ANNUAL REPORT & ACCOUNTS

SMBC AVIATION CAPITAL

CONTENTS

REPORT

About Us	3
2019 Highlights	4
Positive Impact	6
Chairman's Review	10
Equality, Diversity and Inclusion	12
Chief Executive's Review	16
Environment	20
Financial Review	24
Our People	28

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2020

Directors and Other Information	35
Directors' Report	36
Statement of Directors' Responsibilities in Respect of yhe Directors' Report and the Financial Statements	39
Independent Auditor's Report to the Members of SMBC Aviation Capital Limited	40
Consolidated Statement of Profit or Loss and Other Comprehensive Income	42
Consolidated Statement of Financial Position	43
Company Statement of Financial Position	44
Consolidated Statement of Changes in Equity	45
Company Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Company Statement of Cash Flows	48
Note to the Financial Statements	49
Acronyms and Abbreviations	90

SMBC Aviation Capital are a leading global aircraft leasing company. We are always mindful of the advantages we enjoy and the hard work that has gone into building the professional reputation that has enabled us to deliver 18 consecutive years of growth and profitability. Our customers are at the heart of our business.

The 2012 acquisition of SMBC Aviation Capital has proven to be very successful and it is now a key strategic business for our group. As we enter this new cycle, SMBC Aviation Capital will be a core component in the growth of our international business cementing the Group's position as a leading player in the aviation financing sector.

MASAKI TACHIBANA
PRESIDENT - SMFL
26 MAY 2020

2,954

Volunteer hours

200

A team of 200 people across ten offices world wide.

A-/A-

Fitch and S&P rating

$6.3bn

Available liquidity

€760k

To our new charity partner, BYC, over 3 years

47

Different nationalities on our team

4.1

Years average weighted age of aircraft

48%

New technology aircraft

€500k

Donated over the last year on volunteer activities

Net Zero

Offset of our total operational carbon emissions for the year ended 31 March 2020

DENIS HOGAN
SVP AND REGIONAL MANAGER AIRLINE MARKETING, CHAIR CSR COMMITTEE

Positive impact has been chosen as the theme of our Annual Report this year. We set up our CSR committee in 2014 to make a positive difference within our communities.

Our success as a company enables us to deliver on our CSR strategy by making a meaningful contribution to create a sustainable impact.

Our CSR committee is made up of passionate volunteers from across our Dublin and global offices and through the generous support from our shareholder, we have funded €1.5 million in projects involving children and education since 2014.

We do this not only because our employees want to work for a company that has a sense of purpose at its core, but also because it is the right thing to do.

In 2019 alone, we contributed almost €500,000 to 18 projects in Ireland, the US, Malawi and Singapore. Employee volunteering is a major element of our CSR activity and we estimate that our staff have committed 2,954 hours of their time during 2019.

We support a core legacy project, BYC, alongside four foundation projects: SUAS; The Trinity Centre for People with Intellectual Disabilities (TCPID); LauraLynn Children's Hospice; and Open Arms Malawi.

COVID-19

The Covid-19 crisis has been an important time for companies to assess their societal impact. We have been aware of the financial pressure that charities have been experiencing over the past number of weeks and months and have looked at ways to help.

Early on in the crisis, our CSR team set up a fund to support some of the services that were most in need. These included Women's Aid and the HSE in Ireland, which received support in the form of much-needed PPE. In addition, we set up a matched funding initiative, which saw employees donate to charities of their choice around the world and with the company matching this with a donation of three times that amount.

THE FUTURE

We believe that our sense of purpose will become greater as we continue to see the benefits of giving as a company. It gives us the opportunity to put our better side in play. Our purpose is not just about achieving the type of success which can be measured on a spreadsheet, we must make a positive impact on society as well.

We are committed to building long term sustainable programmes for the benefits of our charity partners, our employees and our shareholders. We recognise that what we achieve now can and must have a lasting impact to the benefit of many for the longer term.

POSITIVE IMPACT (CONTINUED)

OPEN ARMS MALAWI

Open Arms Malawi cares for vulnerable children so they can grow up healthy and supported in a loving family environment. Since 2016, ten of our employees have travelled to Malawi every year to assist with the construction of a new project, with the support of the company and their colleagues. Unfortunately, that has not been possible in 2020 due to the Covid-19 pandemic.

www.openarmsmalawi.org

BELVEDERE YOUTH CLUB

Our location in Dublin's IFSC places us beside one of the most socially deprived areas in Ireland. During 2019 we decided that we wanted to create a lasting legacy in that area and worked with Community Foundation for Ireland to select a partner to support it. We invited applications from local charitable organisations and selected the Belvedere Youth Club (BYC) for our legacy CSR project.

BYC provides comprehensive youth services to disadvantaged children and teens in the North East Inner City of Dublin. These services include homework facilities, a recreational space for sport, art and drama, and a hot meal for up to 90 children and teenagers daily.

We are providing €760,000 over a three-year period to undertake a transformational project which will involve the creation of a hub for restorative practice in Ireland as well as the refurbishment of the BYC premises.

Restorative practice is a social science to improve and repair relationships between people and their communities. The purpose is to build healthy communities, increase social capital, decrease crime and antisocial behaviour, repair harm and restore relationships. It ties together research in a variety of social science fields, including education, psychology, social work, criminology, sociology, organisational development and leadership.

We are supporting BYC with finance and volunteers and our IT team have been devoting time to work on new platforms for the Club.

www.belvedereyouthclub.ie

SUAS
SUAS has helped over 3,300 children from the most disadvantaged communities in Ireland to improve their literacy skills and our volunteers have helped achieve some great results by participating in a paired reading project with 90 local children during our partnership.

www.suas.ie

TCPID
TCPID aims to promote the inclusion of people with intellectual disabilities in education and society. We support the centre in its mission to enable people with intellectual disabilities achieve their potential. We greatly value this partnership and have had two graduates join us for work experience since our partnership commenced.

www.tcd.ie/tcpid

LAURALYNN
Our relationship with LauraLynn, which delivers palliative care to children and family support services, includes ongoing staff participation in fundraising and volunteering activities and financial support for new projects including a new End of Life Suite. Our employees actively volunteer with LauraLynn on an ongoing basis.

www.lauralynn.ie

TOM TANAKA
CHAIRMAN

SMBC Aviation Capital achieved another year of record profitability for the financial year ending 31 March 2020.

While the operating environment for the global aviation sector has changed dramatically, this excellent performance has given the company a very strong platform from which to deal with the challenges the industry now faces.

I was very honoured to be asked to assume the role of Chairman of the Company, succeeding Shinichi Hayashida who made such a strong contribution to the business over the past seven years. He was the Company's first chairman following its acquisition by Sumitomo Mitsui Financial Group, owner of Sumitomo Mitsui Banking Corporation, and Sumitomo Mitsui Finance & Leasing Co. Ltd and Sumitomo Corporation.

During his tenure, Mr Hayashida successfully managed the relationship between the shareholder and the leadership team and ensured the Company was strengthened through collaboration.

I assumed the Chairmanship on 1 April 2020. I already had been well acquainted with the Company having been involved in the acquisition team back in 2012. I am pleased to say that my expectations of the Company and the performance of the team in dealing with Covid-19 have been surpassed since my arrival.

The team has been very active in working with customers to support them in dealing with the crisis and this activity has intensified over the past number of weeks. With the support of our shareholder, the Company has taken the strategic decision to take a disciplined approach to pursuing new opportunities which will see us leverage our strong capital position to offer flexible, long-term financing solutions to our customers. This has seen us enter into selective sale and leaseback arrangements with customers who require innovative financing solutions. Since the financial year end, we have successfully completed transactions with WizzAir, easyJet and Turkish Airlines, among others.

This is evidence of our ability to continue to adapt to and identify market opportunities in the midst of an unprecedented crisis due to our inherent strengths as a Company. Most of the members of our leadership team have been with the company for almost two decades and have experience in dealing with other aviation crises such as 9/11 and the Global Financial Crisis a decade ago.

That team has been strengthened over the years and with the financial support of our shareholder has ensured that the company is capable of adapting rapidly to new circumstances and responding to events as they arise. At this point, we cannot predict the outcome of Covid-19 in terms of its longer term impact on both the aviation sector and the global economy but it is my firm belief that SMBC Aviation Capital will emerge from the crisis in a stronger competitive position.

Air travel remains a critical component of economic growth across the world. It is imperative therefore that airlines resume flying in a way that is safe to do so. SMBC Aviation Capital and the rest of the aircraft leasing industry will do all in its power to facilitate this. We also have a role to play in ensuring that this is achieved in a manner that is sustainable for the sector and the environment.

This is in line with our philosophy of long term, sustainable growth and making a positive overall contribution to society. In conclusion, I would like to express my admiration for and gratitude to all of the people employed by the company who switched to working remotely and maintained business as usual while continuing to serve our customers with the highest standards of professionalism and generate new business opportunities. I would also like to thank the Board and the senior management team for their support and leadership during this time.

EIMEAR PEPPER
VP TECHNICAL ASSET MANAGEMENT AND CHAIR OF MOSAIC

We, at SMBC Aviation Capital, are a mosaic of unique individuals whose distinctive talents, backgrounds and diverse opinions result in better diversity of thought and better decision making.

It has been recognised for many years that the aviation industry is not a strong performer when it comes to diversity. Aircraft leasing is no different. While we are conscious of this at SMBC Aviation Capital, we recognised that we had to put formal structures in place to follow through on our intentions to advance the diversity agenda.

In reviewing the statistics, there is diversity across the organisation, however, we recognise that we can and need to do better. We must build a company for the future that is diverse and inclusive in all its forms because this will make for a better business and a better industry.

This has led us to establish Mosaic, our equality, diversity and inclusion (EDI) committee. The name was chosen by staff and was inspired by Jimmy Carter's quotation "We have become not a melting pot but a beautiful mosaic. Different people, different beliefs, different yearnings, different hopes, different dreams."

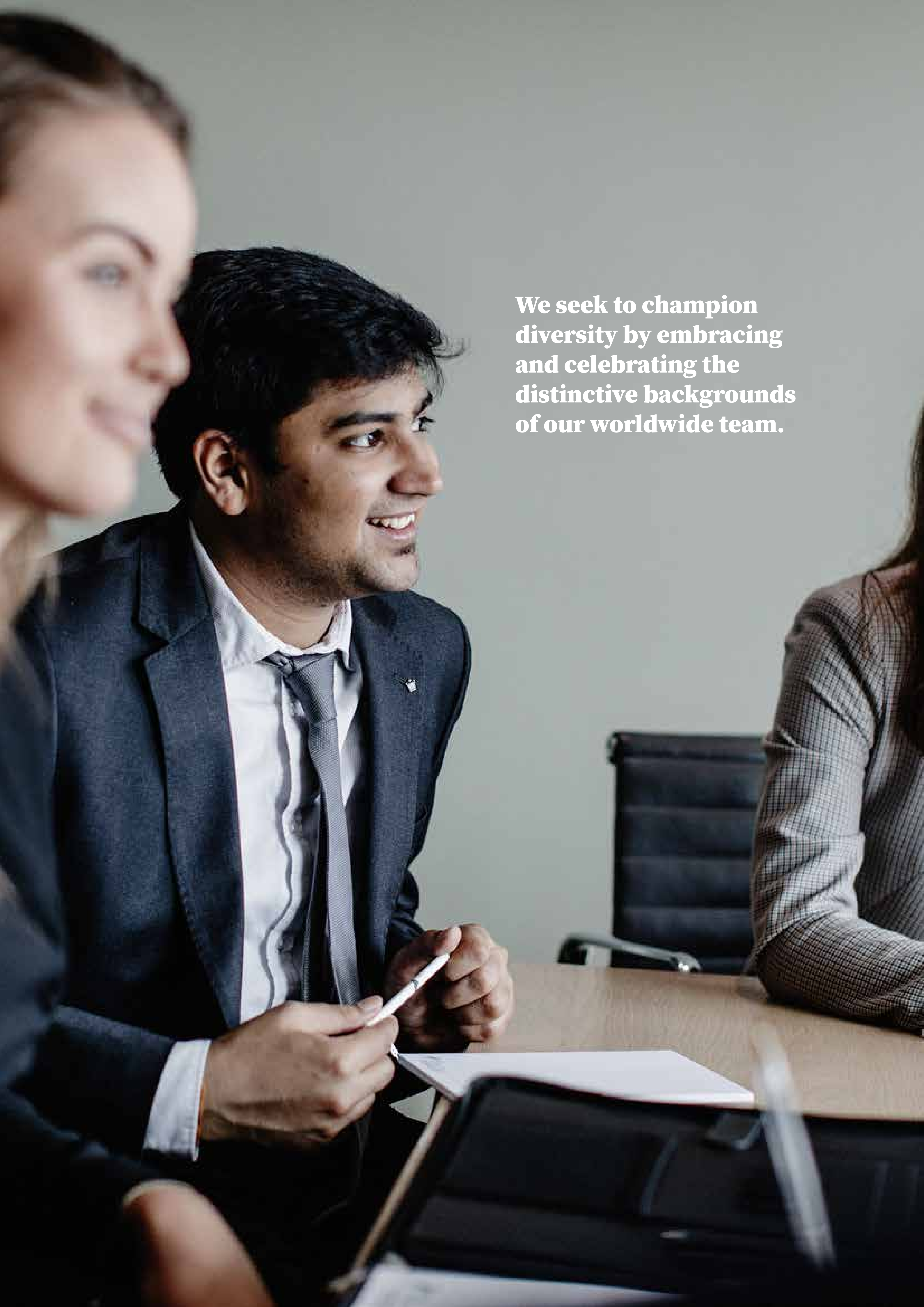
The establishment of a committee was simply our recognition of the need to ensure greater structure, governance and ongoing oversight of this important aspect of our organisation. It was important to create the right foundations for change and that means bringing all of our employees on the EDI journey from the very beginning.

