SUBJECT TO COMPLETION, DATED JULY 18, 2023

PRELIMINARY OFFERING MEMORANDUM **CONFIDENTIAL**

$

SMBC Aviation Capital Finance DAC

% Senior Notes due

Guaranteed by SMBC Aviation Capital Limited

The notes will bear interest at the rate of % per year. Interest on the notes is payable on and of each year, beginning on , 2023. The notes will mature on , 20 . The Issuer (as defined herein) may redeem some or all of the notes at any time and from time to time at the prices and as described under the caption "Description of the Notes—Maturity, Optional Redemption." SMBC Aviation Capital Finance DAC, a limited liability designated activity company organized under the laws of Ireland (the "Issuer"), is a finance subsidiary with no operations and, therefore, depends on the cash flow of its parent, SMBC Aviation Capital Limited, a limited company organized under the laws of Ireland (the "Parent"), to meet its obligations, including its obligation of the notes.

The notes and the related guarantee of the Parent (i) will rank equally with all of the existing and future senior unsecured indebtedness of the Issuer and the Parent and senior to any subordinated indebtedness of the Issuer or the Parent and (ii) will be effectively junior to all existing and future secured indebtedness of the Issuer and the Parent to the extent of the value of the assets securing that indebtedness. The notes will not provide holders with any direct claims on the assets of any of the Parent's other Subsidiaries (as defined herein) and will be effectively subordinated to any and all liabilities of the Parent's other Subsidiaries, in each case to the extent of such Subsidiaries' assets.

Upon the occurrence of a Change of Control (as defined herein) that results in a Ratings Event (as defined herein), you will have the right, as a holder of the notes, subject to certain exceptions, to require the Issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the repurchase date. See "Description of the Notes—Repurchase at the Option of Holders."

There is currently no market for the notes. Application will be made for the notes to be quoted on the official list of the Cayman Islands Stock Exchange (the "CSX"). We cannot assure you that any such application will be successful or, if successful, that admission will be maintained for the term of the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 20.

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Prospective purchasers that are qualified institutional buyers ("QIBs") are hereby notified that the sellers of the notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act.

Price for notes: % plus accrued interest, if any, from , 2023.

The Initial Purchasers (as defined herein) expect to deliver the notes to purchasers on or about , 2023 only in book-entry form through the facilities of The Depository Trust Company ("DTC") for the accounts of its participants, including Clearstream Banking, *société anonyme*, and Euroclear Bank S.A./N.V., as operator of the Euroclear System.

Joint Book-Running Managers

SMBC Nikko	**Citigroup**	**Credit Agricole CIB**	**Goldman Sachs International**	**J.P. Morgan**	**RBC Capital Markets**

The date of this offering memorandum is , 2023.

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This offering memorandum is confidential. This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the securities described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorized to use this offering memorandum solely for the purpose of considering the purchase of the notes. Distribution of this offering memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

In making an investment decision, prospective investors must rely on their own examination of the Issuer, the Parent and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

We have furnished the information in this offering memorandum. You acknowledge and agree that each of SMBC Nikko Securities America, Inc., Citigroup Global Markets Inc., Credit Agricole Securities (USA) Inc., Goldman Sachs International, J.P. Morgan Securities LLC and RBC Capital Markets, LLC (together, the "Initial Purchasers") make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers. This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the Initial Purchasers.

We have prepared the information contained in this offering memorandum. Neither we nor any of the Initial Purchasers have authorized anyone to provide you with any other information and neither we nor any of the Initial Purchasers takes any responsibility for other information others may give you.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The distribution of this offering memorandum and the offering and sale of the notes in certain jurisdictions may be restricted by law. We and the Initial Purchasers require persons into whose possession this offering memorandum comes to inform themselves about and to observe any such restrictions. This offering memorandum does not constitute an offer of, or an invitation to purchase, any of the notes in any jurisdiction in which such offer or sale would be unlawful.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING APPROVED OR DISAPPROVED OF THESE SECURITIES. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This offering memorandum does not constitute an offer to sell or buy any notes in any jurisdiction where it is unlawful to do so. You should base your decision to invest in the notes solely on information contained in this offering memorandum.

This offering is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase notes, you agree that your purchase will constitute your representation, warranty, acknowledgment and agreement to all of the statements about purchasers in "Transfer Restrictions."

Each prospective purchaser of the notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

The notes will initially be available in book-entry form only. The Issuer expects that the notes will be issued in the form of one or more registered global notes. The global notes will be deposited with the Trustee (as defined herein) as custodian for DTC, as depositary, and registered in the name of Cede & Co. or another nominee of such depositary. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected only through, records maintained by DTC and its participants. After the initial issuance of the global notes, certificated notes will be issued in exchange for global notes only in the limited circumstances set forth in the indenture governing the notes. See “Book-Entry, Delivery and Form.”

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. Please refer to the sections in this offering memorandum entitled “Plan of Distribution” and “Transfer Restrictions.”

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the notes offered hereby.

Each purchaser of the notes offered hereby will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

(1) You (A) (i) are a QIB, (ii) are aware that the sale of the notes to you is being made in reliance on Rule 144A and (iii) are acquiring such notes for your own account or for the account of a QIB, as the case may be, or (B) are not a U.S. person, as such term is defined in Rule 902 under the Securities Act, and are purchasing the notes in accordance with Regulation S.

(2) You understand that the notes have not been registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who you reasonably believe is a QIB acquiring for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to another available exemption from the registration requirements of the Securities Act, (iv) pursuant to an effective registration statement under the Securities Act or (v) to the Issuer or the Parent and (B) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

(3) The notes will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS ONE YEAR IN THE CASE OF RULE 144A NOTES, AND 40 DAYS IN THE CASE OF REGULATION S NOTES, AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER OR THE PARENT, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON

RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH PURCHASER IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

The notes will be available initially only in book-entry form. The notes will be issued in the form of one or more global notes bearing the legend set forth above.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

The notes may not be offered or sold to any person in the United Kingdom ("UK"), other than to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom.

Prohibition of Sales to UK Retail Investors

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "UK Prospectus Regulation").

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2(e) of Regulation (EU) 2017/1129 (as amended) as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (as amended, the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

EU PRIIPs Regulation; Prohibition of Sales to EEA Retail Investors

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129, as may be amended from time to time (as amended, the "EU Prospectus Regulation"). This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the EEA will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to EU any retail investor in the European Economic Area (the "EEA"). For these purposes, (a) an EU retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/E.U. (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Article 2(e) of the EU Prospectus Regulation and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes. Consequently, no key information document required by Regulation (E.U.) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the notes or otherwise making them available to EU retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements in addition to historical information. These forward-looking statements are included throughout this offering memorandum, including in the sections entitled "Summary," "Risk Factors," "The Goshawk Transaction," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business Overview" and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "future" and similar terms and phrases to identify forward-looking statements in this offering memorandum.

Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows. Any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to vary materially from our future results, performance or achievements, or those of our industry, expressed or implied in such forward-looking statements. Such factors include, among others:

- continued impacts of the Russia-Ukraine Conflict, including any new geopolitical developments or escalating tensions and conflicts;
- the rate of recovery in air travel related to the COVID-19 pandemic, the aviation industry and global economic conditions, and the potential ongoing impacts of the pandemic and responsive government actions on our business and results of operations, financial condition and cash flows;
- downturns and volatility in the global capital markets and economy, whether caused by global inflationary dynamics, supply chain issues or otherwise;
- changes in interest rates;
- changes in capital and credit market conditions, including the effectiveness of governmental and regulatory measures in the European Union (the "E.U."), the United Kingdom, the United States (the "U.S.") and elsewhere;
- losses due to defaults by others, including our lessees;
- adverse political, legislative or regulatory developments;
- new accounting rules or changes to existing accounting rules;
- downgrades or potential downgrades in our ratings;
- strong competition in our business;
- lower demand for aircraft;
- a decrease in the credit available to us;
- uncertain operational and financial condition of original equipment manufacturers including aircraft and engine manufacturers such as Boeing, which may impact their outputs and our access to a reliable supply of aircraft;

- our inability to recover our investment in aircraft through re-leasing or selling;
- our inability to make acquisitions of, or lease, aircraft on favorable terms;
- our inability to obtain additional financing on favorable terms, if required, to complete the acquisition of aircraft or to fund the operations and growth of our business;
- our inability to obtain refinancing prior to the time our debt matures;
- impaired financial condition and liquidity of our lessees;
- deterioration of economic conditions in the commercial aviation industry generally;
- increased maintenance, operating or other expenses or changes in the timing thereof;
- the amount of expenses and other liabilities incurred or accrued after the completion of this offering;
- changes in tax laws and the interpretation thereof;
- significant market valuation fluctuations of any of our investments that are relatively illiquid;
- subjectivity in valuation of fixed maturity, equity and trading securities;
- litigation and regulatory investigations;
- inability to attract and retain key personnel;
- impact of current international tensions, including any terrorist attack, or ongoing military and other actions (such as the Russia-Ukraine Conflict), or a pandemic and the amount of our insurance coverage, if any, relating thereto;
- changes in banks' interbank lending rate reporting practices or the method pursuant to which SOFR is determined;
- our ability to realize the anticipated benefits of the Goshawk Transaction;
- exposure to unidentified or unanticipated risks and potential liabilities as a result of the Goshawk Transaction;
- computer system failure or security breach;
- our response to global climate change, environmental, social and governance initiatives and sustainability initiatives; and
- the other risks and uncertainties identified in this offering memorandum including, without limitation, those under the headings "Risk Factors" and "Business Overview."

Consequently, such forward-looking statements should be regarded solely as our current plans, estimates or beliefs. We do not intend to update, and do not undertake any obligation to update, any forward-looking statements to reflect future events or circumstances after the date of such statements. Given such limitations, you should not rely on these forward-looking statements in making a decision whether to invest in the notes.

You should review carefully the section captioned "Risk Factors" in this offering memorandum for a more complete discussion of risks and uncertainties relating to an investment in the notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We present our consolidated financial statements in United States dollars. In this offering memorandum, references to "$," "U.S.$," "dollars" or "U.S. dollars" are to United States dollars, and references to "€" or "euro" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

Consolidated Financial Statements

Our audited consolidated financial statements as of and for the years ended March 31, 2023, 2022 and 2021 included in this offering memorandum have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-E.U.").

Our unaudited condensed consolidated interim financial statements as of and for the nine months ended December 31, 2022 included in this offering memorandum have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as adopted by the EU, and have been reviewed by KPMG in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as stated in their report included elsewhere in this offering memorandum.

Our financial year ends on March 31, and, unless the context otherwise requires, references in this offering memorandum to 2022 are to the 12-month period ended on March 31, 2023, references to 2021 are to the 12-month period ended on March 31, 2022 and references to 2020 are to the 12-month period ended on March 31, 2021.

This offering memorandum also contains (i) the audited non-statutory consolidated financial statements of SMBC Aviation Capital Management Limited ("ACML") (previously known as Goshawk Management Limited ("GML")) as of and for the year ended December 31, 2021 and (ii) the unaudited interim consolidated financial statements of ACML as of and for the nine months ended September 30, 2022. Pursuant to the Goshawk Transaction (as defined herein), SMBC Aviation Capital acquired GML, the wholly-owned operating subsidiary of Goshawk Aviation Limited, and subsequently renamed this entity as ACML. ACML's audited non-statutory consolidated financial statements have been prepared in accordance with IFRS and have been audited by KPMG as stated in their report included elsewhere in this offering memorandum.

Unless otherwise indicated, the financial information included in this offering memorandum is presented on the basis of IFRS-E.U and IFRS. IFRS-E.U. and IFRS differ in certain material respects from U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and, as such, the financial statements are not comparable to the financial statements of U.S. companies prepared in accordance with U.S. GAAP. This offering memorandum does not include any explanation of the differences or any reconciliation between IFRS-E.U. or IFRS and U.S. GAAP.

