,647	-	-
Trade and other payables	770,028	770,028	914,671	914,671
Obligations under finance leases	181,216	198,695	286,584	320,988
Borrowings	7,394,617	9,096,483	7,299,831	8,957,195
Interest rate swaps	25,131	279,854	21,288	232,026
	8,431,971	10,406,707	8,522,374	10,424,880

24 FINANCIAL RISK MANAGEMENT (continued)

c Liquidity Risk (continued)

31 March 2018	Company Less than 1 year $'000	Company 1 to 2 years $'000	Company 3 to 5 years $'000	Company Over 5 years $'000
Non-derivative Financial Instruments				
Liabilities associated with assets held for sale	(61,647)	-	-	-
Trade and other payables	(294,826)	(72,720)	(218,208)	(184,273)
Obligations under finance leases	(56,892)	(57,082)	(84,721)	-
Borrowings	(834,392)	(889,803)	(3,449,738)	(3,922,550)
Total Non-derivative Financial Instruments Outflows	(1,247,757)	(1,019,605)	(3,752,667)	(4,106,823)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	-	-	10,581
Net Settled - outflow	(3,940)	(2,736)	(1,522)	-
Total Outflows	(1,251,697)	(1,022,341)	(3,754,189)	(4,096,242)

31 March 2017	Company Less than 1 year $'000	Company 1 to 2 years $'000	Company 3 to 5 years $'000	Company Over 5 years $'000
Non-derivative Financial Instruments				
Trade and other payables	(433,040)	(61,214)	(230,859)	(189,559)
Obligations under finance leases	(72,536)	(72,747)	(173,233)	(2,472)
Borrowings	(957,201)	(599,433)	(2,982,051)	(4,418,510)
Total Non-derivative Financial Instruments Outflows	(1,462,777)	(733,394)	(3,386,143)	(4,610,541)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	-	-	15,326
Net Settled - outflow	(17,467)	(3,288)	(991)	-
Total Outflows	(1,480,244)	(736,682)	(3,387,134)	(4,595,215)

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

Notes to the consolidated financial statements (continued)

24 FINANCIAL RISK MANAGEMENT (continued)

d Credit Risk

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

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

The Group's principal financial assets that give rise to direct credit exposure are trade and other receivables ($46 million) resulting from its leasing activities and bank accounts ($254 million; including $237 million with group companies). The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At 31 March 2018, the Group's significant cash and deposit counterparties were:

	$'000
SMBC (credit rating A (S&P))	237,476
Wells Fargo (Credit rating AA- (S&P))	14,209
Citibank (Credit rating A+ (S&P))	2,527
	254,212

The Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2018, the Group was exposed to trade debtors of $14,324,000 (2017: $8,670,000) and held a bad debt provision against these for $nil (2017: $nil). A number of leases were restructured during the year ended 31 March 2017, which resulted in a provision for deferred rentals at 31 March 2018 of $7,039,000 (2017: $3,038,000). At 31 March 2018 the Group held Letters of Credit of $403,023,000 (2017: $311,680,000).

24 FINANCIAL RISK MANAGEMENT (continued)

d Credit Risk (continued)

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

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

31 March 2018	**Group Less than one month $'000**	**Group One to two months $'000**	**Group More than two months $'000**	**Company Less than one month $'000**	**Company One to two months $'000**	**Company More than two months $'000**
Amounts past due but not impaired						
Lease receivables	7,524	4,665	2,135	7,474	4,665	2,135
Amounts deemed to be Impaired						
Lease receivables	-	-	-	-	-	-
31 March 2017						
Amounts past due but not impaired						
Lease receivables	7,612	467	591	7,604	467	591
Amounts deemed to be Impaired						
Lease receivables	-	-	-	-	-	-

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

Impairment Losses

The movement in the provision for bad debts in respect of lease receivables is as follows:

	Group $'000	**Company $'000**
Balance at 1 April 2016	-	-
Provision for bad debts	-	-
Balance at 31 March 2017	-	-
Provision for bad debts	-	-
Balance at 31 March 2018	-	-

e Capital Management

The Group and Company is a member of a group with regulatory disciplines over the use of its capital. Although the Group and Company itself is not regulated it aims to maintain capital resources commensurate with the nature, scale and risk profile of its business. It regards its capital as the total equity as shown on the Statement of Financial Position.