The first step was to find out what our global workforce of 47 different nationalities based in 10 global offices, felt about EDI. We needed to know what was important to us and we put a lot of time into finding out.

The results, undertaken independently, found that while we felt valued, we needed to advance our diversity and inclusion agenda.

Those findings were borne out by staff focus groups which showed that we should be more open to concepts like agile working and to elevate our sense of being a truly cohesive global company.

When Mosaic was launched on International Women's Day in March 2020, it set out to address three strands in the initial phase. These were embracing individuality, one global office, and generating awareness.



We seek to champion diversity by embracing and celebrating the distinctive backgrounds of our worldwide team.

mosaic
Unique Together

Embracing individuality involved finding out what was important to us as employees and to look at ways to meet our needs and expectations.

One global office means ensuring that everyone feels they are working for the same company and has the same opportunities for advancement and opportunities regardless of where they are working.

The third strand is the continuing task of generating and amplifying awareness around EDI.

We have achieved many of our first year objectives since our launch with our first event being a panel discussion with other companies who are further along the EDI journey than us. We have held online awareness events on autism in the workplace, the experiences of female pilots, and we have celebrated Pride Month.

I was selected to chair Mosaic. As an engineer, I have always been aware of the gender imbalance in technical roles in the aviation industry. Both society and the industry needs to take proactive steps in order to address this imbalance and to promote engineering at primary school level. This year, we ran our second annual Engineers Week event where we helped pupils from a local girls DEIS school (Delivering Equality and Opportunity in Schools) understand the benefits and opportunities of a career in science and engineering.

Covid-19 has taught us a lot about what can be achieved through e-working. It's been exceptional how everyone has adapted so quickly and seamlessly to it. A recent survey of our people managers revealed that most will facilitate some form of agile working for their teams when we return to office based working.

We are currently developing a revised and more comprehensive policy on agile working. We aim to give people the opportunity to work in the environment that suits their personal circumstance while continuing to support the business in meeting its objectives.

Our objective is to create a workplace that is representative of the society we live in. Everything is on the table for us as we work to instigate positive actions in pursuit of that objective

As a committee, we recognise the support of Barry Flannery, our CFO and sponsor, and Peter Barrett, as CEO, along with our executive leadership team. This demonstrates our recognition of diversity as a critical enabler to advancing our vision, mission and delivery of our goals.

Indeed, the leadership team has set EDI as one of our proactive strategies as a business for 2020/2021. We will continue to drive it forward because we are aware of the benefits that it can bring. We recognise that is a journey, and we are committed to it.

PETER BARRETT
CHIEF EXECUTIVE OFFICER

SMBC Aviation Capital delivered a strong performance in the year to 31 March 2020 with pre-tax profits increasing by 5.8% to $364.5m.

We laid the foundations for this record profitability over many years, during which we focused on strengthening our balance sheet and on building a portfolio of young, new technology, and fuel-efficient aircraft.

A SOLID STRATEGIC APPROACH

These foundations position the business well going into the current financial year, with an industry leading credit rating, robust operating margins and a strong customer base. The ongoing support from and strategic alignment with our shareholders continues to set us apart from peers. We operate in a cyclical industry and have built a business model that performs throughout these cycles. Our underlying business strengths are critical as we navigate a time of considerable uncertainty that will have significant consequences for our sector in the years to come.

IMPACT OF COVID-19

The global pandemic has created an economic dislocation unprecedented in its speed and severity. It is sadly unparalleled in all my years working in this industry – with an impact on modern society and global economics that is proving profound. Every element of our industry - airlines, lessors, airports, manufacturers, tourism and financial institutions have been affected.

However, despite this sobering outlook, I am very confident in a number of key differentiators which will see us emerge from this crisis, a stronger and more competitive global business.

OUR PEOPLE

Investment in our people is more crucial than ever. They are a fundamental element of our success. In recent months, technology has enabled us to maintain productivity and to enhance communications across our global offices, while providing advice on health and wellbeing. In our People section, we expand on the importance and value we place on each employee in this business.

I also value the support and expertise of our management team. The experience of working together over many years and through many of the challenging global events over the last three decades have been invaluable in responding to the current challenges. These experiences are embedded in our DNA, strongly influencing our approach to managing and navigating the market today.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

WORKING WITH OUR CUSTOMERS AND SUPPLIERS

We continue to work in close collaboration with our customers and suppliers in facing these challenges together. Many of our customers have asked for some form of rental deferral and we assess each of these requests on a case by case basis. Our customers are long-term partners and we will continue to work closely with them as we endeavour to support them through this situation.

During the period since year end, we have benefitted from the support of our shareholder and our financial flexibility has enabled us to be nimble and opportunistic. We have concluded several Sale and Leaseback transactions with a number of our long-term partners, demonstrating the strength of our relationships.

We are also engaging with manufacturers on how we see the demand for new aircraft evolving in this environment, and recently agreed commercial terms with Boeing to defer 68 of our 116 Boeing MAX commitments. These aircraft were scheduled to deliver prior to December 2022 and have now been deferred to 2025-2027.

Trading is a core element of our strategy and we have taken advantage of market conditions over recent years to proactively manage our portfolio. Our trading team will use the current market to find opportunities to acquire aircraft that fit with our portfolio strategy.

POSITIVE IMPACT

The theme of this year's Annual Report is the importance of making a positive impact as a business. This is no longer an option for large companies – it is an imperative. I am therefore pleased to report that we have made significant strides across a number of areas this year.

Improving equality, diversity and inclusion (EDI) remains a priority, both within SMBC Aviation Capital and the wider aircraft leasing industry. As part of this, we have established a dedicated EDI team called Mosaic. Its long term goal is to provide a more equitable playing field for anyone wishing to seek a career in this sector, and ensuring equality of opportunity. While this initiative is employee led, Barry Flannery, our CFO will lead as its sponsor, demonstrating the firmest commitment at the top of the organisation.

Each employee has responded admirably to the Covid-19 crisis and I very sincerely and wholeheartedly acknowledge their efforts.

Since 2014, we have committed over €1.5m in funding to our charity partners and recognise that we must build further on this. This year we selected a legacy project, Belvedere Youth Club (BYC), which will have a lasting impact in the local community where our headquarters is based through the creation of a Restorative Practice hub. Our CSR section details our strategy including our commitments during the Covid-19 crisis.

Finally, we are keenly aware of the fact that our activity has a carbon footprint and an environmental impact. We mitigate this by investing in the most environmentally friendly and fuel-efficient aircraft on the market, however we must continue to do more. As a result, we have carried out an in-depth carbon audit and are in the process of offsetting the carbon impact of our own business operations.

OUTLOOK

Our differentiated business model, diversified sources of funding, experienced management team and supportive ownership structure will enable us to emerge from this crisis as one of the strongest companies in the global aircraft leasing sector.

I would like to take this opportunity to pay tribute to all of our colleagues in Ireland and around the world who have contributed to building the strong and resilient business we have today. Each employee has responded admirably to the Covid-19 crisis and I very sincerely and wholeheartedly acknowledge their efforts.

We have a great team of people, as well as supportive shareholders. This combination augurs well for the coming years. Despite continuing uncertainty, we look forward to a bright future together.

SHANE MATTHEWS
HEAD OF STRATEGIC & MARKET ANALYSIS

We have taken our first steps towards defining our climate strategy and developing a plan to address our direct emissions.

We are acutely conscious of the growing impact that aviation has on global carbon emissions, contributing in the region of 2% per annum. As the aviation industry grows in the coming years we feel that we can take a proactive role in reducing the impact of that growth by ensuring airlines use the most efficient aircraft.

We recognise that climate change is a long-term issue and that businesses who plan for and address long-term risks while demonstrating a positive impact over a sustained period will be more appealing to customers, employees, shareholders and investors in the future.

The aviation industry will need to adapt to address climate change which will create both opportunities and risks for our business. Several of the world's largest airlines have announced ambitious decarbonisation plans and SMBC Aviation Capital is committed to being part of the solution.

We believe the financial solutions we provide, play an important role in helping airlines reduce their emissions through the leasing and financing of the most technologically advanced and fuel efficient aircraft on the market.

SETTING A BASELINE

Over the past year, we have taken our first steps towards defining our climate strategy and developing a plan to address our direct emissions. We have undertaken a carbon audit with Co2 Logic, an accredited carbon auditing and certifying company which develops low carbon transition plans for multinational companies across different sectors.

PUTTING CLIMATE GOVERNANCE MECHANISMS IN PLACE

We also assembled a team from across the company to agree the steps we will take as a business and assess the material climate opportunities and risks. As a group we met with interest groups and potential climate action partners, as well as our shareholders, airlines, OEMs and regulators to explore how we can best engage in the area of climate action and develop a strategy that will have the most positive impact. This team has been given the responsibility to develop our climate action strategy over the coming year and reports directly to our head of strategic and market analysis, Shane Matthews and our CEO, Peter Barrett.

ENVIRONMENT (CONTINUED)

LAUNCHING EMISSIONS REDUCTION PROGRAMMES

Some first steps that we have taken to reduce our impact and our emissions include;

- Introducing reusable cups for staff which will save on average 72,000 single use compostable cups that had been used annually in our Dublin office
- Our Dublin office is powered by a renewable/green energy supplier
- Use of low energy led timed lighting across our offices
- Move to digital annual report
- Introduction of Microsoft Surface laptops to replace standard desktops means a reduction in printing

While we plan to have a more comprehensive strategy in place over the coming months that will reduce our carbon emissions further, we also recognise that we must take action now to offset our current operations emissions.

INVESTING IN OFFSETS

We have partnered with Vita to offset our operations footprint. Vita is an Irish NGO fighting hunger and climate change in Africa. It delivers sustainable livelihoods to rural farm families in Ethiopia and Eritrea, by addressing food security and household energy needs of families, using a community-led model.

Vita has developed a cook stove programme that puts women at the centre of the project, providing them with the supplies, skills and knowledge to build and more importantly maintain an improved stove that is 60% more fuel-efficient. These stoves are not only better for the environment, they allow greater income generation; are safer for the women and families using them; improve home health; and give those in the community more autonomy and independence.

The carbon accreditation is internationally recognised and validated to the highest standard and also delivers on five of the UN sustainable Development Goals – Health, Gender Equality, Water, Clean Energy & Climate Action.

While we acknowledge that this is a first step, we are committed to going further and engaging with more climate action partners that help us reduce our energy usage and carbon consumption over the longer term.

THE FUTURE

We have offset our entire operational carbon footprint and we intend to continue to do this as we reduce our emissions in the coming years. Our environment team has also been given the authority to work on and develop our environment strategy and it is hoped that in the coming years will be able to design innovative new products and services that will enable SMBC Aviation Capital and our customers to play a positive role in addressing climate change.

In summary, we will:

- Measure, Avoid, Reduce and then Offset our emissions
- Support behavioural change internally through education & sustainability initiatives
- Audit and review our carbon footprint and offsetting projects along the way
- Develop holistic climate strategy that ties in with our business goals
- Promote change across aviation

Vita
For Climate Smart Communities

CO2logic

We are committed to going further and engaging with more climate action partners that help us reduce our energy usage and carbon consumption over the longer term.

BARRY FLANNERY
CHIEF FINANCIAL OFFICER

The financial period ended 31 March 2020 was another strong year for SMBC Aviation Capital.

We achieved record profitability with a profit before tax of $364.5m, a 5.8% increase on the previous financial year. EBITDA for the year was $1.1bn, with EBITDA to interest coverage remaining strong at 3.6 times.

Total aircraft operating lease assets grew by 3.7% to $10.6bn – a lower than anticipated level of asset growth due to the grounding of the Boeing 737 MAX aircraft and delays to Airbus' A320 NEO deliveries.

Core lease rentals excluding redelivery adjustments increased by $55.8m to $1.1bn, a 5.5% increase driven by growth in average operating lease assets of 5.4%.

This increase in core rental income was somewhat offset by an increase in depreciation and financing costs, but the business still achieved an operating margin of 40.5%, ahead of our long-term target of 40%.

The year under review was also strong from an aircraft trading perspective. We sold 30 aircraft, realising gains of $33.6m. The average age of the aircraft was 8.6 years. Given the changed macro- economic conditions since year end, we expect that there will be a reduction in our disposal activity over the next couple of years. Against this, we anticipate the potential for some attractive buy side opportunities in that period which our trading team will focus on.

We finished the year with a very strong balance sheet and liquidity base. At year end, our net leverage was 2.66x and 100% of our assets were unencumbered. We had available liquidity of $6.3bn.

All of these achievements must be placed in the context of the subsequent impact of the Covid-19 pandemic. While the financial year under review was not materially impacted by Covid-19, airlines were beginning to experience cash flow difficulties in the final quarter as a result of their operations being severely curtailed.

Since year end, the situation has had a significant negative impact on our airline lessees' operating cash flows, available liquidity and ultimately their ability to discharge their payment obligations under the respective aircraft operating leases that they have entered into with us. Post year end, we have agreed with many of our lessees to defer upcoming rent obligations. In general, the deferred rentals are due to be discharged in the current financial year.

FINANCIAL REVIEW (CONTINUED)

While the impact of the crisis will be felt in the current financial year and beyond, we are confident in the ultimate resilience of the sector. The global economy depends on aviation to function and as a sector, it represents 3.2% of worldwide GDP. The tourism industry employs one in 10 people at work globally – some 320 million people - and the aviation sector is a significant driver of this tourism. The $120bn of government support provided to the airline industry to date is a recognition of this contribution to global economic growth and we expect further support to be forthcoming.