The preparation of financial statements in conformity with IFRS-E.U. and IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the applicable reporting period. Actual results may differ from such estimates. The results for past accounting periods are not necessarily indicative of the results to be expected for any future accounting period.

The offering memorandum includes certain unaudited condensed combined pro forma financial information of the Parent prepared to give pro forma effect to the Goshawk Transaction. The unaudited condensed combined pro forma financial information should be read in conjunction with the information included under the sections entitled "The Goshawk Transaction" and the historical consolidated financial statements and related notes included elsewhere in this offering memorandum. The unaudited condensed combined pro forma financial information is presented for informational purposes only, is based on currently available information and may not be indicative of what the Parent's financial position or, results of operations would have been had the applicable transactions taken place on dates indicated, nor is it necessarily indicative of future results. The unaudited condensed combined pro forma financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act. See "Risk Factors—Risks Relating to the Goshawk Transaction—The unaudited condensed combined pro forma financial information of SMBC Aviation Capital is not intended to reflect what the actual financial condition and results of operations would have been had SMBC Aviation Capital and ACML been combined for the periods presented, and therefore these results may not be indicative of SMBC Aviation Capital's future operating performance."

There has been no significant change in the financial or trading positions of the Parent, the Issuer, or any of the Parent's subsidiaries since March 31, 2023, except as may be otherwise indicated in this offering memorandum.

Non-IFRS-E.U. Financial Measures

We have included certain non-IFRS-E.U. financial measures in this offering memorandum in "Summary—Summary Financial and Other Data," including EBIT, EBITDA, Adjusted EBITDA, Revenue Yield, Operating Cash Flow Yield, Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage. Our EBIT consists of profit from continuing operations for the applicable period, adding back net finance costs and tax expense. Our EBITDA consists of profit from continuing operations for the applicable period, adding back net finance costs, tax expense, depreciation, and amortization of intangible assets. Our Adjusted EBITDA consists of profit from continuing operations for the applicable period, adding back net finance costs, tax expense, depreciation, impairment, and amortization of intangible assets. Our Revenue Yield consists of total revenue divided by average aircraft assets, which is defined as the average of the opening and closing balance of aircraft assets, consisting of aircraft for hire under operating lease, pre-delivery payments and aircraft held-for-sale, for the period to which the revenue applies. Our Operating Cash Flow Yield consists of net cash from operating activities divided by average aircraft assets. Our Total Net Leverage compares our obligations under finance leases plus our borrowings less our unrestricted cash to our total equity plus subordinated liabilities. Our Adjusted Net Leverage compares our obligations under finance leases plus our borrowings less our unrestricted cash to our total equity less our cash flow hedge reserve plus subordinated liabilities. Our Third-Party Net Leverage compares our obligations under finance leases (excluding obligations to our shareholder group) plus borrowings (excluding obligations to our shareholder group) less our unrestricted cash to our total equity plus subordinated liabilities.

Each of EBIT, EBITDA, Adjusted EBITDA, Revenue Yield, Operating Cash Flow Yield, Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage is a supplemental measure of our financial performance that is not required by, or presented in accordance with, IFRS-E.U. Neither EBIT, EBITDA, Adjusted EBITDA, Revenue Yield, Operating Cash Flow Yield, Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage is a measure of our financial performance under IFRS-E.U. and none should be considered as an alternative to operating profit or any other performance measure derived in accordance with IFRS-E.U. nor as an alternative to cash flows from operating activities as a measure of our liquidity.

We present EBIT, EBITDA and Adjusted EBITDA because we believe these measures facilitate operating performance comparisons from period to period by excluding potential differences caused by variations in capital structures (affecting net finance costs), tax positions (such as the impact on periods of changes in effective tax rates or fluctuations in permanent differences or discrete quarterly items) and the impact of depreciation and asset impairment. We present Revenue Yield because we believe this measure facilitates revenue performance comparisons across periods. We present Operating Cash Flow Yield because we believe this measure facilitates comparison of the operating cash flow generated from assets from period to period. This is particularly relevant in the current market given pressures on airlines operations. We present Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage as we believe this facilitates an easier understanding of our capital structure and demonstrates the fundamental structure of our shareholder debt, which is revolving in nature.

Our presentation of EBIT, EBITDA, Adjusted EBITDA, Revenue Yield, Operating Cash Flow Yield, Total Net Leverage, Adjusted Net Leverage and Third-Party Net Leverage should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. Other companies in our industry may calculate these measures or similar measures differently than we do, limiting their usefulness as comparative measures.

EBIT, EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider these measures in isolation or as substitutes for analysis of our operating results or cash flows as reported under IFRS-E.U. Some of these limitations are:

- EBIT, EBITDA and Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBIT, EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBIT, EBITDA and Adjusted EBITDA do not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation is a non-cash charge, the assets being depreciated will often have to be replaced in the future, and EBIT, EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and
- EBIT, EBITDA and Adjusted EBITDA do not adjust for all non-cash income or expense items that will be reflected in our consolidated statements of cash flows.

Because of these limitations, EBIT, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our IFRS-E.U. results and using EBIT, EBITDA and Adjusted EBITDA only for supplemental purposes.

Rounding

Certain figures and some percentages included in this offering memorandum have been subject to rounding adjustments. Accordingly, the totals included in certain tables contained in this offering memorandum may not correspond to the arithmetic aggregation of the figures or percentages that precede them.

INDUSTRY AND MARKET DATA

Certain of the industry and market information contained in this offering memorandum concerning economic trends and performance is based upon or derived from information provided by third-party consultants and other industry sources. Although we believe these sources are reliable, neither we nor the Initial Purchasers can guarantee the accuracy of such information or have independently verified the assumptions upon which projections of future trends and performance are based. While we are not aware of any misstatements regarding any industry, market or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings “Forward-Looking Statements” and “Risk Factors” in this offering memorandum.

ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer and the Parent are a designated activity company and a limited company, respectively, organized under the laws of Ireland. All of our directors and officers and certain other persons named in this offering memorandum reside outside the United States and all or a significant portion of the assets of the directors and officers and certain other persons named in this offering memorandum and substantially all of our assets are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is some doubt as to the enforceability, in original actions in Irish courts, of liabilities based on the U.S. federal securities laws or “blue sky” laws of any state within the United States and as to the enforceability in Irish courts of judgments of U.S. courts obtained in actions based on the civil liability provisions of the U.S. federal securities laws or any such state securities or blue sky laws. Therefore, it may not be possible to enforce those judgments against us or certain of our directors and officers. For more information, see “Risk Factors—Risks Relating to our Indebtedness and the Notes—Judgments obtained in a court of the United States may not be enforceable in Ireland and it may be difficult to serve process on the Issuer and the Parent.”

SUMMARY

This summary is not complete and may not contain all of the information that may be important to you. You should read the entire offering memorandum carefully, including the section entitled "Risk Factors" and the consolidated financial statements and related notes before making an investment decision. Unless stated otherwise, the discussion in this offering memorandum of our business includes the business of SMBC Aviation Capital Limited and its direct and indirect subsidiaries, including the Issuer (collectively, "SMBC Aviation Capital"). Unless otherwise indicated or the context otherwise requires, "SMBC Aviation Capital," "we," "us" and "our" refer to SMBC Aviation Capital Limited and its direct and indirect subsidiaries, the term "Issuer" refers only to SMBC Aviation Capital Finance DAC, the term "Parent" refers only to SMBC Aviation Capital Limited, the term "Combined Company" refers to SMBC Aviation Capital Limited and its direct and indirect subsidiaries after giving pro forma effect to the acquisition of GML and the term "GML" refers to Goshawk Management Limited and its direct and indirect subsidiaries and affiliates.

Overview

SMBC Aviation Capital forms part of the wider Sumitomo family aircraft financing group and is one of the world's leading aircraft operating lease companies. In operation since 2001, we are a top five aircraft operating lessor globally based on fleet size, with an owned and managed fleet valued at $31 billion as of March 31, 2023, comprising 497 owned and 208[1] managed aircraft.

For the year ended March 31, 2023, our business generated a profit before tax of $341.5 million (compared to a loss before tax of $1.1 billion for the year ended March 31, 2022). These results reflect a return to a more normalized operating environment following the period of disruption caused by, among other things, the effects of the COVID-19 pandemic and the Russian invasion of Ukraine (including the subsequent geopolitical and economic unrest and imposition of sanctions), which culminated in the first loss in the company's 22 year history. Thus, SMBC Aviation Capital has since returned to a profitable and positive trajectory over the past twelve month period.

Our success over our more than 22 years of operations has been achieved through our strategy of maintaining a young, narrow-body fleet, generating stable long-term contracted cash flows and attractive risk adjusted returns. As of March 31, 2023, we have accumulated retained earnings of $1.3 billion.

Our direct order book is 100% narrow-body and comprises the newest technology in terms of operational and fuel efficiency. The airline industry is increasingly focused on addressing the environmental impact of its business which we expect will result in the retirement of older, higher emission aircraft, a dynamic that has been accelerated by the COVID-19 pandemic and the resulting groundings of older aircraft fleets. Maintaining a portfolio of young, more fuel efficient aircraft assets is critical to long-term profit stability and our increased focus on sustainability.

We are disciplined in terms of the commercial jet aircraft in which we invest, focusing on young, liquid, in-demand assets which have large production runs, the widest installed base and which are flown by most airlines around the world. We acquire these aircraft either directly through orders with the original equipment manufacturers ("OEMs"), through sale-leaseback transactions ("SLBs") with airlines, through portfolio purchases from other lessors or, on occasion, through strategic M&A opportunities. Our strategy is to recalibrate our emphasis on different acquisition channels at different points in the industry cycle to optimize overall returns.

We believe that our focus on aircraft liquidity will continue to reduce earnings volatility in a long-run normalized operating environment and maximize risk-adjusted returns over time. This strategy has resulted in a portfolio as of March 31, 2023 that is comprised almost entirely of what we believe to be the most liquid aircraft available, such as Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 -8/-9 aircraft. Furthermore, 83% of our existing portfolio (weighted by NBV as of March 31, 2023) is comprised of narrowbody aircraft, and 100% of our future direct order commitments are comprised of narrow-body aircraft which are the most liquid aircraft available in the global commercial jet fleet.

[1] Including 8 aircraft for affiliated companies.

We lease our owned and managed aircraft to a diverse group of operators, both geographically and by business type. As of March 31, 2023, we had 114 airline customers in 47 different countries worldwide with a balanced geographical mix comprised of 34.1% in Europe, Middle East and Africa, 31.5% in the Americas and 34.4% in Asia (in each case, weighted by NBV as of March 31, 2023). This includes 30 new customers across 11 new countries through the acquisition of GML.

We augment our core leasing business through a combination of marketing our shareholders' wider aircraft finance product offerings, for which we receive referral fees, and utilizing our extensive lease management platform to provide fleet management services to aircraft investors for a management fee. These fleet management services are similar to those we perform with respect to our owned fleet and include *inter alia* leasing, remarketing for sale or lease, lease administration and provision of technical oversight.

We trade our aircraft assets frequently to optimize returns and manage risk, ensuring that our portfolio stays young and attractive to our airline and investor customer base. Since our inception in 2001, we have sold 475 aircraft from our owned portfolio to over 130 trading counterparties as of March 31, 2023, reflecting the strength of our aircraft trading platform and our ability to access and develop liquidity across a broad spectrum of global investors throughout the economic cycle.

Throughout over 22 years in business, we have maintained one of the youngest portfolios of owned aircraft among investment grade leasing companies[2], with a weighted average age of 5.1 years and a weighted average remaining lease-term of 6.6 years as of March 31, 2023.