Notes to the consolidated financial statements (continued)

25 DEFERRED TAX

Movements during the year:	Group $'000	Company $'000
At 1 April 2016	259,902	223,070
Charge to income from continuing operations (note 9)	27,897	36,132
Charge to other comprehensive income	6,399	6,321
At 31 March 2017	294,198	265,523
Charge to income from continuing operations (note 9)	20,211	38,771
Charge to other comprehensive income	1,871	1,864
At 31 March 2018	316,280	306,158

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

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Accelerated capital allowances on assets financed, less carried forward tax losses	316,280	294,198	306,158	265,523
	316,280	294,198	306,158	265,523

26 SHARE CAPITAL

	31 March 2018 $	31 March 2017 $
Ordinary shares of $1		
Authorised:	245,000,000	245,000,000
Issued, called up and fully paid:	187,512,770	187,512,770
	Number of shares	
Authorised:	245,000,000	245,000,000
Issued, called up and fully paid:	187,512,770	187,512,770

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

27 OTHER COMPONENTS OF EQUITY

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Capital contribution	207,486	207,486	207,486	207,486
Other reserve	1,967	1,967	-	-
Cash flow hedge reserve	19,336	6,272	19,335	6,296
Total other reserves	228,789	215,725	226,821	213,782

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of $207,486,000 in the form of a capital contribution. The contribution was made absolutely and 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.) 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 $2.633m at 31 March 2013, with a related increase in deferred tax liabilities of $0.658m. The difference, a net amount of $1.967m being a transaction with shareholder, was reflected in the other reserve.

28 OPERATING LEASE ARRANGEMENTS

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

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Within one year	1,026,015	995,444	1,018,280	961,792
In the second to fifth years inclusive	4,270,171	3,691,647	4,251,005	3,661,287
After five years	3,826,426	2,944,727	3,811,723	2,944,727
	9,122,612	7,631,818	9,081,008	7,567,806

Notes to the consolidated financial statements (continued)

29 RELATED PARTIES

The Consolidated Financial Statements include the Financial Statements of the Company and its subsidiaries as documented in the accounting policy note 1c. A listing of the Company's subsidiaries is included in note 12. 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 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
Transactions with parent companies:				
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	2,947	3,409	2,947	3,409
Interest expense	3,512	4,394	-	-
Operating expenses	3,929	5,147	3,929	3,775
Balances at period end:				
Borrowings	54,204	78,169	-	-
Other creditors	2,672	2,120	2,384	2,000
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	1,872	569	1,542	239
Balances at period end:				
Sundry debtors	652	-	510	-
JRI America, Inc.				
Transactions during the period:				
Operating expenses	-	-	-	-
Balances at period end:				
Other creditors	1,789	1,789	1,789	1,789
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	5,465	5,465	5,465	5,465
Fee income	2,993	3,226	2,993	3,226
Interest Income	-	-	-	-
Balances at period end:				
Amounts due to / (from) group undertakings	14,377	(822)	14,377	(822)
SMBC Aviation Capital Australia Leasing				
Transactions during the period:				
Fee income	-	484	-	484
Balances at period end:				
Amounts due from group undertakings	-	5	-	5

29 RELATED PARTIES (continued)

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
SMBC Capital Markets Inc.				
Transactions during the period:				
Fee (income) / expense	(14)	20	5	20
Gain / (loss) on derivative fair value	5,682	18,269	5,682	18,269
Interest expense	6,253	9,578	6,214	9,442
Balances at period end:				
Cash	-	7,700	-	7,700
Amounts due to group undertakings	43	43	43	43
Derivative Financial Instruments	(513)	7,623	(513)	7,621
SMBC Trust Bank				
Transactions during the period:				
Interest expense	29,061	5,496	29,061	5,496
Balances at period end:				
Borrowings	955,871	414,656	955,871	414,656
Amounts due to group undertakings	3,751	1,660	3,751	1,660
SMBC Europe Limited				
Transactions during the period:				
Fee income	2,854	2,396	2,854	2,396
Interest income	147	9	66	6
Operating income	75	106	82	107
Balances at period end:				
Cash	146,258	72,069	112,817	33,813
Sundry Debtors	1,764	-	1,764	-
SMBC (Japan)				
Transactions during the period:				
Operating expenses	21,508	21,894	21,508	21,894
Balances at period end:				
Amounts due to group undertakings	10,033	9,625	10,033	9,625
SMBC (New York)				
Transactions during the period:				
Interest expense	147,522	202,331	147,522	202,088
Balances at period end:				
Borrowings	2,738,629	3,717,353	2,738,629	3,717,353
Cash	91,219	179,922	85,873	167,428
Amounts due to group undertakings	5,151	6,646	5,151	6,646
SMBC (Paris)				
Transactions during the period:				
Interest expense	995	1,159	995	1,159
Balances at period end:				
Obligations under Finance Leases	2,828	2,722	2,828	2,722
Non-current liabilities	11,648	14,491	11,648	14,491

Notes to the consolidated financial statements (continued)