Recent events have demonstrated the strength of our business model going into this crisis. Our access to shareholder funding means we are not hostage to market conditions when bond and bank debt markets are prohibitively expensive. Being owned by two of Japan's premier corporates also facilitates access to funding from the Japan Bank for International Cooperation, a government owned policy bank that supports the international expansion of Japanese corporates.

31 March 2020, we had $10.6bn of support from our shareholders that was comprised of $2.9bn of equity and $7.7bn debt financing of which $3.2bn was undrawn.

With $6.3bn of available liquidity our sources to uses ratio for the next twelve months stood at 3.1x at 31 March 2020. This is a key metric for ratings agencies and has allowed SMBC Aviation Capital to maintain one of the industry's strongest credit ratings.

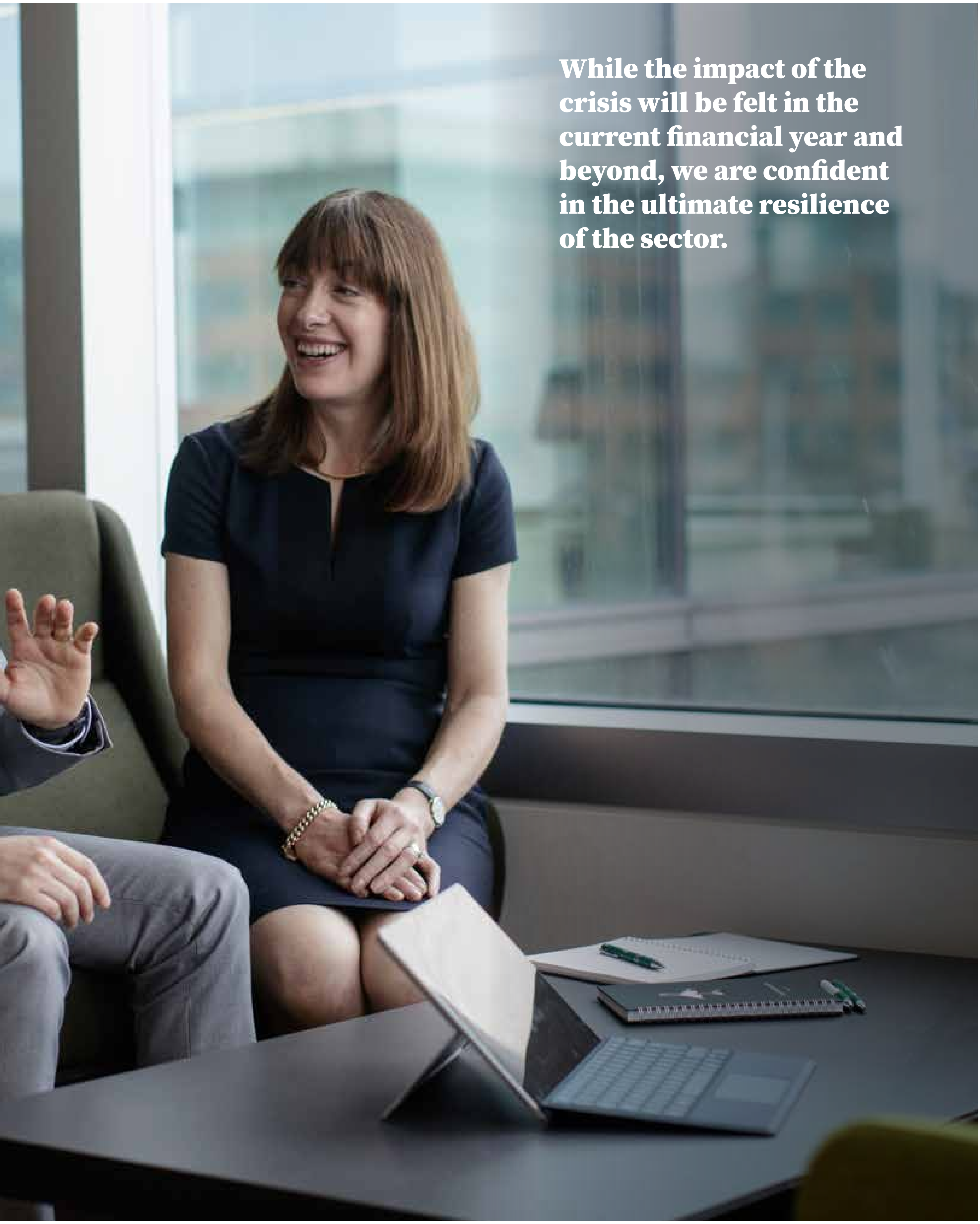
The substantial experience of our senior management underpins our belief that leasing companies are vulnerable on the liability side in an economic downturn. Having access to shareholder support, diversified funding sources, minimal debt maturities and an unencumbered asset base will be critically important in the coming period.

The structure of our balance sheet and the unique advantages our shareholder funding puts us in a strong position to withstand the pressures of a dislocated funding market and to capitalise on the opportunities that reduced levels of competing capital will ultimately bring.

EDI

I am pleased to say that we are making strides in other areas of our business as well. I am proud to take over the role as sponsor of Mosaic, our Equality, Diversity and Inclusion Committee. I firmly believe that we need to do more to ensure equal opportunities for all of our employees across all of our geographies. This impact must be felt within our own company but also across the wider industry.

I would like to thank our staff for their commitment especially over the past number of months. If we have learned anything from the recent past, it is that we can achieve great things when we all work together with unity of purpose.



While the impact of the crisis will be felt in the current financial year and beyond, we are confident in the ultimate resilience of the sector.

MARY CARTY
HEAD OF HUMAN RESOURCES

Our People Strategy, built on three key pillars – Attract, Build, Grow is progressive and inclusive, to support our 200 people across the world and deliver on our business strategy for the future.

ATTRACT

We place a big focus on hiring the best and most diverse talent. We attract people who are passionate and enthusiastic about progressing a career in this industry but who also wish to work in a sector that, while having its roots in Ireland, has a global focus.

A key part of our ambition is to cultivate the next generation of talent through our Graduate Programme which was introduced in 2013 and was the first of its kind in the industry. Having had 150 applications in the first year, this rose to just under 600 in 2019. We decided at an early stage to run a broad programme and we now have 35 employees, recruited through our Graduate Programme, placed from colleges in Ireland and overseas.

We also support education at many levels. We sponsor the MSc in Aviation Finance at the UCD Smurfit School of Business and take in two interns from the programme every year. In addition, we are pleased to support the IASA (Irish Aviation Students Association) and the SMF (Student Managed Fund) in Trinity College.

BUILD

We aim to create an efficient and engaging work environment that enables people to be at their best. We have invested heavily in technology to build systems that enhance our processes and enable our people to develop their short and long-term career plans.

A key focus of our work during the past year has been on employee wellbeing. Our Elevate Wellbeing Programme is based on the key three pillars of Mind, Body and Life. We ran eight events under these three pillars during the year, addressing varied areas such as personal finance, positive wellbeing in the workplace, nutrition and parenting. We also provide a variety of health, fitness and mindfulness classes so that our employees can avail of these.

We have a comprehensive Employee Assistance Programme should employees require support from independent professionals.

OUR PEOPLE (CONTINUED)

GROW

We employ the 70:20:10 learning and development model whereby 70% is on the job learning, 20% is learning from others, and 10% is formal learning. We believe that by creating an environment of continuous learning we can enable people to be at their best.

During 2019, over 20% of our people took developed their career with us by taking on a new role in our business or additional responsibilities within their existing role. This includes secondments to other locations around the world.

We ran a total of 32 training courses during the year and on average, each employee attended five sessions. We are also continuing to invest in e-learning options which has been accelerated due to the Covid-19 pandemic and will make learning easily accessible to our people, no matter where they are located around the world. A dedicated Grow week has focused on career development through dedicated webinars and group coaching for all of our employees.

Our mentoring programme is another key element of our Grow pillar enabling both professional and personal development for the mentor and the mentee. Additionally, we support agile working and are developing new standards in this area to support our active EDI programme.

COMMUNICATIONS

Employee communications is very important to us. Our entire workforce, which operates across several different time zones, join our CEO-led meeting on a weekly basis, no matter where they are in the world. These meetings are augmented by CEO quarterly business updates to update our team on company performance and industry developments.

We are constantly investing in our processes to ensure we are inclusive of a global workforce. This has been crucially important during recent times. Our enhanced technology platforms, have ensured that our employees have transferred seamlessly from working in the office to working remotely, within a very short timeframe and with no adverse impact on productivity levels.

In a normal year we bring all global employees together in person twice to facilitate knowledge sharing, foster creative thinking and strengthen relationships and although this will not happen this year due to Covid-19 restrictions, we look forward to a time when we can re-start this tradition and unite all of our staff together again.

COVID-19

Covid-19 has brought challenges to our employees and we have adopted an unwavering focus on the health and wellbeing of our colleagues. Communication has been critical to ensuring that we have facilitated our people to prioritise their needs outside of the workplace.

The Human Resources team reached out to everyone in the business individually to understand the issues they face in order to make sure they were supported by the business. Feedback from our people helped guide the programmes and supports that we have put in place during the crisis including webinars and advice on e-working.

THE FUTURE

Our people are our greatest asset and the majority have worked with us for many years. We recognise that each person is crucially important to our future and we acknowledge their commitment in developing this business into the successful entity that it is today. We will continue to invest in our people, giving them every opportunity to enhance and develop so that, together, we will continue to thrive and deliver our business strategy.

We will continue to invest in our people, giving them every opportunity to enhance and develop so that, together, we will continue to thrive.

SMBC Aviation Capital Limited Directors' Report and Consolidated Financial Statements

31 MARCH 2020

Company Registration No: 270775

CONTENTS

Directors and Other Information	35
Directors' Report	36
Statement of Directors' Responsibilities in Respect of yhe Directors' Report and the Financial Statements	39
Independent Auditor's Report to the Members of SMBC Aviation Capital Limited	40
Consolidated Statement of Profit or Loss and Other Comprehensive Income	42
Consolidated Statement of Financial Position	43
Company Statement of Financial Position	44
Consolidated Statement of Changes in Equity	45
Company Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Company Statement of Cash Flows	48
Note to the Financial Statements	49
Acronyms and Abbreviations	90

DIRECTORS AND OTHER INFORMATION

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

SECRETARY
C A Ennis

REGISTERED OFFICE
IFSC House
IFSC
Dublin 1
Ireland

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

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

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

BANKS
Sumitomo Mitsui Banking Corporation Europe Limited
99 Queen Victoria Street
London EC4V 4EH
United Kingdom

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

Citibank Europe plc
1 North Wall Quay
Dublin 1
Ireland

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of SMBC Aviation Capital Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 March 2020. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

PRINCIPAL ACTIVITIES

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

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

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

PERFORMANCE AND STRATEGY

The Group and Company's strategy is to work closely and build strong relationships with its airline and investor customers to meet their specific requirements, while owning and leasing the most modern, fuel efficient and desirable aircraft. The Group and Company continues to actively manage the profile of its aircraft portfolio and, as a result, has maintained a young fleet with a weighted average age of 4.1 years as at 31 March 2020 (31 March 2019: 4.2 years).

At the end of the financial year, the financial position showed total assets of $14,101 million (31 March 2019: $12,566 million). The net book value of property, plant and equipment, including aircraft classified as held for sale of $174 million (31 March 2019: $127 million), was $12,661 million at the year-end (31 March 2019: $11,874 million).

The performance of the Group and Company in the current financial year has also not been significantly impacted by the Covid-19 outbreak as events only escalated during the final months of the last quarter of the financial year. It is reasonable to expect that this crisis may impact on the future performance of the Group and Company.

The Directors do not recommend the payment of a dividend (31 March 2019: $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. The Group's financial strength is also reflected in the Group and Company's credit rating of A- from both Fitch Ratings and Standard & Poor's (31 March 2019: Fitch: A-; Standard & Poor's: A-), the highest rating in the aircraft leasing industry for a dedicated aircraft lessor, positioning the business well to execute on its growth plans in the coming years.,

During the current financial year, the Group raised an additional $2.2 billion of third party funding, further diversifying its funding base, a key strategic objective. This included the successful sale of $500 million of its 3.55% senior unsecured notes due 2024 in April 2019, an additional $520m of third party revolving credit facilities during the year and a new $1.0 billion, 10 year loan facility with the Japan Bank for International Cooperation ("JBIC") in November 2019.

Furthermore, the Group is focussed on ensuring that it has sufficient available liquidity to meet its obligations as they fall due. As at 31 March 2020, the Group had put in place $6.3 billion of available capacity through a combination of undrawn shareholder funding ($3.2 billion), third party availability ($2.4 billion) and unrestricted cash balances.

OPERATIONAL

The Group has 85 airline customers in 37 countries. The Group's fleet consists of 713 owned, managed and committed aircraft.

During the financial year, the Group placed an additional 32 aircraft from its order book across a diversified mix of customers in Europe, Asia and the Americas, reflective of strong global demand for new aircraft technology.

We were also active in the sale and leaseback market but on a selective and measured basis.

The Group continued to take advantage of opportunities to trade older aircraft and disposed of 30 owned aircraft with an average age of 8.6 years, realising gains on disposal of $33.6 million during the year. Our trading activities included the successful launch of GAEL, a closed-end fund that raised equity capital from 17 Japanese institutions that were assembled through close co-operation with our colleagues in the wider Consortium. The Group sold 7 aircraft into the fund and the Company remains as servicer to the portfolio.

While the ongoing Covid-19 outbreak did not materially impact on our trading or sale and leaseback activity during the year, there was a noticeable impact on sentiment in these markets shortly before the reporting date, which we expect to continue into the next financial year.