It is the combination of our disciplined investment strategy, focused risk management and balance sheet strength, together with our experienced management team and strong shareholder support that underpins our investment grade ratings. Our strong credit ratings in turn facilitate our access to a broad range of competitively priced financing sources, providing us with a strong liquidity base and increased funding optionality in all market conditions.

Ownership and History

SMBC Aviation Capital commenced operating leasing services in May 2001 when we were acquired by the Royal Bank of Scotland Group ("RBSG"). In June 2012, we were acquired by a consortium led by Sumitomo Mitsui Banking Corporation ("SMBC"), with our ultimate parent becoming Sumitomo Mitsui Financial Group, Inc. ("SMFG"). SMFG beneficially owns 66% of our equity and is a G-SIB (Global Systemically Important Bank), and is one of the largest banking groups in Japan with total assets of $2.0 trillion[3] as of March 31, 2023. SMFG has a senior unsecured rating of A- from Standard & Poor's Ratings Group ("S&P") and A- from Fitch Rating Services, Inc. ("Fitch"). Sumitomo Corporation, rated A- by S&P and Baa1 by Moody's Investor Services, Inc. ("Moody's"), is the beneficial owner of the remaining 34% of our equity.

In November 2018, SMBC Aviation Capital received a further capital investment of $1 billion, consisting of $700 million in preferred share capital issued to Sumitomo Mitsui Finance and Leasing Company Limited (a joint venture of SMFG and Sumitomo Corporation, "SMFL") and a $300 million unsecured subordinated loan from SMBC. In parallel, SMFL became a 50:50 joint venture between SMFG and Sumitomo Corporation (together, our "shareholders"). Our shareholders' beneficial ownership in SMBC Aviation Capital remained unchanged as a result of the reorganization. We received $1.36 billion of preferred share capital from our shareholders in December 2022 to support the Goshawk Transaction. The capital investment by our shareholders demonstrates their commitment to and support of our ongoing strategy and success.

We are a global business, headquartered in Dublin, Ireland, with representatives in Japan, China, Hong Kong, Singapore, Europe and the United States. Our global presence provides local access to airline customers, aircraft investors and capital providers in key geographic regions.

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[2] Based on publicly available information concerning the fleets of Air Lease Corporation, BOC Aviation, AerCap Holdings N.V., Aircastle Limited, Dubai Aerospace Enterprise, Avolon and Aviation Capital Group.

[3] Calculated based on an exchange rate as of March 31, 2023 of JPY 133.54:1.00.

The Goshawk Transaction

On December 21, 2022, we completed the acquisition of GML (the "Goshawk Transaction"). Following the Goshawk Transaction, GML was renamed ACML.

The Goshawk Transaction brought together two of the most strategically aligned businesses in the sector, creating the second largest leasing company globally by number of aircraft and the largest Japanese-owned aircraft lessor based on fleet size. The Combined Company has a portfolio of over 700 owned and managed aircraft and a future delivery pipeline of almost 190 new technology, in-demand Airbus A320NEO family and Boeing 737 Max aircraft. We believe this places the business in a strong position to capitalize on the opportunities presented by the market.

The equity consideration paid consisted of $1.36 billion of preferred share capital from our shareholders. We have provisionally assessed the fair value of the assets acquired and liabilities assumed in the acquisition which resulted in no material goodwill.

For more information, see "The Goshawk Transaction."

Competitive Strengths

We believe that the following strengths will permit us to capitalize on the long-term growth in the global aircraft leasing industry and to execute our business and growth strategies:

Highly disciplined approach to asset selection, resulting in a high-quality, young and globally diversified portfolio

We employ a disciplined approach to asset selection, focusing on the most liquid assets, being the assets with the highest level of appeal to airlines, financiers and investors. To date, SMBC Aviation Capital has invested in a narrow range of the most popular aircraft types, allowing us to reduce earnings volatility and enhance risk-adjusted returns. Liquid aircraft types, in particular the Airbus A320 CEO/NEO family aircraft and Airbus A350, Boeing 737NG/MAX and Boeing 787 aircraft, typically demonstrate lower volatility in terms of value and lease rate throughout the economic cycle, have a large and diverse airline user base and can be more quickly and cost efficiently reconfigured to subsequent lessees' specifications.

Our owned portfolio is comprised almost entirely of what we believe to be the most liquid and investor friendly aircraft, such as the Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 -8/-9 aircraft. Our portfolio, which had a weighted average age by NBV of 5.1 years as of March 31, 2023, is leased to a globally diversified customer base comprising 114 lessees in 47 countries with an average remaining lease term weighted by NBV of 6.6 years. This includes 30 new customers across 11 new countries through the acquisition of GML. We maintain the quality of our portfolio through a proactive sales strategy and risk management framework, with 475 aircraft sold from our owned portfolio as of March 31, 2023.

GML was a high quality and complementary business which demonstrated a disciplined approach to portfolio management over the years that was similar to ours. After giving effect to the Goshawk Transaction, SMBC Aviation Capital's proportional fleet composition remained largely unchanged, with a heavy weighting towards narrowbody assets and an orderbook comprised of exclusively narrowbody, new technology aircraft. We expect that this strategic acquisition will allow SMBC Aviation Capital to maintain its competitive strength in the area of asset management and liquidity going forward.

Consistent growth through a direct order delivery pipeline and opportunistically entering the sale and leaseback market while concurrently examining inorganic growth opportunities

Our multi-channel and opportunistic acquisition strategy is designed to allow us to pivot from one procurement channel to another in order to deliver consistent growth and optimal overall returns. As of March 31, 2023, our capital expenditure includes 133 Airbus A320 family and 56 Boeing 737-MAX-8 aircraft which are to be delivered between 2023 and 2027. Our net cash used in investing activities was $3 billion for the fiscal year 2022 and we have committed capital expenditures of $2 billion for fiscal year 2023. The expected delivery dates of our aircraft orders are well dispersed, allowing measured balance sheet growth.

We have a strong track record of placing aircraft directly ordered from the OEMs. We believe that our access to this strong aircraft delivery pipeline over the period allows us to provide airline customers with comprehensive, multi-year solutions to their aircraft leasing and fleet needs, in addition to our other financing solutions.

The COVID-19 pandemic has provided opportunities for lessors that had the financial strength to take advantage of the market dislocation. Our level of liquidity together with our shareholders' financial support allowed us to redeploy a significant portion of our capital from our deferred and cancelled direct orders into the SLB market where there was superior returns and overall transaction quality. These transactions will both enhance future profitability and maintain portfolio quality.

SMBC also has a strong track record of executing on meaningful M&A transactions at the right point in the cycle. For example, SMBC, SMFL and Sumitomo Corporation acquired the commercial aircraft leasing business of RBSG in June 2012. Prior to the Goshawk Transaction, GML had one of the most strategically aligned leasing fleet portfolios with ours and as a result, the Goshawk Transaction has allowed us to grow significantly while maintaining our industry leading portfolio quality and simultaneously growing our own committed orderbook by an additional 40 new technology narrowbody units.

Experienced management team with a proven track record over cycles

Our senior management team has worked together over the last 22 years to successfully guide our company through two industry economic cycles, the sale of the business and the recent acquisition of GML. Our highly experienced team, which has an average of close to 30 years of experience each in all facets of the aircraft leasing industry, has developed and applied a consistent, disciplined business strategy of investing in liquid aircraft types and developing robust operational processes, procedures and risk management frameworks to manage our portfolio. In addition, the experience of our senior management team has allowed us to develop and maintain deep, long-standing relationships with the key decision makers at major airlines, aircraft manufacturers, aviation financiers and aviation investors.

Close relationship with shareholders demonstrated by unique product offering and strong financial support

The consortium of SMBC, SMFL and Sumitomo Corporation acquired our business in June 2012. SMBC and Sumitomo Corporation have a long history of providing financing in the aviation industry through debt and operating leasing, respectively, and, together with their joint venture SMFL, are a leading player in the Japanese tax equity market. We differentiate ourselves from other aircraft leasing competitors by offering our airline and aircraft trading customers access to a broader suite of financing solutions. In addition to providing operating lease solutions, we can harness the debt financing capabilities of SMBC and provide access to the world's largest tax based aircraft financing and investor market through SMFL, together with the engine leasing provided by SMFL.

Our shareholders provide significant financial support to our business, with an aggregate amount of $18.6 billion of capital provided as of March 31, 2023, including $7.7 billion[4] of drawn unsecured loan amounts due to parent group undertakings, a $300 million drawn unsecured subordinated liability and $4.1 billion of total equity. In

[4] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

addition, as of March 31, 2023, SMBC had undrawn shareholder funding of $6.5 billion under the SMBC Aviation Capital Revolving Credit Agreement (as defined herein).

Our level of shareholder financial support ensures we have a robust capital structure and deep liquidity base to manage and grow our business. It is also a further demonstration of our shareholders' long-term perspective as well as the significant strategic importance they place on our business.

Significant scale providing an efficient operating platform and relevance to the manufacturers and customer base

Since our founding in 2001, we have grown to $23.9 billion in total assets and 497 aircraft in our owned portfolio as of March 31, 2023.

Our ownership by large Japanese financial institutions provides us with financial support to manage our business and to facilitate our growth strategy. We use our increasing scale to lower our operating costs relative to our expanding revenue base, maintaining an efficient operational structure. Our scale and financial backing make us relevant to both the OEMs and airlines and provide comfort that we can execute purchase agreements for large scale orders and SLB transaction and, when combined with our management's experience and relationships, positions us to negotiate favorable terms, thereby facilitating further profitable growth opportunities.

Upon the closing of the Goshawk Transaction on December 21, 2022, SMBC Aviation Capital became the second largest leasing company globally by number of aircraft and the largest Japanese-owned leasing company based on fleet size. As of March 31, 2023, we had an owned fleet of 497 aircraft leased to a total of 114 airlines in 47 jurisdictions globally with a net book value of $21.5 billion as of March 31, 2023 and commitments, through our direct orders with the manufacturers, to purchase 189 new aircraft, with scheduled delivery dates through 2027.

Comprehensive risk management strategy

Every investment decision we make is considered in the context of risk management and with a view to ultimately trading our assets. We undertake a methodical and rigorous approach to risk assessment through our "3 Pillar" framework, which includes (i) asset risk analysis, (ii) counterparty risk analysis and (iii) transaction risk analysis. Our use of proprietary quantitative models developed and refined internally since our inception, together with the expertise of our 16-member portfolio risk management team and the experienced judgment of our management team, provides a comprehensive, efficient, and effective risk management framework to manage our aircraft asset portfolio. Over our 20-year history, the effectiveness of our risk management framework is evidenced by the high utilization of our fleet (99.5% since 2005).[5]

Trading aircraft at the core of our business

We have an established risk distribution strategy that has led to the sales of 475 aircraft (which, prior to the Goshawk Transaction, represented almost 60% of aircraft purchased since 2001) to a diversified investor base of over 130 trading counterparties in more than 20 countries as of March 31, 2023. We have an experienced team of aircraft trading professionals dedicated to trading our aircraft assets and cultivating relationships across a broad spectrum of investors globally. As a percentage of owned book, we believe that we have been one of the most active traders of leased aircraft in the industry over the past decade, which has allowed us to optimize returns and manage portfolio risk.

The Japanese market is one of the largest standalone aircraft investment markets globally, partially as a result of the tax deferral benefits available to investors in conjunction with an established aircraft equity investor base. We believe our trading platform, coupled with our shareholders' standing and relationship network in Japan, provide an unparalleled opportunity to sell aircraft into the Japanese operating lease market to distribute our assets. Since April 1, 2016, we have sold over 100 aircraft to Japanese investors.