29 RELATED PARTIES (continued)

	Group 31 March 2018 $'000	Group 31 March 2017 $'000	Company 31 March 2018 $'000	Company 31 March 2017 $'000
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	1,477	730	1,477	730
Balances at period end:				
Other Creditors	469	287	469	287
SMFL (Hong Kong) Limited.				
Transactions during the period:				
Operating expenses	2,346	1,775	2,346	1,775
Balances at period end:				
Other Creditors	78	36	78	36
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	1,253	1,034	1,253	1,034
Balances at period end:				
Other Creditors	274	249	274	249
SMBC Aviation Capital Japan Co., Ltd.				
Transactions during the period:				
Fee income	1,800	144	1,800	144
Balances at period end:				
Amounts due from group undertakings	12	36	12	36
SMBC Aviation Capital Labuan Leasing 1 Limited				
Transactions during the period:				
Lease rental income	-	7,362	-	7,362

Transactions with subsidiaries	Company 31 March 2018 $'000	Company 31 March 2017 $'000
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Fee income	116	60
Interest income	3,481	3,596
Lease revenue paid	4,763	4,790
Dividend income	11,800	-
Purchases of property, plant and equipment	69,648	-
Balances at period end:		
Amounts due (to) / from group undertakings	(1,979)	73,555
SMBC Aviation Capital Ireland Leasing 4 Limited		
Transactions during the period:		
Fee income	123	333
Interest income	558	699
Lease revenue paid	-	2,621
Purchases / (sales) of property, plant and equipment	63,016	(64,915)
Balances at period end:		
Amounts due (to) / from group undertakings	(1,313)	65,049

29 RELATED PARTIES (continued)

	Company 31 March 2018 $'000	Company 31 March 2017 $'000
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee income	1,414	1,480
Fee expense	3,333	2,308
Interest expense	752	3
Balances at period end:		
Amounts due to group undertakings	31,223	31,241
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	125	-
Balances at period end:		
Amounts due from group undertakings	79	-
SMBC Aviation Capital Aircraft Holdings B.V.		
Transactions during the period:		
Interest expense	5,031	3,289
Fee income	488	1,176
Lease revenue paid	3,912	-
Purchases of property, plant and equipment	66,907	-
Balances at period end:		
Amounts due to group undertakings	200,375	150,303
Mallorca Aviation Limited		
Transactions during the period:		
Interest income	1,663	3,094
Balances at period end:		
Amounts due from group undertakings	-	160,366
Soller Aviation Limited		
Transactions during the period:		
Interest income	1,725	464
Balances at period end:		
Amounts due from group undertakings	83,045	33,405
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	14	8
Interest expense	25,106	9,963
Balances at period end:		
Amounts due to group undertakings	1,000,536	499,145

On 19 July 2016, the Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC. On 19 July 2017, the Group closed the sale of $500 million of its 3.00% senior unsecured notes due 2022 on the same basis. Both issuances are fully and unconditionally guaranteed by SMBC Aviation Capital Limited. The impact on borrowings is set out in note 23.

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

Notes to the consolidated financial statements (continued)

29 RELATED PARTIES (continued)

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

	31 March 2018 $'000	31 March 2017 $'000
Salaries and other short-term employee benefits	10,476	10,047
Post-employment benefits	428	380
Other long-term benefits	11,654	10,504
Total	22,558	20,931

30 CAPITAL COMMITMENTS

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consists of 110 A320neo aircraft and 5 A321ceo aircraft, while the Boeing order consists of 90 Boeing 737 MAX 8 aircraft. In addition to these direct orders, the Group also placed further direct orders for 3 Boeing 737-800s and 6 Airbus A320neos during 2017 and 2018 respectively and have existing sale-leaseback capital commitments totalling $2.6 billion (31 March 2017: $1.5 billion).

The combined remaining purchase commitment for orders total $25.9 billion and delivery dates are currently scheduled between 2018 and 2023. These commitments are based upon fixed price agreements with the manufacturers, an element of which are adjusted for inflation and include price escalation formulas, but are also subject to agreed price concessions where applicable. As a result, the effective purchase price of each aircraft will be lower than the combined purchase commitment disclosed above.

The Group also has a commitment to future rentals of office premises of $12.1 million to March 2024.

31 CONTINGENT LIABILITIES

The Group and Company had no contingent liability at 31 March 2018 (31 March 2017: $nil).

32 SUBSEQUENT EVENTS

On 23 April 2018, Mr. Y. Kawamura, Mr. Y. Kawasaki, Mr. T. Murata and Mr. I. Sakata resigned as Directors. On the same day, Mr. E. Ishida, Mr. M. Oshima, Mr. K. Tanaka and Mr. S. Watanabe were appointed as Directors.

No other significant events affecting the Group and Company have occurred since 31 March 2018, which require adjustment to or disclosure in the Consolidated Financial Statements.

33 APPROVAL OF FINANCIAL STATEMENTS

The Directors approved these Financial Statements on 24 May 2018.

Acronyms and Abbreviations

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

In summary, SMBC Aviation Capital has performed well and have again provided excellent returns to our shareholders. We have taken steps to ensure that the foundations of this business, be it the strength of our balance sheet, the quality of our portfolio and the relevance of our product offering to our customers are positioning us well for the future.

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