The disposal activity, together with deliveries of new aircraft, resulted in a reduction in the weighted average age of the portfolio from 4.2 years to 4.1 years over the 12 month period, while the average remaining lease term remains unchanged at 6.9 years.

The Group continues to transition the portfolio into new technology aircraft with the delivery of $1.6 billion of new technology aircraft in the period. In conjunction with our trading activity, this resulted in 46% of our portfolio now consisting of the newest technology aircraft, compared to 37% as at March 2019.

PEOPLE

The Group continues to develop our team to service the increased activity within our expanding aircraft operating lease base, resulting in an average number of people in the organisation during the year of 192 (2019: average of 188), 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 expected to be substantially recovered over the term of the leases. The oversupply of a specific type of aircraft in the market could depress aircraft lease rates and values, which would affect re-lease rates. The supply and demand of aircraft is affected by various cyclical factors including:

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

The Covid-19 pandemic has had a significant immediate impact on the aircraft leasing industry due to the widespread temporary grounding of our airline customers' fleets and the resulting pressures on airline liquidity. We continue to work with our airline customers to manage through this uncertain time and while there has been a widespread request for lease rent deferrals across the industry, which will most likely put pressure on immediate operating cash flows, it is too early to conclude on the likely long term impact on the industry.

Furthermore, management continues to monitor the potential impact of the grounding of the Boeing 737 MAX fleet on the Company's remaining order of Boeing 737 MAX 8 aircraft (see note 29). For further detail on the principal financial risks and the Group and Company's policy for minimising these financial risks, refer to note 22.

GOING CONCERN

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, along with the financial position of the Group and Company. In addition, also as noted above, note 22 to the financial statements includes: the objectives, policies and processes for managing capital; the financial risk management objectives; details of financial instruments and hedging activities; and the exposures to credit risk and liquidity risk, to the extent that these were in place at 31 March 2020 and the preceding year.

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

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

Having made such enquiries as they considered appropriate, the Directors 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' REPORT (CONTINUED)

DIRECTORS AND SECRETARY
The present Directors and Secretary are listed on page 35. The following changes took place during the year:

Directors	Appointed
T Tanaka	Appointed 3 April 2020

Directors	Resigned
S Hayashida	Resigned 3 April 2020

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 2020 (2019: $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
Due to the spread of Covid-19 around the world in 2020 and the subsequent measures taken by various countries, airline financial performance is expected to be adversely impacted. There is significant uncertainty around the breadth and duration of business disruptions related to Covid-19, as well as its impact on world economies and, as such, the Group is actively monitoring the extent of the impact to its operations. At the date of this report, there is no material impact on the financial statements, although the Group has received a number of requests from lessees which they are continuing to assess.

Also, on 3 April 2020, Mr. S. Hayashida resigned as Director. On the same day, Mr. T. Tanaka was appointed as Director.

No other significant events affecting the Group and Company have occurred since 31 March 2020, 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
7 May 2020	7 May 2020

Company Registration No: 270775

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

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

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

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

On behalf of the Board:

P Barrett Director 7 May 2020	B Flannery Director 7 May 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMBC AVIATION CAPITAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the Group and Company financial statements (''financial statements'') of SMBC Aviation Capital for the year ended 31 March 2020, which comprise the Group statement of profit or loss and other comprehensive income, Group and Company statements of financial position, Group and Company statements of changes in equity, Group and Company statements of cash flows, and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In our opinion:

— the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2020 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 2020;
— the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
— the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
— the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

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

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

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 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 our work on the other information, we report that:

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

Opinions on other matters prescribed by the Companies Act 2014

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

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

Matters on which we are required to report by exception

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

RESPECTIVE RESPONSIBILITIES AND RESTRICTIONS ON USE

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 39, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A fuller description of our responsibilities is provided on IAASA's website at:
https://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.

Killian Croke
7 May 2020

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 2020

	Note	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
CONTINUING OPERATIONS			
Income			
Lease revenue	2	1,154,215	1,043,225
Other revenue	2	15,334	14,449
Total revenues	2	1,169,549	1,057,674
Other operating income	3	46,591	49,385
		1,216,140	**1,107,059**
Operating expenses			
Depreciation	9	(413,162)	(309,936)
Impairment	9	(19,311)	(34,426)
Other operating expenses	4	(117,603)	(116,885)
PROFIT FROM OPERATING ACTIVITIES		**666,064**	**645,812**
Finance income	7	127,572	89,176
Finance expense	7	(432,537)	(392,417)
Break gains	7	4,533	2,249
Net trading expense	7	(1,114)	(350)
NET FINANCE COSTS		**(301,546)**	**(301,342)**
PROFIT BEFORE TAXATION		**364,518**	**344,470**
Tax expense	8	(45,384)	(47,770)
PROFIT FROM CONTINUING OPERATIONS		**319,134**	**296,700**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges - effective portion of changes in fair value	14	(461,618)	(153,782)
Cash flow hedges - reclassified to profit or loss		(400)	1,224
Tax on other comprehensive income		57,752	19,070
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX		**(404,266)**	**(133,488)**
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(85,132)**	**163,212**

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.

The Group has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

P Barrett
Director
7 May 2020

B Flannery
Director
7 May 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	12,486,910	11,747,382
Goodwill and intangible assets	10	1,293	1,982
Derivative financial instruments	13	2,813	9,658
Lease incentive assets	17	23,782	40,589
		12,514,798	11,799,611
CURRENT ASSETS			
Assets held for sale	18	173,677	134,270
Trade and other receivables	15	160,286	95,898
Cash and cash equivalents	16	1,242,356	525,510
Derivative financial instruments	13	11	390
Lease incentive assets	17	9,494	10,376
		1,585,824	766,444
TOTAL ASSETS		14,100,622	12,566,055
EQUITY			
Share capital	25	887,513	887,513
Other components of equity	26	(47,863)	356,403
Profit or loss account		2,013,376	1,694,310
TOTAL EQUITY		2,853,026	2,938,226
NON-CURRENT LIABILITIES			
Trade and other payables	19	613,518	503,908
Obligations under finance leases	20	5,561	22,385
Borrowings	21	8,521,237	7,169,703
Deferred tax liabilities	23	319,969	332,670
Derivative financial instruments	13	588,100	149,906
Subordinated liabilities	24	300,000	300,000
		10,348,385	8,478,572
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	18	17,187	25,868
Trade and other payables	19	388,439	448,429
Obligations under finance leases	20	3,052	13,596
Borrowings	21	490,017	661,364
Derivative financial instruments	13	516	-
		899,211	1,149,257
TOTAL LIABILITIES		11,247,596	9,627,829
TOTAL EQUITY AND LIABILITIES		14,100,622	12,566,055

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

The Group has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

P Barrett
Director
7 May 2020

B Flannery
Director
7 May 2020

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	12,485,302	11,674,415
Goodwill and intangible assets	10	1,293	1,982
Investment in subsidiaries	11	15,509	15,509
Derivative financial instruments	13	2,813	9,658
Lease incentive assets	17	23,782	40,589
		12,528,699	11,742,153
CURRENT ASSETS			
Assets held for sale	18	173,677	134,270
Trade and other receivables	15	162,951	169,551
Cash and cash equivalents	16	1,242,001	525,288
Derivative financial instruments	13	11	390
Lease incentive assets	17	9,494	10,376
		1,588,134	839,875
TOTAL ASSETS		14,116,833	12,582,028
EQUITY			
Share capital	25	887,513	887,513
Other components of equity	26	(49,830)	354,436
Profit or loss account		1,973,306	1,654,603
TOTAL EQUITY		2,810,989	2,896,552
NON-CURRENT LIABILITIES			
Trade and other payables	19	612,892	511,284
Obligations under finance leases	20	5,561	22,385
Borrowings	21	8,521,237	7,169,691
Deferred tax liabilities	23	319,977	332,670
Derivative financial instruments	13	588,100	149,906
Subordinated liabilities	24	300,000	300,000
		10,347,767	8,485,936
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	18	17,187	25,868
Trade and other payables	19	447,304	448,713
Obligations under finance leases	20	3,052	13,596
Borrowings	21	490,018	711,363
Derivative financial instruments	13	516	-
		958,077	1,199,540
TOTAL LIABILITIES		11,305,844	9,685,476
TOTAL EQUITY AND LIABILITIES		14,116,833	12,582,028

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

The Company has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

P Barrett
Director
7 May 2020

B Flannery
Director
7 May 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2020

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Profit and loss account US $'000	Total Equity US $'000
BALANCE AT 1 APRIL 2018		187,513	209,453	19,336	1,658,712	2,075,014
Total comprehensive income						
Profit for the year		-	-	-	296,700	296,700
Other comprehensive expenses for the year	26	-	-	(133,488)	-	(133,488)
Transactions with owners of the Company						
Impact of shareholder reorganisation and capital increase						
Redemption of ordinary shares		(18,751)	-	-	-	(18,751)
Distribution on redemption of ordinary shares		-	-	-	(261,102)	(261,102)
Issue of ordinary shares		18,751	261,102	-	-	279,853
Issue of preference shares		700,000	-	-	-	700,000
		700,000	261,102	(133,488)	35,598	863,212
BALANCE AT 31 MARCH 2019		887,513	470,555	(114,152)	1,694,310	2,938,226
Adjustment on initial application of IFRS16 (net of tax)	1(cc)	-	-	-	(68)	(68)
Adjusted balance at 1 April 2019		887,513	470,555	(114,152)	1,694,242	2,938,158
Total comprehensive income						
Profit for the year		-	-	-	319,134	319,134
Other comprehensive expenses for the year	26	-	-	(404,266)	-	(404,266)
		-	-	(404,266)	319,134	(85,132)
BALANCE AT 31 MARCH 2020		887,513	470,555	(518,418)	2,013,376	2,853,026

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

The Group has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

COMPANY STATEMENT OF CHANGES IN EQUITY

AS AT 31 MARCH 2020

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Profit and loss account US $'000	Total Equity US $'000
BALANCE AT 1 APRIL 2018		187,513	207,486	19,335	1,593,796	2,008,130
Total comprehensive income						
Profit for the year		-	-	-	321,909	321,909
Other comprehensive expenses for the year	26	-	-	(133,487)	-	(133,487)
Transactions with owners of the Company						
Impact of shareholder reorganisation and capital increase						
Redemption of ordinary shares		(18,751)	-	-	-	(18,751)
Distribution on redemption of ordinary shares		-	-	-	(261,102)	(261,102)
Issue of ordinary shares		18,751	261,102	-	-	279,853
Issue of preference shares		700,000	-	-	-	700,000
		700,000	261,102	(133,487)	60,807	888,422
BALANCE AT 31 MARCH 2019		887,513	468,588	(114,152)	1,654,603	2,896,552
Adjustment on initial application of IFRS16 (net of tax)	1(cc)	-	-	-	(56)	(56)
Adjusted balance at 1 April 2019		887,513	468,588	(114,152)	1,654,547	2,896,496
Total comprehensive income						
Profit for the year		-	-	-	318,759	318,759
Other comprehensive expenses for the year	26	-	-	(404,266)	-	(404,266)
		-	-	(404,266)	318,759	(85,507)
BALANCE AT 31 MARCH 2020		887,513	468,588	(518,418)	1,973,306	2,810,989

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

The Company has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
PROFIT BEFORE TAX		364,518	344,470
Adjustments for:			
Depreciation of property, plant and equipment		413,162	309,936
Impairment of property, plant and equipment		19,311	34,426
Amortisation of computer software intangible assets		1,667	2,493
Lease incentive asset amortisation		16,326	17,148
Credit impairment charge on trade debtors		8,230	3,957
Net interest expense		300,183	301,135
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		1,114	350
Profit on disposal of assets held under operating leases	3	(33,604)	(29,227)
		1,090,907	984,688
Increase in receivables		(74,198)	(37,223)
Increase in payables		13,839	108,264
CASH GENERATED BY OPERATIONS		1,030,548	1,055,729
Income taxes paid		(852)	(31,707)
Interest paid		(352,966)	(304,737)
NET CASH FROM OPERATING ACTIVITIES		676,730	719,285
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		956,313	926,754
Purchases of property, plant and equipment		(2,051,184)	(2,796,573)
Purchases of intangible assets		(978)	(166)
NET CASH USED IN INVESTING ACTIVITIES		(1,095,849)	(1,869,985)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	700,000
Payments to restricted cash accounts		(444,800)	(142,791)
Repayment of obligations under finance leases		(23,274)	(163,451)
Proceeds from indebtedness		2,225,587	2,187,071
Repayments of indebtedness		(1,065,816)	(1,301,479)
NET CASH FROM FINANCING ACTIVITIES		691,697	1,279,350
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(532)	(143)
NET INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		272,046	128,507
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		368,510	240,003
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16	640,556	368,510
Unrestricted cash and cash equivalents as above	16	640,556	368,510
Restricted cash as reported	16	601,800	157,000
Total cash and cash equivalents	16	1,242,356	525,510

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

The Group has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
PROFIT BEFORE TAX		363,840	367,500
Adjustments for:			
Depreciation of property, plant and equipment		412,068	299,939
Impairment of property, plant and equipment		19,311	34,426
Amortisation of computer software intangible assets		1,667	2,435
Impairment of investment in subsidiary		-	2,227
Lease incentive asset amortisation		16,326	17,148
Credit impairment charge on trade debtors		8,230	3,957
Dividend income		-	(34,469)
Net interest expense		301,584	308,227
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		1,114	350
Profit on disposal of assets held under operating leases		(34,852)	(28,515)
		1,089,288	973,225
Increase in receivables		(3,665)	(12,163)
Increase in payables		34,053	48,179
CASH GENERATED BY OPERATIONS		1,119,676	1,009,241
Income taxes paid		(19)	(11)
Interest paid		(357,633)	(325,157)
NET CASH FROM OPERATING ACTIVITIES		762,024	684,073
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		956,313	912,202
Purchases of property, plant and equipment		(2,124,142)	(2,888,363)
Purchases of intangible assets		(978)	(166)
Dividends received		-	34,469
NET CASH USED IN INVESTING ACTIVITIES		(1,168,807)	(1,941,858)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		-	700,000
Payments to restricted cash accounts		(444,800)	(142,791)
Repayment of obligations under finance leases		(23,274)	(163,451)
Proceeds from indebtedness		1,728,240	1,706,834
Repayments of indebtedness		(581,102)	(675,064)
NET CASH FROM FINANCING ACTIVITIES		679,064	1,425,528
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(368)	(248)
NET INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		271,913	167,495
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		368,288	200,793
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	16	640,201	368,288
Unrestricted cash and cash equivalents as above	16	640,201	368,288
Restricted cash as reported	16	601,800	157,000
Total cash and cash equivalents	16	1,242,001	525,288

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

The Company has applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application (note 1(cc)).