[5] Aircraft subject to lease average is calculated as the ratio of the NBV of on-lease aircraft at the end of each fiscal year to the total NBV of all aircraft at the end of such year.

The acquisition of GML and its fleet of owned, managed and committed aircraft provides a pipeline of additional assets enabling us to increase our trading targets and maintain our disciplined approach to portfolio management going forward.

Business Strategy

Capitalize on attractive market opportunities to expand our modern fleet of aircraft

Our strategy is to invest primarily in highly liquid aircraft assets, which are typically aircraft that have or that we project will have large production runs, a broad airline user base and relatively low transition costs. We intend to continue to leverage our stable funding base and competitive cost of capital to take advantage of market conditions to acquire asset types that we believe will continue to have a strong level of appeal to airlines, financiers and investors. We believe our disciplined approach to asset selection, focusing on young, modern, more fuel-efficient aircraft that display strong, long-term value retention characteristics with typically lower re-marketing risks, will enable us to continue to generate stable cash flows over the long-term. Our acquisition of GML was consistent with this strategy in light of our focus on liquid narrowbody aircraft as exemplified by their orderbook comprised exclusively of new technology narrowbody Boeing 737 MAX and Airbus Neo aircraft.

We utilize multiple procurement channels to source aircraft, namely, direct orders with OEMs, SLB transactions with airlines, portfolio acquisitions from other lessors and inorganic opportunities, to selectively build our portfolio. We believe that the utilization of multiple aircraft procurement channels provides us with the flexibility to enhance our portfolio and performance, as each channel can be calibrated to react to, and increase opportunity from, prevailing market conditions.

We have an experienced team of airline marketing professionals dedicated to origination and remarketing. We believe our team's broad industry experience and expertise will enable us to leverage relationships globally to drive our growth and performance.

Based on ongoing discussions with airlines, we anticipate that our portfolio composition will continue to transition into primarily new narrow-body with some wide-body technologies over time as these aircraft types experience strong global demand. We intend to continue to focus predominantly on acquiring single aisle, narrow-body aircraft although we expect to selectively invest in new wide-body technologies (in particular, Boeing 787 and Airbus A350) for a certain proportion of our portfolio.

Actively transition our portfolio and operations towards net zero emissions

SMBC Aviation Capital launched our inaugural Environmental, Social & Governance ("ESG") Strategy in December 2021. This strategy outlines our ESG commitments through 2050, specifically expressing our commitment to target up to 80% new technology, lower carbon emitting fleet in the coming years. We are committed to assisting our airline customers in reducing their carbon emissions through the leasing and financing of the most technologically advanced and fuel-efficient aircraft on the market, and are also exploring additional available net-zero pathways for our industry, including sustainable aviation fuels and new propulsion technology aircraft.

SMBC Aviation Capital is also focused on our customers' decarbonization journeys. In September 2022, we introduced a sustainability solution for our airline customers, comprising an initial $53.3 million investment in high quality carbon credit programs that align with the United Nation's Sustainable Development Goals (the "UN SDGs").

This program will also help airlines deliver on their ESG strategies by providing access to a portfolio of carbon credits certified by the world's leading carbon standards in Least Developed Countries ("LDCs"). These credits are based on energy efficient cookstove projects in Africa, Asia and the Americas, which are certified by Gold Standard and Verra. These projects also align with several of the UN SDGs including good health and well-being, gender equality and climate action. Part of the investment will also support local community initiatives in LDCs such as irrigation schemes and micro finance opportunities for women.

Actively manage our portfolio to optimize returns and manage risk

We have disposed of 475 aircraft to over 130 trading counterparties as of March 31, 2023. Our trading strategy continues to permit us to optimize returns and minimize asset residual value and lease remarketing risk by maintaining a low average fleet age, managing the redelivery profile of lease maturities, maintaining geographic diversification and minimizing our exposure to customer concentration.

As a part of this disposal strategy, we intend to continue to leverage our shareholders' debt funding capabilities and network of relationships in Japan to expand our aircraft sales into the Japanese market, which we believe is one of the most attractive aircraft trading markets globally. While we significantly reduced the number of aircraft sales into the secondary market in the year ended March 31, 2021 due to the less attractive market conditions caused, at least in part, by the COVID-19 pandemic, this market rebounded in 2021 and through 2022. As of March 31, 2023, we had sold 36 aircraft and also signed letters of intent or agreements for the sale of an additional 9 aircraft, 7 of which have been classified as held for sale as of March 31, 2023. We expect that our high quality, narrow-body focused portfolio will continue to facilitate trading activity through the coming cycle and that we will continue to be an active trader of aircraft.

Procure a flexible strategic order book and remain active in the opportunistic sale and leaseback market as part of our objective to transition to new technologies

Our Airbus A320 NEO family and Boeing MAX direct orders are strategically important to our business because they provide access to highly sought-after, next generation, fuel-efficient aircraft. The selection of these aircraft types is consistent with our strategy of focusing on the most liquid, efficient aircraft assets with a diverse airline user base. We expect that such orders will be attractive to our customers, which will in turn provide a stable stream of revenue while complementing activities in the SLB market. Our management team has extensive experience in obtaining competitive pricing for the aircraft we acquire and in negotiating and administering OEM contracts and contracts for the purchase of components and equipment supplied for installation on new aircraft during the manufacturing process. Procuring a strategic order book is a core part of our objective to transition our portfolio to new aircraft technologies.

Our direct order book is 100% narrow-body and comprises the newest technology in terms of operational and fuel efficiency. The airline industry is increasingly focused on addressing the environmental impact of its business which will result in the retirement of older, higher emission aircraft, a dynamic that the COVID-19 situation has accelerated. Maintaining a portfolio of young, more fuel efficient aircraft assets is critical to long-term profit stability.

Our acquisition of GML and their 40 committed aircraft, of which 100% are new technology narrowbody aircraft, will grow our direct order delivery pipeline of exclusively new technology, narrowbody aircraft to close to 190 aircraft, to be delivered between 2023 and 2027. These assets have proven to be in high demand and our aim is to place these units on long-term, profitable leases.

Serve the internationalization requirements of our shareholders

As part of our shareholders' strategy to meet their internationalization objectives and diversify their revenue base outside of Japan, we intend to continue to expand our revenue base by building on our relationships with our global customers. In particular, we utilize our marketing function to maximize our shareholders' aircraft financing capabilities to promote cross-selling opportunities among the operating lease, commercial debt and tax leasing platforms within our shareholders by providing a broad product offering to our airline and investor customers for which we generate fee income.

The synergies realized by the integrated marketing of our multi-product offering is significant. In the six years from April 1, 2016 to March 31, 2023, our shareholders' aircraft financing businesses also arranged commercial debt and tax based financings, in addition to the 104 aircraft sales into the Japanese investor market by our business. Sumitomo Corporation also has an engine leasing portfolio of 73 units.

The Goshawk Transaction enabled SMBC Aviation Capital to further diversify its customer base and reduce its lessee concentrations. The Goshawk Transaction introduced 30 new customers onto our books.

Overview of the Aircraft Leasing Industry

The aircraft leasing industry originally arose in the 1970s to provide short-term solutions to fluctuations in airlines' capacity needs. However, in the last 40 years, the industry's role has become increasingly sophisticated and pervasive.

The increased demand for leased aircraft is largely a function of the benefits that the industry provides. Leasing (i) offers airlines the flexibility to match lease terms to their capacity requirements, (ii) removes residual value risks, (iii) conserves liquidity and debt capacity by reducing up-front capital requirements and (iv) provides availability of aircraft on shorter notice than acquiring such aircraft directly from the manufacturers. Leasing also allows airlines to focus on flight operations while leaving leasing companies to focus on asset and residual value management.

The long-term projected growth in airline traffic, together with the ongoing requirement to replace older, less economical and less efficient aircraft, is expected to drive growth in the global commercial airline fleet, which, in turn, should lead to growth in the aircraft leasing industry. In addition to the projected growth in the world fleet, due to the continued shift from ownership to leasing, aircraft leasing as a proportion of aircraft ownership is expected to grow faster than the world fleet.

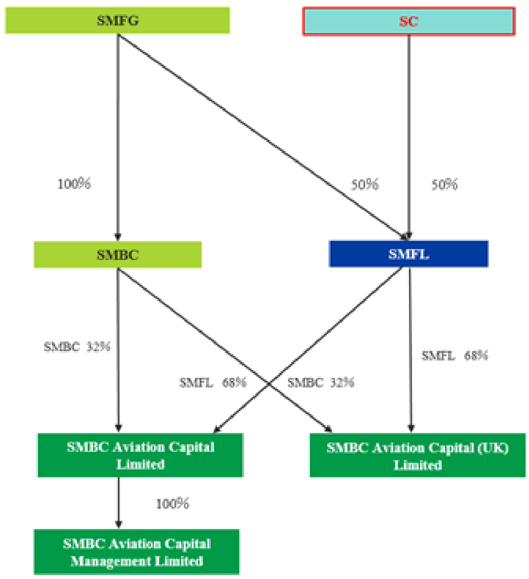
The aircraft leasing sector currently accounts for approximately 49% of the global installed base of commercial airliners according to Cirium. In management's experience, lessors have historically preferred narrow-body aircraft due to their larger fleet sizes and operating bases, as well as lower transition costs between lessees. Wide-body leasing penetration has historically been lower, reflecting the reduced liquidity of these aircraft.

Aircraft are highly mobile assets and can be redeployed around the world at the end of their lease. As such, aircraft lessors are well positioned to optimize their geographic deployment and benefit from demand in higher growth regions, enabling them to capture regional opportunities with the most attractive lease economics.

The aircraft leasing sector has traditionally offered stronger and more stable returns in the aviation space than investing in airlines themselves and offers significant growth prospects for long-term participants. This stability is driven in part by the longer-term nature of lease contracts and the staggering of lease maturities, which shelters lessors from shorter-term market fluctuations.

Our Corporate Structure

The following chart shows the current ownership structure of SMBC Aviation Capital. Following the consummation of the Goshawk Transaction, GML became a direct wholly owned subsidiary of SMBC Aviation Capital and was renamed ACML.



Ultimate Share Holding Percentage

SMFG: 66% SC: 34%

SMFG	Sumitomo Mitsui Financial Group	Bank Holding Company
SMBC	Sumitomo Mitsui Banking Corporation	Bank
SMFL	Sumitomo Mitsui Finance & Leasing	Lease & Finance
SC	Sumitomo Corporation	Trading Company

THE OFFERING

This summary highlights information presented in detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information that you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing in the notes, including "Description of the Notes."

Issuer	SMBC Aviation Capital Finance DAC, an Irish limited liability designated activity company.
Guarantor	SMBC Aviation Capital Limited.
Notes Offered	$ aggregate principal amount of % Senior Notes due 20 .
Maturity Date	, 20 .
Interest	The notes will bear interest at the rate of % per annum, payable semi-annually in arrears on each and of each year, beginning on , 2023.
Issue Price	% plus accrued interest, if any, from .
Guarantee	The obligations under the notes will be fully and unconditionally guaranteed (the "guarantee"), on a senior unsecured basis, by the Guarantor. See "Description of the Notes—Guarantee."
Ranking	The notes and the guarantee will be senior unsecured obligations and will rank equal in right of payment with all of the Issuer's and the Parent's existing and future senior unsecured indebtedness and senior to any subordinated indebtedness of the Issuer or the Parent. The notes and the guarantee will effectively rank junior to all of the Issuer's and the Parent's secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes will not provide holders with any direct claims on the assets of any of the Parent's other Subsidiaries and will be effectively subordinated to any and all liabilities of the Parent's other Subsidiaries, in each case to the extent of such Subsidiaries' assets. As of March 31, 2023, we had consolidated total unsecured indebtedness of $17.6 billion. In addition, our JBIC Facilities (as defined herein) includes a requirement that the Parent provide JBIC (as defined herein) with such additional security for the outstanding loans thereunder as JBIC may, in its sole discretion upon the occurrence of certain events, require. JBIC has never requested the Parent to provide additional security for the JBIC Facilities and we believe that JBIC currently has neither the ability nor the intention to request any such additional security, but if JBIC were to have made such a request successfully, our secured indebtedness would be $1.9 billion as of March 31, 2023. For more information about the JBIC Facilities, see "Description of Other Financial Indebtedness—Amortizing Loan Facility with the Japanese Bank of International Cooperation."