1 SIGNIFICANT ACCOUNTING POLICIES

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

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

a Basis of preparation

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

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

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

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

The Group's activities are capital intensive by their nature, and have been funded with a combination of equity and debt capital provided by its shareholders and third party debt financing. The ability of the Group to continue to operate is dependent upon (among other matters) its ability to meet (i) its debt repayment obligations under the respective loan agreements as set out in note 21 'Borrowings' and (ii) its future aircraft purchases as set out in note 29 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 22 'Financial Risk Management') together with long- term lease contracts with airline operators across different geographic areas (see note 27 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

b Estimates and judgements

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

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

Note 9 - Property, Plant and Equipment:
The material judgements in respect of property, plant and equipment include the identification and subsequent measurement of impairment such as triggers and estimates of cash flow including residual values and discounts rates. The discount rate used in the measurement of impairment was adjusted from 6% to 5% in the current period. Estimates also include the intervals used (currently 5 years) to determine future market values for the purposes of setting depreciation rates for individual aircraft.

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 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Subsidiaries

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

d Investment in subsidiaries

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

e Income under finance and operating leases

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

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

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

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

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

f Fee income

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

g Borrowing costs

Borrowing costs attributable to the acquisition of aircraft not yet delivered are capitalised as part of aircraft cost. 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 Profit or Loss and Other Comprehensive Income over their estimated useful economic lives, as follows:

Aircraft for hire under operating leases

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

Office equipment and fixtures & fittings

— 3 to 10 years from date when brought into use

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

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

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

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

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

k Maintenance intangible assets

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

l Intangible assets

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

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 Consolidated Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred. As aircraft which are subject to PDPs, are delivered all applicable PDPs and financing costs are re-classified 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p Financial instruments

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

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

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

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

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

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

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

q Derivatives and hedge accounting (continued)

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

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

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

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

Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models. The Group and Company's pricing and valuation methods are managed in conjunction with Sumitomo Mitsui Banking Corporation Capital Markets Inc. The current pricing models do not entail material subjectivity because the methodologies utilised do not incorporate significant judgement and the parameters included in the models can be calibrated to actively quoted market prices. Values established from pricing models are adjusted for credit risk and liquidity risk.

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.

t 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.

u 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.

v 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.

w Obligations under finance leases

Assets held under finance leases are recognised as assets of the Group and Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease payable obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

x 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.

y 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.

z Short term employee benefits

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

aa Profit from operating activities

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

bb 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cc New standards adoption and amendments to IFRS
The following new standards approved by the IASB have been applied in preparing these financial statements:

IFRS 16 Leases
The Group and Company have adopted IFRS 16 Leases from 1 April 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group and Company, as lessees, have recognised right-of-use assets representing their rights to use the underlying assets and lease liabilities representing their obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group and Company have applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented have not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of this change in accounting policy are disclosed below.

i. Definition of a lease
Previously, the Group and Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group and Company now assess whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group and Company only reassessed contracts that were previously identified as leases, which relates mainly to leases of properties. For these leases, the Group and Company have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii. As a lessee
As lessees, the Group and Company previously classified leases as operating or finance leases based on their assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group and Company recognise right-of-use assets and liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group and Company have elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment). The Group and Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as they present underlying assets of the same nature that they owns. The carrying value of right-of-use assets for the Group are as below (see note 9):

- Balance at 1 April 2019: $9,677,000
- Balance at 31 March 2020: $7,188,000

The Group and Company present lease liabilities in 'trade and other payables' in the statement of financial position.

ii(i) Significant accounting policies
The Group and Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measure at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

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

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

ii(ii) Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group and Company's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group and Company's incremental borrowing rate at the date of initial application.

The Group and Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

— Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

iii. As a lessor

The Group and Company lease out their aircraft assets and have classified these leases as operating leases. The accounting policies applicable to the Group and Company as lessors are not different from those under IAS 17 and are therefore not required to make any adjustments on transition to IFRS 16 for leases in which they act as lessors.

iv. Impact on financial statements on transition

On transition to IFRS 16, the Group and Company recognised additional right-of-use assets and lease liabilities, with the difference in retained earnings. The impact on the Group on transition on 1 April 2019 is summarised below:

— Right-of-use assets presented in property, plant and equipment:	$9,677,000
— Deferred tax asset:	$10,000
— Lease liabilities:	$9,755,000
— Retained earnings:	($68,000)

Reconciliation of operating lease commitment previously disclosed by the Group:

— Operating lease commitment at 31 March 2019 as disclosed in the Group's consolidated financial statements:	$11,918,000
— Discounted using the incremental borrowing rate at 1 April 2019:	($2,163,000)
— Lease liabilities recognised at 1 April 2019:	$9,755,000

When measuring lease liabilities for leases that were classified as operating leases, the Group and Company discounted lease payments using their incremental borrowing rate at 1 April 2019. The weighted average rate applied is 4%.

Other standards, amendments to standards and interpretations not yet effective

The following amended standards and interpretations approved by the IASB will be relevant to the Group and Company, but were not effective at 31 March 2020, and have not been applied in preparing these financial statements:

— Amendments to References to Conceptual Framework in IFRS Standards
— Definition of a Business (Amendments to IFRS 3)
— Definition of Material (Amendments to IAS 1 and IAS 8)
— IFRS 17 Insurance Contracts (effective 1 January 2021)

These are all effective for annual periods beginning on or after 1 January 2020 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 **REVENUE**	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
Operating lease revenue		
Rentals receivable	1,092,548	1,037,604
Lease incentive amortisation (note 17)	(16,326)	(17,148)
Maintenance income	77,993	22,769
Lease revenue	1,154,215	1,043,225
Fee income		
Aircraft management fees	15,334	14,449
Other revenue	15,334	14,449
	1,169,549	1,057,674

Rentals receivable for the period are reported net of a release of deferred rentals of $4,007,000 (year ended 31 March 2019: net provision of $2,011,000). Total rentals receivable recognised as deferred rentals as at 31 March 2020 are $5,043,000 (31 March 2019: $9,050,000).

Included in operating lease revenue above are the following amounts:		
Contingent rentals	41,276	56,316

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:	Year ended 31 March 2020 US $'000	Year ended 31 March 2020 %	Year ended 31 March 2019 US $'000	Year ended 31 March 2019 %
Developed Europe	168,252	15.4	194,033	18.7
Emerging Europe	89,589	8.2	93,384	9.0
South America	249,101	22.8	204,408	19.7
Emerging Asia	369,281	33.8	330,996	31.9
Asia	91,774	8.4	101,685	9.8
North America	65,553	6.0	69,519	6.7
Middle East & Africa	58,998	5.4	43,579	4.2
	1,092,548	100.0	1,037,604	100.0

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

3 OTHER OPERATING INCOME

	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
Profit on disposal of property, plant and equipment	33,604	29,227
Other operating income	12,987	20,158
	46,591	49,385

4 OTHER OPERATING EXPENSES

	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
Administration expenses	(115,936)	(114,392)
Amortisation of computer software intangible assets	(1,667)	(2,493)
	(117,603)	(116,885)

5 PROFIT FROM OPERATING ACTIVITIES

	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
Operating profit has been arrived at after charging:		
Depreciation	413,162	309,936
Impairment of assets	19,311	34,426
Credit impairment charge on trade debtors	8,230	3,957
Fees and commissions	6	16
Group service fee	19,138	20,288
Auditors remuneration	942	1,109
Rent on property	3,161	2,692
Staff costs (note 6)	80,373	80,226
Other operating expenses	33,121	32,842
Foreign exchange loss / (gain)	248	(614)
Auditors remuneration:		
Audit of the Group financial statements	420	378
Audit of the Subsidiary financial statements	58	68
Other assurance services	137	161
Other non-audit services	-	-
Tax advisory services	327	502
	942	1,109
Of which related to the Company	884	1,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 STAFF COSTS

	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
Staff costs	71,052	71,421
Social security costs	5,573	5,544
Other pension costs	3,748	3,261
	80,373	80,226

No staff costs were capitalised during the year (year ended 31 March 2019: $nil). The average number of people in the organisation during the financial year was 192 (2019: 188), consisting of both direct employees and representatives, of which 42 staff members were dedicated to commercial & strategy functions (2019: 44), 77 to operational (2019: 72) and the remainder to finance, compliance and other support functions.

7 NET FINANCE COSTS

	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
Finance income:		
Interest income on swaps	117,798	85,925
Interest income on deposits	9,774	3,251
Total interest income	127,572	89,176
Finance expense:		
Interest payable on swaps	(136,215)	(91,784)
Interest payable on borrowings	(339,120)	(321,911)
Interest payable on security deposits	-	(14)
Less: Interest capitalised to the cost of aircraft (see note 21)	67,464	48,585
Bank charges, guarantee & other fees on borrowings	(24,666)	(27,293)
Total interest payable and related charges	(432,537)	(392,417)
Net interest payable	(304,965)	(303,241)
Break gains related to derivatives and liability management	4,533	2,249
Net trading income:		
Fair value movement on interest rate swaps in qualifying hedging relationships	16,483	10,256
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	(17,597)	(10,606)
Net expense from financial instruments at fair value (note 21)	(1,114)	(350)

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 2020 is a loss of $1,114,000 (year ended 31 March 2019: $350,000).

8 TAXATION

	Year ended 31 March 2020 US $'000	Year ended 31 March 2019 US $'000
a Analysis of tax charge for the year		
Current tax charge:		
Current year	323	12,310
Deferred tax - origination and reversal of temporary differences:		
Current year	45,061	35,460
Tax charge	45,384	47,770
b factors affecting the tax charge for the year		
Profit before tax subject to tax at 12.5% (2019: 12.5%)	362,490	335,260
Profit before tax subject to tax at 28% (2019: 33.33%)	50	52
Profit before tax subject to tax at 25% (2019: 25%)	1,884	8,930
Profit before tax subject to tax at 16.5% (2019: 16.5%)	94	228
	364,518	344,470
Tax on profit at the rate of 12.5% (2019: 12.5%)	45,311	41,908
Tax on profit at the rate of 28% (2019: 33.33%)	14	15
Tax on profit at the rate of 25% (2019: 25%)	471	2,233
Tax on profit at the rate of 16.5% (2019: 16.5%)	16	38
Other differences	173	503
Adjustment to assessed loss brought forward	(590)	2,805
Permanent difference - non-taxable income	(184)	(186)
Permanent difference - disallowed expenses	173	454
Tax charge	45,384	47,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT

	Group Aircraft for hire under operating leases US $'000	Group Pre-Delivery Payments US $'000	Group Office equipment and fixtures & fittings US $'000	Group Right-of-use assets US $'000	Group Total US $'000
COST					
At 1 April 2018	10,004,219	1,128,195	10,860	-	11,143,274
Additions	2,035,808	827,000	673	-	2,863,481
Transfers	281,106	(281,106)	-	-	-
Disposals	(883,366)	-	-	-	(883,366)
Transfer to assets held for sale (see note 18)	(155,393)	-	-	-	(155,393)
At 31 March 2019	11,282,374	1,674,089	11,533	-	12,967,996
Adjustment on initial application of IFRS16	-	-	-	9,677	9,677
At 1 April 2019	11,282,374	1,674,089	11,533	9,677	12,977,673
Additions	1,566,794	572,090	613	-	2,139,497
Transfers	172,849	(172,849)	-	-	-
Disposals	(488,072)	-	-	-	(488,072)
Transfer to assets held for sale (see note 18)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,146	9,677	13,833,511
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2018	1,062,384	-	6,470	-	1,068,854
Charge for the year	307,783	-	2,153	-	309,936
Impairment charge for the year	34,426	-	-	-	34,426
Disposals	(140,435)	-	-	-	(140,435)
Transfer to assets held for sale (see note 18)	(52,167)	-	-	-	(52,167)
At 31 March 2019	1,211,991	-	8,623	-	1,220,614
Charge for the year	408,780	-	1,893	2,489	413,162
Impairment charge for the year	19,311	-	-	-	19,311
Disposals	(109,582)	-	-	-	(109,582)
Transfer to assets held for sale (see note 18)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,516	2,489	1,346,601
CARRYING AMOUNT					
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,630	7,188	12,486,910
Net Book Value at 31 March 2019	10,070,383	1,674,089	2,910	-	11,747,382

During the year, assets in the Group with a carrying value of $152,351,000 (year ended 31 March 2019: $608,421,000) and average age of 7.4 years (year ended 31 March 2019: 8.9 years) were subject to impairment partly due to a deterioration in the inherent value of these aircraft and an assessment of the value of the leases attached to them, when assessed at a discount rate of 5% (year ended 31 March 2019: 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 $171,662,000 (year ended 31 March 2019: $642,847,000) of aircraft was determined to be higher than the value in use of $152,351,000 (year ended 31 March 2019: $608,421,000) and an impairment loss of $19,311,000 (year ended 31 March 2019: $34,426,000) was recognised during the year.