Optional Redemption	At any time or from time to time prior to the Par Call Date (as defined herein), the Issuer may redeem the notes, in whole or in part on not less than ten nor more than 60 days' notice, at its option, at a price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed or (ii) the sum of the present values of the Remaining Scheduled Payments (as defined herein) that would be due if the notes to be redeemed matured on the Par Call Date, discounted to the Redemption Date (as defined herein), on a semi-annual basis at the Treasury Rate (as defined herein) plus basis points, plus, in each case, accrued and unpaid interest, if any, to but not including the Redemption Date. From and after the Par Call Date, the Issuer may redeem the notes, in whole or in part, at a price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to but not including the Redemption Date. See "Description of the Notes—Maturity, Optional Redemption."
Optional Redemption for Changes in Withholding Taxes	The Issuer may, at its option, redeem all, but not less than all, of the notes at 100% of the principal amount together with accrued and unpaid interest, if any, to but not including, the Redemption Date if the laws or regulations affecting certain taxes change in certain respects; provided, however, that (i) no notice of redemption for tax reasons may be given earlier than 60 days prior to the earliest date on which the Issuer or the Parent would be obligated to pay additional amounts if a payment on the notes were then due and (ii) at the time such notice of redemption is given such obligation to pay such additional amounts remains in effect. See "Description of the Notes—Optional Redemption for Changes in Withholding Taxes."
Additional Amounts	Subject to certain exceptions, the Issuer or the Parent will pay additional amounts as may be necessary to ensure that the net amounts received by holders of the notes after withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of Ireland, any political subdivision thereof or any governmental authority of any jurisdiction in which the Issuer or Parent is then incorporated or organized or otherwise resident or carrying on a trade or business for tax purposes and any political subdivision thereof, shall equal the respective amounts of principal and interest (or other amounts stated to be payable under the notes) which would have been received in the absence of such withholding or deduction. For a discussion of the tax consequences of, and limitations on, the payment of additional amounts with respect to any such taxes, see "Description of the Notes—Additional Amounts" and "Certain Irish Tax Considerations."
Change of Control Offer	Upon the occurrence of a Change of Control Triggering Event (as defined herein), you will have the right, as a holder of the notes, subject to certain exceptions, to require the Issuer to repurchase some or all of your notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the applicable notes repurchased, to, but not including, the repurchase date. See "Description of the Notes—Repurchase at the Option of the Holders."
Covenants	The indenture governing the notes includes certain restrictions on liens and mergers, consolidations and transfers of substantially all of our assets. These covenants are subject to important qualifications and exceptions. See "Description of the Notes—Certain Covenants."
Events of Default	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued and unpaid interest and any other amounts

due with respect to the notes, see “Description of the Notes—Events of Default.”

Use of Proceeds........................ We estimate that the net proceeds from the sale of the notes will be approximately $ million after deducting the Initial Purchasers’ discount but excluding estimated offering expenses. We intend to use the net proceeds from the offering of the notes for general corporate purposes, which may include, among other things, the purchase of aircraft and the repayment of existing indebtedness.

Book-Entry System; Delivery and Form and Denomination of the Notes... The notes will be issued in the form of global notes without coupons and registered in the name of a nominee of DTC. The notes will be issued in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Governing Law........................ The notes will be, and the indenture is, governed by New York law.

Trustee, Registrar, Paying Agent and Transfer Agent .... Computershare Trust Company, National Association.

Transfer Restrictions .... The notes have not been and will not be registered under the Securities Act and are subject to restrictions on transfer and resale. See “Transfer Restrictions” and “Plan of Distribution.”

No Registration Rights............ The Issuer has no intention or obligation to register the notes for resale under the Securities Act or the securities laws of any other jurisdiction or to offer to exchange the notes for registered notes under the Securities Act or the securities laws of any other jurisdiction.

Listing....................................... Application will be made to quote the notes on the official list of the CSX; however, we cannot assure you that admission will be granted or maintained for the term of the notes.

Further Issuances.................... Subject to the limitations included in the indenture, the Issuer may, without the consent of the holders, issue additional notes under the indenture on the same terms and conditions (except as to the date of original issuance or the first interest payment date) as the notes being offered pursuant to this offering memorandum.

Risk Factors............................. Investing in the notes involves substantial risks and uncertainties. See “Risk Factors” and other information included in this offering memorandum for a discussion of factors you should carefully consider before deciding to invest in the notes.

SUMMARY FINANCIAL AND OTHER DATA

The following table sets forth summary consolidated historical financial and other data for SMBC Aviation Capital for the periods and as of the dates indicated. We derived the consolidated historical financial information for as of and the fiscal years ended March 31, 2023, 2022 and 2021 from our audited consolidated financial statements, prepared under IFRS as adopted by the E.U., appearing elsewhere in this offering memorandum.

You should read the information below along with all other financial information and analysis presented in this offering memorandum, including "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Audited combined condensed pro forma financial information" and our and GML's consolidated financial statements and related notes included elsewhere in this offering memorandum.

Consolidated Statement of Comprehensive Income Data

	Year Ended March 31,		
	2023	**2022**	**2021**
Income		(in thousands of U.S. dollars)	
Lease revenue	1,347,962	1,371,721	1,130,832
Other revenue	9,072	10,833	13,721
Total revenues	1,357,034	1,382,554	1,144,553
Other operating income	51,617	124,276	22,697
	1,408,651	1,506,830	1,167,250
Operating expenses			
Depreciation	(413,633)	(484,213)	(442,094)
Operating lease asset impairment and write-off charge	(70,260)	(1,686,034)	(176,439)
Credit impairment (charge) / credit	(31,693)	35,364	(153,872)
Financial asset impairment	-	(16,592)	-
Operating expenses	(182,333)	(104,167)	(85,941)
Profit from operating activities	710,732	(748,812)	308,904
Finance income	265,864	108,155	95,208
Finance expense	(635,114)	(475,236)	(389,325)
Net trading gain	-	576	442
Net finance costs	(369,250)	(366,505)	(293,675)
Profit / (loss) before taxation	341,482	(1,115,317)	15,229
Tax (expense) / credit	(45,371)	140,418	(1,674)
Profit / (loss) from continuing operations	296,111	(974,899)	13,555

Other comprehensive income			
Cash flow hedges - effective portion of changes in fair value	113,317	231,245	275,269
Cash flow hedges - reclassified to profit or loss	737	781	820
Movement in fair value fair value of equity investments at FVTOCI	(1,356)	-	(1,260)
Tax on other comprehensive income	(14,257)	(29,003)	(34,512)
Other comprehensive income / (expense), net of tax	98,441	203,023	240,317
Total comprehensive income / (loss)	394,552	(771,876)	253,872

Consolidated Statement of Financial Position Data

	As of March 31,		
	2023	2022	2021
		(in thousands of U.S. dollars)	
Non-current assets			
Property, plant and equipment	21,747,591	13,729,560	13,638,022
Intangible assets	3,921	3,601	3,081
Advances to OEMS	25,087	44,771	364,577
Finance lease and loan receivables	560,907	586,982	475,532
Lease incentive assets	140,880	68,383	13,604
Derivative financial instruments	80,492	24,851	-
	22,558,878	14,458,148	14,494,816
Current assets			
Advances to OEMS	19,743	563,585	376,602
Assets held for sale	245,280	34,787	-
Finance lease and loan receivables	32,262	46,021	26,040
Trade and other receivables	281,450	212,299	242,029
Cash and cash equivalents	738,220	994,274	817,055
Lease incentive assets	43,775	19,769	8,348
Derivative financial instruments	806	-	1,373
	1,361,536	1,870,735	1,471,447
Total assets	23,920,414	16,328,883	15,966,263
Equity			
Share capital	2,249,513	887,513	887,513
Other components of equity	495,178	396,737	193,714
Retained earnings	1,346,883	1,050,772	2,025,671
Total equity	4,091,574	2,335,022	3,106,898
Non-current liabilities			
Trade and other payables	1,112,607	464,223	597,805
Obligations under finance leases	-	-	2,389
Borrowings	16,501,753	11,301,193	9,602,958
Deferred tax liabilities	341,933	242,473	355,840
Derivative financial instruments	50,074	106,737	312,393
Subordinated liabilities	300,000	300,000	300,000
	18,306,367	12,414,626	11,171,385
Current liabilities			
Liabilities associated with assets held for sale	26,824	2,773	-
Trade and other payables	711,208	421,778	380,297
Obligations under finance leases	-	-	3,171
Borrowings	784,441	1,154,478	1,303,567
Derivative financial instruments	-	206	945
	1,522,473	1,579,235	1,687,980
Total liabilities	19,828,840	13,993,861	12,859,365
Total equity and liabilities	23,920,414	16,328,883	15,966,263

Consolidated Statement of Cash Flows Data

	Year ended March 31,		
	2023	2022	2021
		(in thousands of U.S. dollars)	
Profit / (loss) before tax	341,482	(1,115,317)	15,229
Adjustments for:			
Depreciation of property, plant and equipment	413,633	484,213	442,094
Impairment and write-off charge of property, plant and equipment	70,260	1,686,034	176,439
Amortisation of computer software intangible assets	1,158	857	755
Lease incentive asset amortisation	40,574	18,760	15,924
Credit impairment charge / (credit) on trade debtors	31,693	(35,364)	153,872
Financial asset impairment	-	16,592	-
Net interest expense	367,506	366,489	293,656
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges	-	(576)	(442)
Profit on disposal of assets held under operating leases	(29,736)	(69,327)	(1,857)
	1,236,570	1,352,361	1,095,670
Decrease / (increase) in receivables	18,502	28,750	(247,632)
Increase / (decrease) in payables	238,553	(187,884)	(40,145)
Cash generated by operations	1,493,625	1,193,227	807,893
Income taxes paid	(1,532)	(586)	(400)
Interest paid	(279,130)	(380,128)	(357,148)
Net cash from operating activities	1,212,963	812,513	450,345
Investing activities			
Proceeds on disposal of property, plant and equipment	1,230,805	965,918	90,802
Purchases of property, plant and equipment	(2,941,763)	(3,140,904)	(2,851,456)
Purchases of intangible assets	(1,479)	(1,376)	(2,543)
Net investment in business combination	(1,310,327)		
Net cash used in investing activities	(3,022,764)	(2,176,362)	(2,763,197)
Financing activities			
Proceeds from issuance of share capital	1,362,000	-	-
Receipts from restricted cash accounts	-	361,700	240,100
Repayment of obligations under finance leases	-	(5,752)	(7,703)
Proceeds from indebtedness	4,355,582	2,947,802	2,595,900
Repayments of indebtedness	(4,162,957)	(1,399,635)	(701,568)
Net cash from financing activities	1,554,625	1,904,115	2,126,729
Effect of exchange rate changes on unrestricted cash and cash equivalents	(878)	(1,347)	922
Net (decrease) / increase in unrestricted cash and cash equivalents	(256,054)	538,919	(185,201)
Unrestricted Cash and cash equivalents at beginning of the period	994,274	455,355	640,556

Unrestricted Cash and cash equivalents at end of the period	738,220	994,274	455,355
Restricted Cash and cash equivalents	-	-	361,700
Closing Cash and cash equivalents	738,220	994,274	817,055

Other Financial and Operating Data

	Year ended March 31,		
	2023	**2022**	**2021**
	(in thousands of U.S. dollars)		
EBIT[(1)]	710,732	(748,812)	308,904
EBITDA[(1)]	1,125,523	(263,742)	751,753
Adjusted EBITDA[(1)]	1,195,783	1,422,292	928,192
Revenue Yield[(2)]	7.9%	11.0%	8.9%
Operating Cash Flow Yield [(3)]	6.8%	5.9%	3.4%

(1) We define EBIT as profit from continuing operations for the applicable period, adding back net finance costs and tax expense. We define EBITDA as profit from continuing operations for the applicable period, adding back net finance costs, tax expense, depreciation, and amortization of intangible assets. We define Adjusted EBITDA as profit from continuing operations for the applicable period, adding back net finance costs, tax expense, depreciation, operating lease asset impairment and amortization of intangible assets. We use EBIT, EBITDA and Adjusted EBITDA to assess financial and operating performance and we believe these non-IFRS-E.U. measures are helpful in identifying trends in our performance. Our method of calculating EBIT, EBITDA and Adjusted EBITDA may differ from similarly named non-IFRS-E.U. measures of other companies. For more information, see "Presentation of Financial and Other Information—Non-IFRS-E.U. Financial Measures."