Value in use includes cash flow projections of contracted lease rentals, estimated lease rentals and anticipated residual values. These estimates require significant management judgment, particularly in the current year with the added uncertainty of Covid-19. Management base their estimates on internal models which use historical and forecast data and also with reference to independent appraiser valuations obtained. Estimates of future cashflows are by their nature uncertain and there is no guarantee that the estimates made by management will be achieved when they occur. These estimates reflect the best estimate of management at the reporting date, using all available information.

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company Aircraft for hire under operating leases US $'000	Company Pre-Delivery Payments US $'000	Company Office equipment and fixtures & fittings US $'000	Company Right-of-use assets US $'000	Company Total US $'000
COST					
At 1 April 2018	9,986,857	1,045,150	10,850	-	11,042,857
Additions	2,199,207	753,740	666	-	2,953,613
Transfers	197,758	(197,758)	-	-	-
Disposals	(946,055)	-	-	-	(946,055)
Transfer to assets held for sale (see note 18)	(155,393)	-	-	-	(155,393)
At 31 March 2019	11,282,374	1,601,132	11,516	-	12,895,022
Adjustment on initial application of IFRS16	-	-	-	6,983	6,983
At 1 April 2019	11,282,374	1,601,132	11,516	6,983	12,902,005
Additions	1,632,156	579,685	613	-	2,212,454
Transfers	107,487	(107,487)	-	-	-
Disposals	(488,072)	-	-	-	(488,072)
Transfer to assets held for sale (see note 18)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,129	6,983	13,830,800
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2018	1,151,879	-	6,463	-	1,158,342
Charge for the year	297,788	-	2,151	-	299,939
Impairment charge for the year	34,426	-	-	-	34,426
Disposals	(219,933)	-	-	-	(219,933)
Transfer to assets held for sale (see note 18)	(52,167)	-	-	-	(52,167)
At 31 March 2019	1,211,993	-	8,614	-	1,220,607
Charge for the year	408,780	-	1,891	1,397	412,068
Impairment charge for the year	19,311	-	-	-	19,311
Disposals	(109,584)	-	-	-	(109,584)
Transfer to assets held for sale (see note 18)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,505	1,397	1,345,4981
CARRYING AMOUNT					
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,624	5,586	12,485,302
Net Book Value at 31 March 2019	10,070,381	1,601,132	2,902	-	11,674,415

The value of maintenance intangible assets included in above is $3,861,000 (31 March 2019: $3,861,000). The maintenance intangible assets arose from the purchase of second hand aircraft during a prior period and are accounted for in accordance with our policy as set out in note 1(k). The carrying amount of assets included in Group and Company above subject to obligations under finance leases is $54,394,000 (31 March 2019: $112,050,000; note 20).

On 31 March 2020, the Group classified qualifying assets with a carrying value of $173,677,000 as assets held for sale as they met the relevant criteria (see note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 GOODWILL AND INTANGIBLE ASSETS

	Group intangible assets US $'000	Company intangible assets US $'000
COST		
At 1 April 2018	16,783	13,444
Additions	166	166
Disposals	(506)	-
At 31 March 2019	16,443	13,610
Additions	978	978
Disposals	(3,528)	(695)
At 31 March 2020	13,893	13,893
AMORTISATION AND OTHER ADJUSTMENTS		
At 1 April 2018	12,474	9,193
Amortisation for the year	2,493	2,435
Disposals	(506)	-
At 31 March 2019	14,461	11,628
Amortisation for the year	1,667	1,667
Disposals	(3,528)	(695)
At 31 March 2020	12,600	12,600
TOTAL GOODWILL AND INTANGIBLE ASSETS		
At 31 March 2020	1,293	1,293
At 31 March 2019	1,982	1,982

Amortisation of intangible assets is included in Other 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 other operating income (note 3).

As at 31 March 2020, intangible assets consist of computer software intangible assets with a remaining amortisable life of less than three years.

11 INVESTMENT IN SUBSIDIARIES - COMPANY

	31 March 2020 US $'000	31 March 2019 US $'000
At cost	15,509	15,509

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 Finance Designated Activity Company (1)	Debt issuance	Ireland
SMBC Aviation Capital Netherlands B.V. (2)	Leasing	Netherlands
SMBC Aviation Capital Paris Leasing 2 SARL (3)	Leasing	France
SMBC Aviation Capital Hong Kong Limited (4)	Leasing	China
SMBC Aviation Capital Hong Kong 2 Limited (4)	Debt issuance	China
SMBC Aviation Capital GAL Holdings Limited (in liquidation) (5)	Intermediate leasing company	Bermuda

A new subsidiary, SMBC Aviation Capital Hong Kong 2 Limited, was incorporated on 2 December 2019, while an existing subsidiary, SMBC Aviation Capital GAL Holdings Limited, was placed into liquidation on 24 March 2020.

The aircraft deliveries for which Valderrama Aviation Limited, a PDP financing company ("structured entity") in which the Group had an interest as at 31 March 2019, 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 2020.

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

01. IFSC House, IFSC, Dublin 1, Ireland
02. Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands
03. 3-5, rue Saint-Georges, 75009 Paris, France
04. Unit 4307-09, Level 43, Champion Tower, 3 Garden Road, Central, Hong Kong
05. Canon's Court, 22 Victoria St, Hamilton HM 12, Bermuda

Movements during the year	US $'000
At 1 April 2018	210,622
Addition during the year	0
Impairment in value during the year	(2,227)
Subsidiaries liquidated during the year	(192,886)
At 31 March 2019	15,509
Addition during the year	0
At 31 March 2020	15,509

During the prior year, the Company received a distribution of $2.4m (2020: $nil) from a subsidiary company, recognised in other income, and consequently recognised a part-reduction in value of the investment in this subsidiary of $2.2m (2020: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 FINANCIAL INSTRUMENTS

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

31 March 2020	Group Carrying Value US $'000	Group Fair Value US $'000	Company Carrying Value US $'000	Company Fair Value US $'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	2,824	2,824	2,824	2,824
Financial assets measured at amortised cost				
Trade and other receivables	160,286	160,286	162,951	162,951
Cash and cash equivalents	1,242,356	1,242,356	1,242,001	1,242,001
Financial assets	1,405,466	1,405,466	1,407,776	1,407,776
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	588,616	588,616	588,616	588,616
Borrowings (held for qualifying hedging relationships)	502,777	502,777	502,777	502,777
Financial liabilities measured at amortised cost:				
Obligations under finance leases	13,054	13,868	13,054	13,868
Trade and other payables	1,014,703	1,014,703	1,072,942	1,072,942
Borrowings	8,508,477	9,603,549	8,508,478	9,605,344
Subordinated liabilities	300,000	300,868	300,000	300,868
Financial liabilities	10,927,627	12,024,381	10,985,867	12,084,415

31 March 2019	Group Carrying Value US $'000	Group Fair Value US $'000	Company Carrying Value US $'000	Company Fair Value US $'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	10,048	10,048	10,048	10,048
Financial assets measured at amortised cost				
Trade and other receivables	95,898	95,898	169,551	169,551
Cash and cash equivalents	525,510	525,510	525,288	525,288
Financial assets	631,456	631,456	704,887	704,887
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	149,906	149,906	149,906	149,906
Borrowings (held for qualifying hedging relationships)	484,336	484,336	484,336	484,336
Financial liabilities measured at amortised cost:				
Obligations under finance leases	35,981	37,620	35,981	37,620
Trade and other payables	978,205	978,205	985,865	985,865
Borrowings	7,346,731	7,984,177	7,396,718	8,035,797
Subordinated liabilities	300,000	304,878	300,000	304,878
Financial liabilities	9,295,159	9,939,122	9,352,806	9,998,402

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

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

12 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

13 DERIVATIVES AT FAIR VALUE

All derivatives held at the reporting date are with Sumitomo Mitsui Banking Corporation Capital Markets Inc., and are in US Dollars only. All derivatives entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IAS39 hedge accounting criteria are held for economic hedging purposes. The value of derivatives designated as cash flow hedge relationships is $588,607,000 (2019: $126,188,000). The value of derivative assets designated as fair value hedge relationships is $2,814,000 (2019: derivative liability of $13,670,000). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2019: $nil) in respect of certain ineffective cashflow hedges and a $1,114,000 loss (2019: $350,000) in respect of certain ineffective fair values hedges.

	Group	Group fair values		Company	Group fair values	
As at 31 March 2020	**Notional Contract US $'000**	**Assets US $'000**	**Liabilities US $'000**	**Notional Contract US $'000**	**Assets US $'000**	**Liabilities US $'000**
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	500,000	2,814	-	500,000	2,814	-
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	4,346,564	10	(588,616)	4,346,564	10	(588,616)
	4,846,564	2,824	(588,616)	4,846,564	2,824	(588,616)
Total	4,846,564	2,824	(588,616)	4,846,564	2,824	(588,616)
As at 31 March 2019						
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	500,000	-	(13,670)	500,000	-	(13,670)
Derivatives designated as hedging instruments in fair value hedges						
Interest rate swaps	3,815,823	10,048	(136,236)	3,815,823	10,048	(136,236)
	4,315,823	10,048	(149,906)	4,315,823	10,048	(149,906)
Total	4,315,823	10,048	(149,906)	4,315,823	10,048	(149,906)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 DERIVATIVES AT FAIR VALUE (CONTINUED)

Summary	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Assets due within one year	10	390	10	390
Assets due after one year	2,814	9,658	2,814	9,658
Liabilities due within one year	(516)	-	(516)	-
Liabilities due after one year	(588,100)	(149,906)	(588,100)	(149,906)
Total	(585,792)	(139,858)	(585,792)	(139,858)

14 HEDGE ACCOUNTING

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

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

Group

	Notional contract amount	Group fair values	
As at 31 March 2020	US $'000	Assets US $'000	Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,346,564	10	(588,616)
	4,346,564	10	(588,616)
As at 31 March 2019			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,815,823	10,048	(136,236)
	3,815,823	10,048	(136,236)

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 2020	Less than 1 year US $'000	In the 2nd year US $'000	3 to 5 years US $'000	Over 5 years US $'000
Cash inflows	104,399	85,013	258,617	394,297
Cash outflows	(160,716)	(170,725)	(490,861)	(627,911)

During the financial year ended 31 March 2020, $461,618,000 (2019: $152,558,000) 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 (2019: $nil).

Company

	Notional contract amount	Fair values	
As at 31 March 2020	US $'000	Assets US $'000	Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,346,564	10	(588,616)
	4,346,564	10	(588,616)

14 HEDGE ACCOUNTING (CONTINUED)

As at 31 March 2019	Notional contract amount US $'000	Fair values Assets US $'000	Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,815,823	10,048	(136,236)
	3,815,823	10,048	(136,236)

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 2020	Less than 1 year US $'000	In the 2nd year US $'000	3 to 5 years US $'000	Over 5 years US $'000
Cash inflows	104,399	85,013	258,617	394,297
Cash outflows	(160,716)	(170,725)	(490,861)	(627,911)

During the financial year ended 31 March 2020, $461,618,000 (2019: $152,558,000) 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 (2019: $nil).

	Group Year ended 31 March 2020 US $'000	Group Year ended 31 March 2019 US $'000	Company Year ended 31 March 2020 US $'000	Company Year ended 31 March 2019 US $'000
Analysis of effective portion of changes in fair value of cash flow hedges				
Derivatives in place for the full year	(429,152)	(7,592)	(429,152)	(7,592)
Derivatives matured during the year	409	(15,248)	409	(14,023)
Derivatives entered into during the year	(32,875)	(130,942)	(32,875)	(130,942)
Effective portion of changes in fair value of cash flow hedges	(461,618)	(153,782)	(461,618)	(152,557)
Tax effect	57,702	19,070	57,702	19,070
	(403,916)	(134,712)	(403,916)	(133,487)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 TRADE AND OTHER RECEIVABLES

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Trade debtors - net	73,356	24,765	73,338	24,765
Amounts due from parent group undertakings	26,255	24,822	33,560	100,920
Prepayments	13,442	19,435	8,564	18,871
Other debtors	47,233	26,876	47,489	24,995
	160,286	95,898	162,951	169,551
Age analysis of net trade debtors				
Less than one month	45,146	12,038	45,128	12,038
One to two months	10,599	6,522	10,599	6,522
More than two months	17,611	6,205	17,611	6,205
	73,356	24,765	73,338	24,765

Amounts due from parent group undertakings in the prior year in respect of the Company include balances receivable from structured entities which have been utilised as PDP finance vehicles (note 11).