(2) We define Revenue Yield as Total Revenue divided by average aircraft assets, which is defined as the average of the opening and closing balance of aircraft assets, made up of aircraft for hire under operating lease, pre-delivery payments and aircraft held-for-sale, for the period to which the revenue applies.

(3) We define Operating Cash Flow Yield as net cash from operating activities divided by average aircraft assets.

The following table provides a reconciliation of profit from continuing operations to EBIT, EBITDA and Adjusted EBITDA for each of the periods presented:

	Year ended March 31,		
	2023	**2022**	**2021**
	(in thousands of U.S. dollars)		
Profit/ (loss) from continuing operations	296,111	(974,899)	13,555
Net finance costs	369,250	366,505	293,675
Tax expense / (credit)	45,371	(140,418)	1,674
EBIT	710,732	(748,812)	308,904
Depreciation	413,633	484,213	442,094
Amortization of intangible assets	1,158	857	755
EBITDA	1,125,523	(263,742)	751,753
Operating lease asset impairment and write-off charge	70,260	1,686,034	176,439
Adjusted EBITDA	1,195,783	1,422,292	928,192

The following table provides a reconciliation of Revenue Yield and Operating Cash Flow Yield (adjusted):

	Year ended March 31,		
	2023	2022	2021
	(in thousands of U.S. dollars, except ratios)		
Total Revenue . ……..…………..……	1,357,034	1,382,554	1,144,553
Net cash from operating activities ……………..…………	1,212,963	812,513	450,345
Opening aircraft for hire under operating lease…….………	12,888,941	12,655,889	10,404,762
Opening pre-delivery payments ...……………….……	834,923	974,258	2,073,330
Opening aircraft held for sale ...…………………..………	34,787	0	173,677
Opening balance of aircraft assets ...……….………………	13,758,651	13,630,147	12,651,769
Closing aircraft for hire under operating lease…….…………	20,681,483	12,888,941	12,655,889
Closing pre-delivery payments ...…………………..………	982,062	834,923	974,258
Closing aircraft held for sale ...……………….……	229,232	34,787	0
Closing balance of aircraft assets ...……..………………	21,892,777	13,758,651	13,630,147
Average Aircraft Assets	17,825,714	13,694,399	13,140,958
Revenue Yield……………..…………………………………..……	7.6%	10.1%	8.7%
Operating Cash Flow Yield ……………….…………	6.8%	5.9%	3.4%

Financial Information and As Adjusted Financial Information

The table below presents certain financial ratios both on an actual and an as adjusted basis.

	As of March 31, 2023 (in thousands of U.S. dollars, except ratios)	
	Unadjusted	As Adjusted
Ratio of total financial obligations to total equity[(1)]	4.08x	
Ratio of external financial obligations to total equity[(2)]	1.85x	
Borrowings	17,931,308	
The notes offered hereby[(3)]	—	
Total financial obligations	17,931,308	
Loans from our shareholder group	9,789,094	9,789,094
Total external financial obligations	8,142,215	
Total equity[(4)]	4,391,574	4,391,574
Ratio of contracted cash flow of delivered aircraft to total financial obligations[(5)]	69%	
Ratio of contracted cash flow of delivered Aircraft to external financial obligations[(6)]	152%	
Future minimum lease receivables	12,386,814	12,386,814

(1) We define total financial obligations as the sum of obligations under finance leases and borrowings. S&P treats the $300 million unsecured subordinated loan from SMBC as equity and such amount is included in total equity. The ratio of financial obligations to total equity is presented on this basis. The As Adjusted ratio is calculated including the notes offered hereby in total financial obligations. For more information, see "Capitalization."

(2) We define external financial obligations as total financial obligations, excluding loans from our shareholder group. S&P treats the $300 million unsecured subordinated loan from SMBC as equity and such amount is not included in the external financial obligations. The ratio of external financial obligations to total equity is presented on this basis. The As Adjusted ratio is calculated including the notes offered hereby in total external financial obligations. For more information, see "Capitalization."

(3) Represents the aggregate principal amount at maturity of the notes offered hereby without giving effect to estimated facility fees and offering costs.

(4) S&P treats the $300 million unsecured subordinated loan from SMBC as equity and such amount is included in total equity.

(5) Delivered aircraft defined as the future minimum currently contracted lease rentals from the stated reporting date in respect of aircraft of which we have taken delivery. The ratio of contracted cash flow of delivered Aircraft to total financial obligations is presented on this basis. The As Adjusted ratio is calculated including the notes offered hereby in total financial obligations. For more information, see "Capitalization."

(6) Delivered aircraft defined as the future minimum currently contracted lease rentals from the stated reporting date in respect of aircraft of which we have taken delivery. The ratio of contracted cash flow of delivered Aircraft to external financial obligations is presented on this basis. The As Adjusted ratio is calculated including the notes offered hereby in external financial obligations. For more information, see "Capitalization."

RISK FACTORS

Investing in the notes involves risks. You should carefully consider the risks described below, as well as other information contained in this offering memorandum before making an investment decision. The risks described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect us in the future. Any of the following risks could materially adversely affect our business, financial condition, cash flow and results of operations. In such case, you may lose all or part of your original investment. To the extent the COVID-19 pandemic, the Russia-Ukraine Conflict (as defined below) and other ongoing or new geopolitical risks continue to or begin to adversely affect our business, operations, financial condition and operating results, such events may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Risks Relating to Our Business and the Aircraft Leasing Industry

We face significant risks as a result of the ongoing geopolitical conflict resulting from the invasion of Ukraine by Russia in February 2022.

The ongoing conflict between Russia and Ukraine (the "Russia-Ukraine Conflict"), and the related economic sanctions imposed on the Russian Federation ("Russia") by the U.S., the E.U., the UK, Switzerland, Japan, Canada and other countries throughout the world have led to, among other things, asset impairment charges, volatility in the capital markets, rising uncertainty about economic stability, increases in inflation, increased fuel prices and supply chain issues, all of which have exacerbated many of the risks faced by us and the aviation industry as a whole.

Following the Russian military invasion of Ukraine which began on February 24, 2022, the U.S., the E.U., the UK, Switzerland, Japan, Canada and other jurisdictions imposed a series of economic sanctions and other restrictive measures on Russia (the "Sanctions"), including against certain Russian entities, institutions and individuals and certain activities involving Russia or Russian entities, many of which have had a significant effect on the aviation industry, in general, and aviation leasing and finance companies, in particular. Generally, and among other things, these sanctions and restrictive measures included (i) the prohibition on the supply of aircraft and engines to Russian entities or for use in Russia, (ii) the closing of certain airspace to Russian aircraft, effectively restricting any Russian aircraft, whether commercial or private, from taking-off, landing or overflying the airspace of such countries, (iii) the freezing or immobilizing of assets held by the Russian central bank and certain individuals and entities within Russia, and (iv) the ban on several Russian financial institutions from accessing the SWIFT payment system.

Such restrictive measures include Regulation 2022/328 adopted by the E.U. on February 25, 2022 ("Regulation 2022/328"). Regulation 2022/328 prohibits the supply of aircraft by E.U. entities to Russian entities or for use in Russia essentially requiring the cessation of leasing to Russian aircraft operators. To maintain compliance with sanctions requirements, SMBC Aviation Capital terminated the leasing of all aircraft on lease to Russian airlines and demanded the immediate return of said aircraft in accordance with its rights under its lease agreements. SMBC Aviation Capital successfully grounded and took redelivery of one aircraft previously on lease to a Russian airline. However, SMBC Aviation Capital continues to be deprived of the use and possession of its 34 aircraft which have been lost in Russia and which are the subject of a total loss claim under applicable insurance. These aircraft continue to be flown by Russian airlines despite the leasing being terminated.

Prior to the imposition of the Sanctions, SMBC Aviation Capital had 35 aircraft on lease to Russian airlines representing 10% of the NBV of our fleet as of December 31, 2021. In the year ended March 31, 2022, SMBC Aviation Capital recorded impairment/write-off charges of $1.69 billion (of which $1.62 billion represented a full write-off in respect of the aircraft lost in Russia).

While GML previously owned aircraft that were on lease to Russian airlines prior to imposition of the Sanctions, SMBC Aviation Capital did not acquire any such aircraft or the related leases in the Goshawk Transaction. For more information, see "Summary—The Goshawk Transaction" and "The Goshawk Transaction."

The economic impact of the Russia-Ukraine Conflict itself and the range of sanctions imposed on Russia and Russian entities and individuals and the related closure of the airspace by countries within the E.U., the U.S., Canada and other countries, while uncertain, is likely to continue to be significant not only with respect to Russian state-owned and private entities and individuals who are directly or indirectly affected by the sanctions, but also with respect to international commerce between Russian and foreign entities and individuals.

In addition, in connection with the imposition of the Sanctions, adverse developments have been occurring in the aircraft insurance and re-insurance markets, including significant increases in premiums and the termination of certain coverages. While the future impact of such adverse developments in the aviation insurance market is unclear, it is possible that certain coverages may be available only at increased premiums, for reduced amounts of coverage that are insufficient to comply with the levels of insurance coverage required by aircraft lenders and lessors or by applicable government regulations or not be available at all.

The Russia-Ukraine Conflict has caused significant economic disruption, which has had and will likely continue to have broad adverse impacts on the aviation industry globally, which in turn could have a material and negative effect on our results of operations, financial condition, liquidity, and cash flows. Prolonged unrest, military activities, expansion of hostilities, or broad-based sanctions, could also have a material adverse effect on our operations and business outlook. The full extent of the ongoing impact of the Russia-Ukraine Conflict on our longer-term operational and financial performance will depend on future developments which are outside of our control and highly uncertain, including the duration and severity of the conflict.

The COVID-19 pandemic may continue to have a material and adverse impact on our business.

While commercial airline traffic recovered significantly in 2022, the COVID-19 pandemic continues to pose a range of risks to our business. The emergence of new variants, developments in the public health situation, the reimposition of travel restrictions, and other pandemic-related complications could have a negative impact on our business. The COVID-19 pandemic has had, and may continue to have, a negative impact on the financial condition of our lessees, which could have a material adverse effect on our business.