15 CASH AND CASH EQUIVALENTS

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Bank account	5,363	3,980	5,009	3,886
Bank account with parent group undertakings	5,235	8,520	5,235	8,392
Short-term deposits with parent group undertakings	1,231,758	513,010	1,231,757	513,010
	1,242,356	525,510	1,242,001	525,288
Restricted cash	(601,800)	(157,000)	(601,800)	(157,000)
Cash and cash equivalents net of restricted cash	640,556	368,510	640,201	368,288

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

17 LEASE INCENTIVE ASSETS

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Lease incentive assets	50,965	72,791	50,965	72,791
Amortised during the year	(16,326)	(17,148)	(16,326)	(17,148)
Additions of lease incentive assets	11,413	9,198	11,413	9,198
Release of lease incentive assets on disposal of aircraft	(12,776)	(6,707)	(12,776)	(6,707)
Transfer to assets held for sale	-	(7,169)	-	(7,169)
	33,276	50,965	33,276	50,965
Current lease incentive assets (amortising within 12 months)	9,494	10,376	9,494	10,376
Non-current lease incentive assets (amortising after 12 months)	23,782	40,589	23,782	40,589
	33,276	50,965	33,276	50,965

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

18 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 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Assets held for sale				
Property, plant and equipment - aircraft	173,677	127,101	173,677	127,101
Lease incentive assets	-	7,169	-	7,169
	173,677	134,270	173,677	134,270
Liabilities associated with assets held for sale				
Obligations under finance leases	4,441	-	4,441	-
Security deposits	1,328	675	1,328	675
Maintenance reserve	8,751	13,669	8,751	13,669
Lessor contributions	2,667	11,524	2,667	11,524
	17,187	25,868	17,187	25,868
	156,490	108,402	156,490	108,402

At 31 March 2020, the Group and Company classified 5 aircraft and 1 engine (31 March 2019: 5 aircraft) as held-for-sale as the Group and Company had agreements for the sale of these items 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. A write-down in fair value of one of the aircraft classified in this note was recognised in the current period ($991,000) and is included in the overall profit on disposal of property, plant and equipment (note 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19 TRADE AND OTHER PAYABLES

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Security deposits	133,355	123,080	133,355	123,080
Maintenance reserves	454,621	352,991	454,621	352,991
Lessor contributions	56,706	74,579	56,706	74,579
Prepaid lease rentals and fee income received	83,606	88,994	83,414	88,779
Trade creditors	8,317	9,743	7,980	9,503
Accrued interest - third party undertakings	47,198	47,900	26,996	28,762
Amounts due to parent group undertakings	114,114	130,371	195,550	158,930
Other creditors	104,040	124,679	101,574	123,373
	1,001,957	952,337	1,060,196	959,997
Analysed as:				
Non-current trade and other payables (payable after 12 months)	613,518	503,908	612,892	511,284
Current trade and other payables (payable within 12 months)	388,439	448,429	447,304	448,713
	1,001,957	952,337	1,060,196	959,997

Analysis of Group trade and other payables:

As at 31 March 2020	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	1,227	132,128	133,355
Maintenance reserve	53,464	401,157	454,621
Lessor contributions	12,346	44,360	56,706
Prepaid lease rentals and fee income received	83,606	-	83,606
Trade creditors	8,317	-	8,317
Accrued interest - third party undertakings	47,198	-	47,198
Amounts due to parent group undertakings	112,118	1,996	114,114
Other creditors	70,163	33,877	104,040
	388,439	613,518	1,001,957

As at 31 March 2019	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	2,670	120,410	123,080
Maintenance reserve	58,267	294,724	352,991
Lessor contributions	22,525	52,054	74,579
Prepaid lease rentals and fee income received	88,994	-	88,994
Trade creditors	9,743	-	9,743
Accrued interest - third party undertakings	47,900	-	47,900
Amounts due to parent group undertakings	118,619	11,752	130,371
Other creditors	99,711	24,968	124,679
	448,429	503,908	952,337

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

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

20 OBLIGATIONS UNDER FINANCE LEASES

Amounts payable under finance leases	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Minimum lease payments:				
Within one year	3,540	15,333	3,540	15,333
In the second to fifth years inclusive	5,938	23,818	5,938	23,818
After five years	-	-	-	-
	9,478	39,151	9,478	39,151
Less: future finance charges	(865)	(3,170)	(865)	(3,170)
Present value of lease obligations	8,613	35,981	8,613	35,981
Present value of minimum lease payments:				
Within one year	3,052	13,596	3,052	13,596
In the second to fifth years inclusive	5,561	22,385	5,561	22,385
After five years	-	-	-	-
	8,613	35,981	8,613	35,981

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

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

As at 31 March 2019	Average interest rate %	Year of maturity	Due < 12 months US $'000	Due < 12 months US $'000	Total US $'000
Secured - due to third party undertakings					
Fixed rate obligations	4.83	2021	10,658	13,773	24,431
			10,658	13,773	24,431
Unsecured - due to parent group undertakings					
Fixed rate obligations	6.09	2022	2,938	8,612	11,550
			13,596	22,385	35,981

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 BORROWINGS

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Loan amounts due to third party undertakings	2,798,278	2,599,368	2,398,278	2,399,368
Loan amounts due to parent group undertakings	4,216,473	3,752,300	4,216,474	3,752,295
Loan amounts due to subsidiaries	-	-	2,396,503	1,729,391
Debt securities issued in qualifying hedging relationships	502,777	484,336	-	-
Other debt securities issued	1,493,726	995,063	-	-
	9,011,254	7,831,067	9,011,255	7,881,054
The borrowings are repayable as follows:				
On demand or within one year	490,017	661,364	490,018	711,363
In the second year	1,297,790	477,541	1,297,790	477,541
In the third to fifth year inclusive	3,258,929	3,498,161	3,258,929	3,498,153
After five years	3,964,518	3,194,001	3,964,518	3,193,997
	9,011,254	7,831,067	9,011,255	7,881,054
Less: Amounts due for settlement within 12 months	(490,017)	(661,364)	(490,018)	(711,363)
Amounts due for settlement after 12 months	8,521,237	7,169,703	8,521,237	7,169,691

On 19 July 2016, the Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited, and the hedged interest rate risk measured at fair value through profit or loss. These debt securities were designated into a qualifying hedge relationship at inception and the Group has determined that it expects the hedge to be highly effective over the life of the hedging instrument. The debt securities are fair valued through profit or loss with respect to the hedged interest rate. The net fair value hedge ineffectiveness loss of $1,114,000 (note 7; year ended 31 March 2019: $350,000) recognised in the Statement of comprehensive income reflects a gain from hedging instruments related to debt securities of $16,483,000 (year ended 31 March 2019: $10,256,000) and a loss from these hedged debt securities of $17,597,000 (year ended 31 March 2019: $10,606,000).

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

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

The amount of borrowing costs that were capitalised to the cost of aircraft in the period in the Group was $67,464,000 (year ended 31 March 2019: $48,585,000; note 9). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

21 BORROWINGS (CONTINUED)

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

	As at 1 April 2019	Cash flow in the period	Non-cash changes: Fair value changes	Non-cash changes: Amortisation of issuing costs	As at 31 March 2020
Floating rate borrowings					
Loan amounts due to third party undertakings	2,500,000	-	-	-	2,500,000
Loan amount due to parent group undertakings	1,647,894	572,768	-	-	2,220,662
	4,147,894	572,768	-	-	4,720,662
Fixed rate borrowings					
Loan amount due to parent group undertakings	2,104,406	(108,595)	-	-	1,995,811
Loan amounts due to third party undertakings	99,368	198,910	-	-	298,278
Debt securities issued in qualifying hedging relationships	484,336	-	17,597	844	502,777
Other debt securities issued	995,063	496,685	-	1,978	1,493,726
	7,831,067	1,159,768	17,597	2,822	9,011,254

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

As at 31 March 2020	Average interest %	Year of maturity	Due < 12 months US $'000	Due < 12 months US $'000	Total US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	2.89	2020-2029	320,000	2,180,000	2,500,000
Loan amount due to parent group undertakings	4.16	2023-2033	53,712	2,166,950	2,220,662
			373,712	4,346,950	4,720,662
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.65	2021-2034	116,305	1,879,506	1,995,811
Loan amounts due to third party undertakings	2.59	2025-2028	-	298,278	298,278
Debt securities issued in qualifying hedging relationships	2.65	2021	-	502,777	502,777
Other debt securities issued	3.56	2022-2024	-	1,493,726	1,493,726
			490,017	8,521,237	9,011,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

As at 31 March 2019	Average interest %	Year of maturity	Due < 12 months US $'000	Due < 12 months US $'000	Total US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	3.74	2020-2027	300,000	2,200,000	2,500,000
Loan amount due to parent group undertakings	5.38	2023-2033	41,907	1,605,987	1,647,894
			341,907	3,805,987	4,147,894
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.50	2019-2028	319,457	1,784,949	2,104,406
Loan amounts due to third party undertakings	3.97	2025	-	99,368	99,368
Debt securities issued in qualifying hedging relationships	2.65	2021	-	484,336	484,336
Other debt securities issued	3.56	2022-2023	-	995,063	995,063
			661,364	7,169,703	7,831,067

22 FINANCIAL RISK MANAGEMENT

Risk Management Framework

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

a Currency Risk

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

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. Information on the currency derivatives is provided in note 13.

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

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Euro assets	9,907	13,936	9,422	13,637
Sterling assets	33	92	33	92
Japanese yen assets	299	713	299	713
Euro liabilities	(14,611)	(15,089)	(14,048)	(10,562)
Sterling liabilities	(647)	(68)	(647)	(68)
Japanese yen liabilities	(271)	(291)	(271)	(291)

At 31 March 2020, 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 $336,948 lower/higher, and for the Company would have been $265,144 lower/higher, mainly as a result of foreign exchange gains/losses on retranslation of Euro denominated cash balances, payables and other receivables.

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Financial assets				
— variable rate	601,800	157,000	601,800	157,000
— fixed rate	629,957	356,010	629,957	356,010
— non-interest bearing	173,709	118,446	176,019	191,877
Total Financial Assets	1,405,466	631,456	1,407,776	704,887
Financial liabilities				
— variable rate	5,020,662	4,447,894	5,020,662	4,497,882
— fixed rate	4,303,646	3,719,154	4,303,647	3,719,153
— non-interest bearing	1,603,319	1,128,111	1,661,558	1,135,771
Total Financial Liabilities	10,927,627	9,295,159	10,985,867	9,352,806

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 2020, 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 $1,899,000 lower/higher; other components of equity would have been $30,319,000 lower/ higher as a result of a decrease/increase in the fair value of cash flow hedge reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

c **Liquidity Risk**

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. As at 31 March 2020, the Group had put in place $6.3 billion of available capacity through a combination of undrawn shareholder funding ($3.2 billion), third party availability ($2.4 billion) and unrestricted cash balances. Any maturity mismatch within the overall long-term structure of the Group and Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Group and Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise.

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 2020 US $'000	Group Contracted cashflows 31 March 2020 US $'000	Company Carrying value 31 March 2019 US $'000	Company Contracted cashflows 31 March 2019 US $'000
Liabilities associated with assets held for sale	17,187	17,187	25,868	25,868
Trade and other payables	1,001,957	1,001,957	952,337	952,337
Obligations under finance leases	8,613	9,472	35,981	39,151
Borrowings	9,011,254	10,533,157	7,831,067	9,487,821
Subordinated liabilities	300,000	544,851	300,000	622,502
Interest rate swaps	588,616	1,450,213	149,906	1,481,344
	10,927,627	13,556,837	9,295,159	12,609,023

31 March 2020	Group Less than 1 year US $'000	Group 1 to 2 years US $'000	Group 3 to 5 years US $'000	Group Over 5 years US $'000
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(17,187)	-	-	-
Trade and other payables	(388,442)	(91,517)	(285,040)	(236,958)
Obligations under finance leases	(3,534)	(3,465)	(2,473)	-
Borrowings	(777,490)	(1,527,423)	(3,786,528)	(4,441,716)
Subordinated liabilities	(16,125)	(13,240)	(41,557)	(473,929)
Total non-derivative financial instruments outflows	(1,202,778)	(1,635,645)	(4,115,598)	(5,152,603)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(56,317)	(85,712)	(232,245)	(233,613)
Total Outflows	(1,259,095)	(1,721,357)	(4,347,843)	(5,386,216)

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

c **Liquidity Risk (continued)**

31 March 2019	Group Less than 1 year US $'000	Group 1 to 2 years US $'000	Group 3 to 5 years US $'000	Group Over 5 years US $'000
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(25,868)	-	-	-
Trade and other payables	(448,429)	(36,668)	(224,133)	(243,107)
Obligations under finance leases	(15,333)	(16,209)	(7,609)	-
Borrowings	(967,538)	(750,841)	(4,091,512)	(3,677,930)
Subordinated liabilities	(20,645)	(19,406)	(56,699)	(525,752)
Total non-derivative financial instruments outflows	(1,477,813)	(823,124)	(4,379,953)	(4,446,789)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(9,997)	(20,063)	(64,292)	(43,461)
Total Outflows	(1,487,810)	(843,187)	(4,444,245)	(4,490,250)

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

	Company Carrying value 31 March 2020 US $'000	Company Contracted cashflows 31 March 2020 US $'000	Company Carrying value 31 March 2019 US $'000	Company Contracted cashflows 31 March 2019 US $'000
Liabilities associated with assets held for sale	17,187	17,187	25,868	25,868
Trade and other payables	1,060,196	1,060,196	959,997	959,997
Obligations under finance leases	8,613	9,472	35,981	39,151
Borrowings	9,011,254	10,300,561	7,881,054	9,537,808
Subordinated liabilities	300,000	544,851	300,000	622,502
Interest rate swaps	588,616	1,450,213	149,906	1,481,344
	10,985,867	13,382,480	9,352,806	12,666,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 March 2020	Company Less than 1 year US $'000	Company 1 to 2 years US $'000	Company 3 to 5 years US $'000	Company Over 5 years US $'000
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(17,187)	-	-	-
Trade and other payables	(447,304)	(91,517)	(285,040)	(236,335)
Obligations under finance leases	(3,534)	(3,465)	(2,473)	-
Borrowings	(773,671)	(1,527,423)	(3,786,528)	(4,212,939)
Subordinated liabilities	(16,125)	(13,240)	(41,557)	(473,929)
Total Non-derivative Financial Instruments Outflows	(1,257,821)	(1,635,645)	(4,115,598)	(4,923,203)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(56,317)	(85,712)	(232,245)	(233,613)
Total Outflows	(1,314,138)	(1,721,357)	(4,347,843)	(5,156,816)

31 March 2019	Company Less than 1 year US $'000	Company 1 to 2 years US $'000	Company 3 to 5 years US $'000	Company Over 5 years US $'000
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(25,868)	-	-	-
Trade and other payables	(448,713)	(36,668)	(224,133)	(250,483)
Obligations under finance leases	(15,333)	(16,209)	(7,609)	-
Borrowings	(1,017,525)	(750,841)	(4,091,512)	(3,677,930)
Subordinated liabilities	(20,645)	(19,406)	(56,699)	(525,752)
Total Non-derivative Financial Instruments Outflows	(1,528,084)	(823,124)	(4,379,953)	(4,454,165)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	-	-	-
Net Settled - outflow	(9,997)	(20,063)	(64,292)	(43,461)
Total Outflows	(1,538,081)	(843,187)	(4,444,245)	(4,497,626)

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

22 FINANCIAL RISK MANAGEMENT (CONTINUED)

d Credit Risk

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

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

The Group's principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables ($147 million of which $73 million relate to lease receivables) resulting from its leasing activities and cash and cash equivalents (bank accounts totalling $1.24 billion; including $1.23 billion with group companies). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

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

At 31 March 2020, the Group's significant cash and deposit counterparties were:

	US $'000
SMBC (credit rating A (S&P))	1,236,993
Citibank (Credit rating A+ (S&P))	5,363
	1,242,356

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 2020, the Group was exposed to trade debtors of $85.54 million (2019: $28.7 million) and held a provision for expected credit losses against these for $12.19 million (2019: $3.96 million). A number of leases were restructured during the year ended 31 March 2017, which resulted in a provision for deferred rentals at 31 March 2020 of $5.04 million (2019: $9.05 million). At 31 March 2020 the Group held letters of credit of $451.7 million (2019: $488.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

		Group & Company 31 March 2020		Group & Company 31 March 2019	
	ECL provision %	Gross carrying amount US $'000	Impairment loss US $'000	Gross carrying amount US $'000	Impairment loss US $'000
Category 1	0.0%	6,039	-	1,936	-
Category 2	0.1%	24,417	-	4,230	-
Category 3	2.0%	11,673	-	1,299	-
Category 4	33% - 100%	43,414	12,187	21,257	3,957
		85,543	12,187	28,722	3,957

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

Impairment Losses	Group US $'000	Company US $'000
The movement in the provision for expected credit losses in respect of lease receivables is as follows:		
Balance at 1 April 2018	-	-
Credit impairment charge on trade debtors	3,957	3,957
Balance at 31 March 2019	3,957	3,957
Credit impairment charge on trade debtors	8,230	8,230
Balance at 31 March 2020	12,187	12,187

e **Asset Value Risk**

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

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

f **Capital Management**

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

23 DEFERRED TAX

Movements during the year:	Group US $'000	Group US $'000
At 1 April 2018	316,280	306,158
Charge to income from continuing operations (note 8)	35,460	45,582
Charge to other comprehensive income	(19,070)	(19,070)
At 31 March 2019	332,670	332,670
Adjustment on initial application of IFRS16	(10)	(7)
Adjusted balance at 1 April 2019	332,660	332,663
Charge to income from continuing operations (note 8)	45,061	45,066
Charge to other comprehensive income	(57,752)	(57,752)
At 31 March 2020	319,969	319,977

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Deferred tax assets	74,061	17,619	74,061	17,619
Deferred tax liabilities	(394,030)	(350,289)	(394,038)	(350,289)
	(319,969)	(332,670)	(319,977)	(332,670)

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

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	(394,029)	(348,977)	(394,037)	(348,977)
Fair value adjustments on financial instruments - deferred tax asset	74,061	17,619	74,061	17,619
Fair value adjustments on financial instruments - deferred tax liability	(1)	(1,312)	(1)	(1,312)
	(319,969)	(332,670)	(319,977)	(332,670)

The Group has estimated tax losses of $1,912 million (31 March 2019: $1,938 million) which are available for set-off against future taxable income. These tax losses have arisen from the Group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 SUBORDINATED LIABILITIES

	Average interest rate %	Year of maturity	31 March 2020 US $'000	31 March 2019 US $'000
$300 million floating rate loan due to parent group undertakings	5.91	2036	300,000	300,000
At 31 March 2020			300,000	300,000

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan was recently extended to February 2036 and can be extended further with the agreement of both parties.

25 SHARE CAPITAL

	31 March 2020 US $	31 March 2019 US $
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
Preference shares of $1 each	700,000,000	700,000,000
Preference shares of $1 each	1,000,000,000	1,000,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
Preference shares of $1 each	700,000,000	700,000,000
Preference shares of $1 each	887,512,800	887,512,800

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

	31 March 2020 Number of shares	31 March 2019 Number of shares
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
Preference shares of $1 each	700,000,000	700,000,000
Preference shares of $1 each	1,000,000,000	700,000,000
Issued, called up and fully paid:		
Ordinary shares of $1 each	187,512,800	187,512,800
Preference shares of $1 each	700,000,000	700,000,000
Preference shares of $1 each	887,512,800	887,512,800

In November 2018, the Company increased its authorised share capital from 245 million ordinary voting shares which carry no right to fixed income, to 300 million ordinary voting shares which carry no right to fixed income and 700 million non-voting 7.5% non-cumulative preference shares.

At the same time, and as part of the an overall restructuring of shareholding in the Company, the Company redeemed the ordinary shareholding of Sumitomo Corporation ("SC") from its distributable reserves and issued new ordinary shares at a premium to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") in such proportions that the shareholding of SMFL and SMBC would be re-balanced to 68% and 32% respectively, resulting in a net increase of 30 issued ordinary shares. In addition, 700 million preference shares were issued to SMFL and SMBC pro rata to their respective shareholdings in the Company.

26 OTHER COMPONENTS OF EQUITY

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Share premium	261,102	261,102	261,102	261,102
	261,102	261,102	261,102	261,102
Capital contribution	207,486	207,486	207,486	207,486
Other reserve	1,967	1,967	-	-
Cash flow hedge reserve	(518,418)	(114,152)	(518,418)	(114,152)
Total other reserves	(47,863)	356,403	(49,830)	354,436

The Company issued 18,751,307 new ordinary shares of $1 each at a premium of $12.9245 per share to Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL") and Sumitomo Mitsui Banking Corporation ("SMBC") as part of the shareholder restructuring in November 2018 disclosed in note 25.

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 of the Group's Consolidated Financial Statements for the year ended 31 March 2018, 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.

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

27 OPERATING LEASE ARRANGEMENTS AS LESSOR

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

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Within one year	1,118,485	1,241,364	1,118,485	1,241,364
In the second year	1,259,476	1,381,891	1,259,476	1,381,891
In the third year	1,260,275	1,385,552	1,260,275	1,385,552
In the fourth year	1,161,782	1,362,154	1,161,782	1,362,154
In the fifth year	1,068,974	1,174,368	1,068,974	1,174,368
After five years	4,844,995	5,261,040	4,844,995	5,261,040
	10,713,987	11,806,369	10,713,987	11,806,369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 RELATED PARTIES

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

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

Transactions with parent companies:	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	1,971	3,101	1,971	3,101
Interest expense	782	1,422	782	1,422
Operating expenses	3,604	3,573	3,604	3,573
Balances at period end:				
Borrowings	15,172	16,945	15,172	16,945
Other creditors	143	307	143	307
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	2,489	2,127	2,184	1,809
Balances at period end:				
Sundry debtors	127	137	-	-
JRI America, Inc.				
Balances at period end:				
Other creditors	-	1,789	-	1,789
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	17,916	10,334	17,916	10,334
Fee income	4,426	3,496	4,426	3,496
Balances at period end:				
Amounts due to group undertakings	39,769	74,093	39,769	74,093
SMBC Capital Markets Inc.				
Transactions during the period:				
Fee income	5	5	5	5
Gain / (loss) on derivative fair value	16,483	(10,256)	16,483	(10,256)
Interest expense	13,187	4,369	13,187	4,369
Balances at period end:				
Cash	601,800	157,000	601,800	157,000
Derivative Financial Instruments	591,949	140,461	591,949	140,461

28 RELATED PARTIES (CONTINUED)

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
SMBC Trust Bank				
Transactions during the period:				
Interest expense	96,542	74,714	96,542	74,714
Balances at period end:				
Borrowings	2,296,019	1,640,984	2,296,019	1,640,984
Amounts due to group undertakings	10,300	10,428	10,300	10,428
SMBC Europe Limited				
Transactions during the period:				
Fee income	1,895	1,621	1,895	1,621
Interest income	727	2,357	727	2,357
Operating expense	(654)	(885)	(654)	(885)
Balances at period end:				
Cash	1,181	4,351	1,180	4,222
Sundry (Creditors) / Debtors	(546)	463	(546)	463
SMBC (Japan)				
Transactions during the period:				
Operating expenses	16,512	18,313	16,512	18,313
Balances at period end:				
Amounts due to group undertakings	7,246	4,468	7,246	4,468
SMBC (New York)				
Transactions during the period:				
Interest expense	111,992	119,678	111,992	119,678
Balances at period end:				
Borrowings	2,205,283	2,394,366	2,205,283	2,394,366
Cash	634,011	360,179	634,011	360,179
Amounts due to group undertakings	6,135	8,593	6,135	8,593
SMBC (Paris)				
Transactions during the period:				
Interest expense	649	824	649	824
Balances at period end:				
Obligations under Finance Leases	3,052	2,938	3,052	2,938
Non-current liabilities	5,620	8,690	5,620	8,690
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	530	1,186	530	1,186
Balances at period end:				
Other Creditors	122	330	122	330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Group 31 March 2020 US $'000	Group 31 March 2019 US $'000	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
SMFL (Hong Kong) Limited.				
Transactions during the period:				
Operating expenses	57	1,571	57	1,571
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	1,111	1,261	1,111	1,261
Balances at period end:				
Other Creditors	310	400	310	400
SMBC Aviation Capital Japan Co., Ltd.				
Transactions during the period:				
Fee income	2,025	2,027	2,025	2,027
Shanghai General SMFL Co., Ltd.				
Transactions during the period:				
Operating expenses	539	-	539	-
Balances at period end:				
Other Creditors	143	-	143	-
SMBC Leasing and Finance,Inc.				
Transactions during the period:				
Operating expenses	3,722	-	3,722	-
Balances at period end:				
Other Creditors	310	-	310	-
SMBC Bank EU AG				
Transactions during the period:				
Operating expenses	134	-	134	-

28 RELATED PARTIES (CONTINUED)

Transactions with subsidiaries	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Dividend income	-	2,355
Balances at period end:		
Amounts due from group undertakings	0	15
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee income	-	396
Fee expense	2,649	4,848
Interest expense	7,243	8,369
Purchases of property, plant and equipment	-	20,466
Balances at period end:		
Amounts due to group undertakings	259,043	258,390
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	794	730
Balances at period end:		
Amounts due (to) / from group undertakings	(30)	5
SMBC Aviation Capital Hong Kong Limited		
Transactions during the period:		
Fee expense	4,090	3,877
Balances at period end:		
Amounts due from group undertakings	71	142
SMBC Aviation Capital Hong Kong 2 Limited		
Transactions during the period:		
Interest expense	345	-
Fee expense	393	-
Balances at period end:		
Amounts due to group undertakings	196,426	-
SMBC Aviation Capital Aircraft Holdings B.V. (liquidated)		
Transactions during the period:		
Interest expense	-	4,910
Fee income	-	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Valderrama Aviation Limited		
Transactions during the period:		
Interest income	2,209	403
Balances at period end:		
Amounts due from group undertakings	-	73,360
Soller Aviation Limited		
Transactions during the period:		
Interest income	-	303
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	26	39
Interest expense	68,814	44,107
Balances at period end:		
Amounts due to group undertakings	2,011,374	1,503,627

The Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 on 19 July 2016, the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. All issuances are fully and unconditionally guaranteed by SMBC Aviation Capital Limited. The impact on borrowings is set out in note 21.

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

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

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

	Company 31 March 2020 US $'000	Company 31 March 2019 US $'000
Salaries and other short-term employee benefits	10,390	10,528
Post-employment benefits	417	423
Other long-term benefits	9,780	11,654
Total	20,587	22,605

29 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 (of which 25 have subsequently been converted to A321neos) 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 a mix of 56 Airbus A320neos and 15 Airbus A321neos during 2018 and have existing sale-leaseback capital commitments totalling $1.2 billion (31 March 2019: $3.1 billion).

The combined remaining purchase commitment for orders total $13.2 billion and delivery dates are currently scheduled between 2020 and 2025, although the timing of Boeing 737 MAX 8 aircraft deliveries will be determined by the manufacturer's ongoing return to service updates. These commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

30 CONTINGENT LIABILITIES

The Group and Company had no contingent liability at 31 March 2020 (31 March 2019: $nil).

31 SUBSEQUENT EVENTS

Due to the spread of Covid-19 around the world in 2020 and the subsequent measures taken by various countries, airline financial performance is expected to be adversely impacted. There is significant uncertainty around the breadth and duration of business disruptions related to Covid-19, as well as its impact on world economies and, as such, the Group is actively monitoring the extent of the impact to its operations. At the date of this report, there is no material impact on the financial statements, although the Group has received a number of requests from lessees which they are continuing to assess.

Also, on 3 April 2020, Mr. S. Hayashida resigned as Director. On the same day, Mr. T. Tanaka was appointed as Director.

No other significant events affecting the Group and Company have occurred since 31 March 2020, which require adjustment to or disclosure in the Consolidated Financial Statements.

32 APPROVAL OF FINANCIAL STATEMENTS

The Directors approved these Financial Statements on 7 May 2020.

ACRONYMS AND ABBREVIATIONS

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

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