As a result of the effect COVID-19 has had on the aviation industry, we have agreed with many of our lessees to defer rent obligations and, for some lessees, have agreed to restructure their leases. We expect that we may grant additional rent deferrals and extend the periods of repayment, and if the financial condition of our airline customers continues to weaken, we may grant further accommodations. See "—If our lessees encounter financial difficulties and we restructure or terminate our leases, we are likely to obtain less favorable lease terms."

If we determine that the collectability of rental and maintenance payments due under a relevant aircraft operating lease is unlikely, we will recognize the rental income until the lease has been modified or terminated and also recognize an offsetting expected credit impairment charge in respect of the relevant amount of the unpaid rent, effectively removing the income from our profit and loss statement, which could materially reduce our reported profit. For the year ended March 31, 2023, we recognized a credit impairment charge of $31.7 million, which represented a $67.1 million increase from the comparative prior year period where we recognized a credit impairment reversal of $35.4 million.

The travel restrictions and stay-at-home and quarantine orders instituted by many governments and companies throughout the world may lead to lasting significant changes in the behavior of airline customers. For instance, since the advent of the COVID-19 pandemic a significant amount of business travel (typically the most profitable segment for carriers) has been replaced by increased usage of "virtual" and "teleconferencing" products. At this time, we are not able to predict whether this will result in permanent changes to behavior of airline customers, especially business travelers, with such changes potentially including but not limited to a permanent reduction in business travel with attendant decrease in passenger revenue. Any long-lasting decrease in business travel could have a materially adverse impact on the airlines and our businesses.

The full extent of the ongoing impact of COVID-19 on our longer-term operational and financial performance will depend on future developments, many of which are outside of our control, including the effectiveness of ongoing mitigation strategies, the duration, spread, severity and recurrence of COVID-19 and any COVID-19 variants and related travel advisories and restrictions, the continued efficacy, availability and adoption of the COVID-19 vaccines and boosters, the impact of COVID-19 on overall long-term demand for air travel, the impact of COVID-19 on the financial health and operations of our business partners, future governmental actions, including their duration and scope, and our access to capital, all of which are highly uncertain and cannot be predicted.

To the extent that the COVID-19 pandemic adversely affects our business and financial performance, it may also have the effect of exacerbating many of the other risks identified in this offering memorandum, including "—Our business depends on the continual leasing and remarketing of our aircraft, and we may not be able to do so on favorable terms," "—The variability of supply and demand for aircraft and other factors outside of our control could depress the value of our leased assets and/or achievable lease rates," "—Our business depends on the ability of aircraft manufacturers to remain financially stable and to fulfill their contractual obligations" and "—Airline defaults under our leases could adversely affect us."

Airlines may face challenges in increasing capacity, including as a result of decreased liquidity and difficulties obtaining a sufficient amount of cost-effective financing, which may in turn adversely affect the ability of our lessees to make payments on their leases.

Many airlines throughout the world grounded large portions of their fleet in response to the materially reduced demand for air travel caused by COVID-19 from the beginning of 2020 through the end of 2022. In addition, in order to preserve liquidity, many airlines decreased their employee base through lay-offs, furlough and voluntary or involuntary buyouts. Resulting labor shortages have adversely impacted certain airlines that no longer have sufficient personnel to operate with increased capacity. In order to bring parked aircraft back into service, airlines need to perform any required or desired maintenance that was deferred while the aircraft was parked and to ensure sufficient personnel are available to operate an airline with increased capacity. In addition, some airlines may have lost slot capacity due to reduced traffic, and the loss of desirable slots at certain airports may make it hard for such airlines to regain lost revenue and market share and increase capacity, even if the overall industry recovers more fully. The expenses associated with the reintroduction of parked aircraft and resulting increase in capacity could be significant and may adversely affect the ability of our lessees to make payments on their leases, which in turn would adversely affect our business.

Our business depends on the continual leasing and remarketing of our aircraft, and we may not be able to do so on favorable terms.

Our business depends on the continual leasing and remarketing of our aircraft in order to generate sufficient revenues to finance our growth and operations, pay our debt service obligations and generate positive cash flows from operations. Our ability to lease and remarket our aircraft will depend in part on general market and competitive conditions at the time the initial leases are entered into and the time of their expiry or early termination. If we are not able to lease or remarket an aircraft on favorable terms or at all, we may be required to attempt to sell the aircraft, outside of our normal course of trading, in order to provide funds for our debt service obligations or operating expenses. Our ability to lease, remarket or sell the aircraft on favorable terms or without significant off-lease time and costs could be negatively affected by factors including depressed conditions in the aviation industry, airline bankruptcies, the effects of terrorism, war, geopolitical uncertainty, natural disasters, COVID-19 and/or other epidemic diseases on airline passenger traffic trends, declines in the values of aircraft and various other general market and competitive conditions and factors that are outside of our control. If we are unable to lease and remarket our aircraft, on favorable terms or at all, our financial condition, cash flow, ability to pay debt service obligations and results of operations would be negatively affected.

The variability of supply and demand for aircraft and other factors outside of our control could depress the value of our leased assets, our ability to lease and/or achievable lease rates.

The aviation leasing industry has historically experienced periods of aircraft oversupply and undersupply. The economic downturn and the slowdown in air travel between 2008 and 2010 contributed to a decrease in the demand for aircraft. Before the outbreak of the COVID-19 pandemic, the airline industry committed to a significant number of aircraft deliveries through order placements with manufacturers, and manufacturers increased production rates of some aircraft types in response. While manufacturers decreased production rates as a result of the pandemic, the current level of production coupled with the significant decrease in demand for air travel that resulted from the pandemic could continue to result in an oversupply of these aircraft types if growth in airline traffic does not meet expectations. Oversupply of aircraft types can also result from large carriers ceasing operations or rejecting their leases in bankruptcy or similar proceedings. The oversupply of a specific or similar type of aircraft in the market is likely to depress the value of that type of asset. Aircraft values and lease rental rates generally, and the values and lease rental rates of the aircraft in our portfolio, may experience decreases due to oversupply and a number of other cyclical and non-cyclical factors that are outside of our control, including:

- passenger air travel and cargo demand;
- geopolitical and other events (including the Russia-Ukraine Conflict), such as war, civil disturbances and unrest, acts of terrorism and natural disasters;
- outbreaks of epidemic diseases, such as the COVID-19 pandemic;
- governmental regulation, including new airworthiness directives and service bulletins applicable to our aircraft, regulation of trade, such as the imposition of import and export controls, tariffs (such as the tariffs imposed by the U.S. and E.U. governments affecting Boeing, Airbus and other companies) and other trade barriers, statutory limits on age of aircraft, climate change initiatives, and environmental, safety, noise and emission standards and regulations;
- weakness in the capital and credit markets, availability of credit and fluctuations in interest rates;
- changing political conditions, including risk of rising protectionism, restrictions on immigration or impositions of new trade barriers;
- cyber risk, including information hacking, viruses and malware;
- operating costs, availability and price of jet fuel and general economic conditions affecting our lessees' operations;
- airline restructurings and bankruptcies;
- manufacturer production issues, production levels and technological innovation;
- aircraft and engine models being retired or otherwise made obsolete;
- manufacturers merging or exiting the industry or ceasing to produce aircraft or engine types;
- new-entrant manufacturers producing additional aircraft that compete with existing models;
- accuracy of estimates relating to future supply and demand made by manufacturers and airlines;
- reintroduction into service of aircraft or engines previously in storage;
- airport and air traffic control infrastructure constraints;
- the particular maintenance, operating and documentary record history of the airframe, engine and parts;
- the number of operators using that model of airframe or engine;
- whether an aircraft is subject to a lease and, if so, whether the lease terms are favorable to us;
- the age of the aircraft;
- the advent of newer models of aircraft competing with our aircraft;

- the increased prominence of other forms of transport;
- the regulatory authority under which the aircraft is operated;
- mechanics' liens and other encumbrances imposed on our aircraft;
- any tax, customs, regulatory and other legal requirements that must be satisfied when an aircraft is purchased, sold, returned or re-leased;
- the compatibility of our aircraft configurations or specifications with those desired by operators of that model of aircraft;
- oversupply of the specific or similar model of aircraft in the market or by a particular manufacturer;
- increased supply of newly manufactured competitive aircraft;
- decreases in the creditworthiness of our lessees;
- the extended grounding of certain aircraft models by regulators; and
- the availability of spare parts.

The occurrence of any of these factors may produce decreases in aircraft values and lease rental rates, impact our cost of acquiring aircraft, result in lease defaults and delay or prevent the re-lease or sale of aircraft on favorable terms, any of which could have a material adverse effect on our financial condition, cash flow and results of operations and our ability to satisfy our debt obligations, including the notes.

In addition, recent and future political developments have resulted and could continue to result in increased regulation of trade or disruption of the supply chain, which could adversely impact demand for aircraft. These factors may have a material and adverse effect on our financial results.

We may not be able to re-lease or sell the aircraft in our fleet at the end of their lease terms on favorable terms or at all.

We bear the risk of re-leasing or selling the aircraft in our fleet at the end of their lease terms. Because only a portion of an aircraft's value is covered by contractual cash flows from the lessee at the inception of an operating lease, there is a risk that we will not fully realize estimated cash flows from future leases and the residual value of the aircraft after the current operating lease expires. If both demand for aircraft and market lease rental rates decrease and the conditions continue for an extended period, the market value of our aircraft would be adversely affected and it might result in impairment charges to us in accordance with the International Accounting Standards—Impairment of Assets, relating to accounting for the impairment or disposal of long-lived assets, which could have a material adverse effect on our financial condition, cash flow and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates."

Our ability to sell aircraft in our fleet at the end of their lease terms profitably, or at all, will depend on conditions in the airline industry and general market and competitive conditions at the time we seek to sell. For example, during the year ended March 31, 2023, we completed the sale of 36 owned aircraft to investors, with letters of intent and/or agreements signed for an additional 9 units, of which 7 were held for sale. This represents an improvement as compared to the 23 aircraft sold in the prior year period.

Our ability to sell our aircraft will be affected by the maintenance, damage and operating history of the aircraft and its engines. Failure to sell aircraft regularly and profitably could have a material adverse effect on our financial condition, cash flow and financial results, and our ability to meet our potential aircraft purchase commitments, fleet metrics and environmental targets.

Failure to close our aircraft acquisition commitments would negatively affect our ability to further grow our fleet and net income.

As of March 31, 2023, we had entered into binding purchase commitments to acquire a total of 189 new orderbook aircraft (including orders which we acquired in the Goshawk Transaction) for delivery through 2027. If we are unable to complete the purchase of such aircraft, whether as a result of manufacturer delays or otherwise, we may face several risks, including forfeiting deposits and progress payments and having to pay and expense certain significant costs relating to these commitments; not realizing any of the benefits of completing the acquisitions; damage to our reputation and relationship with aircraft manufacturers; and defaulting on our lease commitments, which could result in monetary damages and damage to our reputation and relationships with lessees. These risks, whether financial or reputational, would negatively affect our ability to further grow our fleet and net income.

We may encounter unforeseen difficulties and costs associated with the acquisition and/or management of our aircraft.

Our business strategy contemplates continued acquisitions and leasing of additional aircraft. We may encounter difficulties in acquiring aircraft, on favorable terms or at all, for which there is high market demand, which could reduce our acquisition opportunities or cause us to pay higher prices. Any aircraft acquired by us may not generate sufficient cash flow to justify our investment and may not generate the anticipated profits. In addition, our acquisition strategy exposes us to risks that may harm our business, financial condition, cash flow and results of operations, including risks that we may:

- fail to realize anticipated benefits, such as new customer relationships or cash flow enhancements;
- impair our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense and financial leverage to the extent we incur additional debt to finance acquisitions;
- incur or assume unanticipated liabilities, losses or costs associated with the aircraft that we acquire; or
- incur other significant charges, including asset impairment or restructuring charges.

The aircraft leasing industry is highly competitive.

The aircraft leasing industry is highly competitive. We encounter competition in the acquisition of aircraft from other entities such as airlines, aircraft manufacturers, financial institutions, aircraft brokers, public and private partnerships, investors and funds with more capital to invest in aircraft and other aircraft leasing companies that we do not currently consider our major competitors. We also face competition from entities that provide other forms of financing for airlines seeking to acquire aircraft, such as banks that make credit available for these purposes.

Competition for a leasing transaction is based principally upon price, lease rates, delivery dates, lease terms, reputation, management expertise, aircraft age and condition, specifications and configuration and the availability of the types of aircraft necessary to meet the needs of the customer. Some of our competitors may have greater operating and financial resources and access to lower capital costs than we have and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments. In addition, some competing aircraft lessors may provide inducements to potential lessees that we cannot match. Furthermore, some competing aircraft lessors with a significant number of aircraft returned as a result of bankruptcy (or other similar proceeding) may be willing to significantly reduce lease pricing, which could affect pricing dynamics across the industry.

Competition in the purchase and sale of used aircraft is based principally on the availability of used aircraft, price, the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee, if any. We may not always be able to compete successfully with our competitors and other entities, which could have a material adverse effect on our financial condition, results of operations and growth prospects.

Moreover, industry consolidation may result in the emergence of competitors with enhanced scale, pricing power and other competitive capabilities. As a result of such potential consolidation, we may face increased competition.

We cannot assure you that we will be able to enter into profitable leases for any aircraft acquired.

We cannot assure you that we will be able to enter into profitable leases upon the return of aircraft upon the maturity or early termination of leases or the acquisition of the aircraft we purchase in the future. You must rely upon our management team's judgment and ability to evaluate the ability of lessees and other counterparties to perform their obligations to us. We cannot assure you that our management team will be able to perform such functions in a manner that will achieve our investment objectives, which would negatively affect our financial condition, cash flow, ability to pay debt service obligations and results of operations. The COVID-19 pandemic, the Russia-Ukraine Conflict and the subsequent impact of these events on market recovery each have the potential of significantly exacerbating these risks.

We will require a significant amount of cash to make planned capital expenditures and we may be unable to meet our debt and other obligations as they become due.

The aircraft leasing industry is capital intensive and we will require a significant amount of cash to make planned capital expenditures. We have generally financed our aircraft purchases through available cash balances, debt financings and financial support from our shareholders. In addition, in November 2018, SMBC Aviation Capital received a capital investment of $1 billion from its shareholders, consisting of $700 million in preferred share capital issued to SMFL and SMBC and a $300 million unsecured subordinated loan from SMBC. We received $1.36 billion of preferred share capital from our shareholders in December 2022 to support the Goshawk Transaction. Our ability to meet our contractual obligations to airframe manufacturers for new aircraft that we have on order will require additional financing, which might not be available to us in sufficient amounts or on favorable terms and we cannot assure you that we will be able to refinance any of our existing debt on favorable terms, if at all. This, in turn, could adversely impact our financial condition, cash flow and results of operations.

As of March 31, 2023, we have aircraft orders in place with Airbus for 90 A320NEO aircraft and 43 A321NEO aircraft, and orders in place with Boeing for 56 737-MAX-8 aircraft. Our net cash used in investing activities was $3.0 billion for fiscal year 2022 and we have committed capital expenditures of $2.0 billion for fiscal year 2023. Included in these aircraft order figures are 40 committed aircraft orders for new technology narrowbody aircraft which we acquired in the Goshawk Transaction. As of March 31, 2023, the combined purchase price of these orders totalled $9.8 billion. These aircraft orders are scheduled for delivery between 2023 and 2027.

We may not continue to have access to the secured or unsecured debt markets in the future. We believe that our cash on hand, cash flows generated from operations, together with the cash generated from the above-mentioned financing arrangements should be sufficient for us to operate our business and repay our maturing debt obligations. If we are unable to raise sufficient cash, we may be unable to meet our debt obligations as they become due and to continue our operations as planned. Further, we may be unable to meet our aircraft purchase commitments as they become due, which could result in forfeiture of deposits, expose us to breach of contract claims by our lessees and manufacturers and adversely impact growth.

Our business depends on the ability of aircraft manufacturers to remain financially stable and to fulfill their contractual obligations.

We purchase and lease commercial aircraft of a size that are currently built predominately by two airframe manufacturers, Airbus and Boeing. In addition, only a limited number of engine manufacturers produce engines for the types of airframes that we purchase. As a result, we depend on these manufacturers remaining financially stable, producing aircraft and related components that meet our customers' demands, both in type and quantity, and fulfilling their contractual obligations to us. We cannot assure you of any of the foregoing. For example, after Boeing 737 MAX aircraft were involved in two fatal crashes in October 2018 and March 2019, regulatory authorities around the world grounded the aircraft type. More recently, in April 2021, certain airlines removed from their operations, pending ongoing inspection and investigation, a subset of Boeing 737 MAX aircraft after receipt of notice from Boeing of a potential electrical power system issue relating to those aircraft. Further, in 2021, quality control issues have twice disrupted production on the Boeing 787 program, resulting in significant scheduled delivery delays. There can be no assurance how negatively Boeing's financial performance (and the aviation market generally) has been or will be impacted including impacts from greater scrutiny of type certification, with potential retrospective scrutiny.

Should the manufacturers fail to respond appropriately to changes in the market environment, such as the effects of the Russia-Ukraine Conflict and the COVID-19 pandemic and the related recovery (including, but not limited to, certain related supply chain issues), or fail to fulfill their contractual obligations, we may experience:

- missed or late delivery of aircraft ordered by us and a consequent inability to meet our contractual obligations to our lessees, resulting in lost or delayed revenues, lower growth rates and/or strained customer relationships;
- an inability to acquire aircraft and related parts on terms that will allow us to lease those aircraft to lessees at a profit, resulting in lower growth rates or a contraction in our fleet;
- a marketplace with too many aircraft available, creating downward pressure on demand for the aircraft in our fleet and reduced market lease rental rates and residual values;
- poor customer support from the manufacturers of aircraft and components resulting in reduced demand for such manufacturers' products, creating downward pressure on demand for the aircraft in our fleet produced by such manufacturers and reduced market lease rental rates and residual values for those aircraft; and
- a reduction in our competitiveness due to deep discounting by the manufacturers, which might lead to reduced market lease rental rates and residual values and might impact our ability to remarket or sell aircraft in our fleet.

Any of these circumstances could have a material adverse effect on our financial condition, cash flow and results of operations.

In the past, there have been well-publicized delays by airframe manufacturers in meeting stated delivery schedules for new aircraft programs. Although we may have the right to terminate a purchase agreement in the event of protracted manufacturing delays, subject to certain grace periods, if we experience delivery delays for new aircraft types or aircraft for which we have made future commitments (such as the Airbus A320NEO and Boeing 737 MAX), it could delay the receipt of contracted cash flows and, in some cases, affected lessees may be entitled to terminate their lease arrangements with respect to such aircraft if the delays extend beyond agreed-upon periods of time. Any such termination could negatively affect our financial condition, cash flow and results of operations.

In addition, new aircraft types may not deliver the anticipated performance improvements, or could experience technical problems that result in the grounding of the aircraft, such as the fleetwide grounding of the Boeing 737 MAX family of aircraft by civil aviation authorities. In either event, the values and lease rates of such aircraft could be adversely affected.

The advent of superior aircraft technology or introduction of a new line of aircraft could cause our fleet of aircraft to become in less demand or obsolete.

As manufacturers introduce technological innovations and new types of aircraft and engines, certain aircraft in our existing aircraft portfolio may become less desirable to potential lessees or purchasers. Such technological innovations may increase the rate of obsolescence of existing aircraft faster than currently anticipated by our management or accounted for in our accounting policies. For example, the Boeing 787 and the Airbus A350, which entered production in recent years, provide improved fuel consumption and operating economics as compared to earlier aircraft types with which they compete. In addition, Airbus has launched the A320NEO family, and Boeing has launched the 737 MAX family of aircraft. These "next generation" narrow-body aircraft have lower fuel consumption and reduced noise, emissions and maintenance costs as compared to current technology models. The availability of potential variants of these new aircraft types may have an adverse effect on residual value and future lease rates of older aircraft types and variants. We have generally managed the age of our fleet through our trading activity, but the COVID-19 pandemic has affected our ability to participate in these activities at historic rates. In addition, the imposition of more stringent noise or emissions standards and the development of more fuel-efficient engines could make aircraft in our portfolio less attractive for potential lessees and less valuable in the marketplace. Any of these risks could adversely affect our ability to lease or sell our aircraft on favorable terms or at all or our ability to charge rental amounts that we would otherwise seek to charge, all of which could have an adverse effect on our financial results and growth prospects.

If our aircraft are not properly maintained, their value may decline and we may not be able to lease, re-lease or sell such aircraft at favorable rates, if at all.

If our aircraft are not properly maintained, their value may decline and we may not be able to lease, re-lease or sell such aircraft at favorable rates, if at all. In addition, we may be exposed to increased maintenance costs for our aircraft due to a lessee's failure to properly maintain the aircraft or pay supplemental maintenance rent for such aircraft. Because we are not in possession of an aircraft when it is on lease to an airline, our ability to determine whether the airline is properly maintaining the aircraft is limited to periodic inspections. Our leases require the lessees of our aircraft to be responsible for maintenance of the aircraft. Failure of a lessee to perform required maintenance during the term of a lease could result in a diminution in the value of an aircraft, our inability to re-lease the aircraft at favorable rates, if at all, or a potential grounding of the aircraft, and likely will require us to incur maintenance and modification costs upon the termination of the applicable lease, which could be substantial, to restore the aircraft to an acceptable condition prior to re-leasing or sale. Additionally, if a large number of aircraft are returned to us, including as a result of the market impact of the COVID-19 pandemic, the Russia-Ukraine Conflict or other events, that we are unable to immediately re-lease, we would need to maintain those aircraft at our own cost.

Further, in the event that a lessee defaults under a lease, there can be no assurance that any security deposit or maintenance reserves provided by the lessee will be sufficient to cover the lessee's outstanding or unpaid lease obligations and maintenance requirements. Some of our leases do not provide for any maintenance reserve payments to be made by lessees as security and instead provide for adjustment payments to be made at the end of the lease term, in which case we take the credit risk that the lessee will not have adequate funds to meet its financial obligations upon the return of the relevant aircraft. In addition, maintenance reserves may not cover all required maintenance. Furthermore, there can be no assurance that lessees will meet their obligations to pay maintenance reserves or perform required scheduled maintenance and, in some circumstances, they may be relieved from performing these obligations in connection with the rejection of leases in bankruptcy and similar proceedings. For example, for the year ended March 31, 2023, we incurred $70.3 million in asset impairment and write-off charges. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." Any failure by our lessees to meet their obligations to perform required scheduled maintenance or their failure to maintain aircraft records or provide required records at the end of the lease term, may materially adversely affect the value of our aircraft, our financial condition, cash flow and results of operations and our ability to satisfy our debt obligations, including the notes.

Changes in fuel prices could affect the profitability of the aviation industry and our lessees' ability to meet their lease payment obligations to us.

Historically, fuel prices have fluctuated widely depending primarily on international market conditions, geopolitical and environmental events and currency exchange rates. Oil prices have increased since the lows hit at the beginning of the COVID-19 pandemic and hit a multi-year high in 2022, primarily as a result of the Russia-Ukraine Conflict and the related economic sanctions. In addition, many factors including, but not limited to, natural disasters and the COVID-19 pandemic have and will continue to significantly affect fuel availability and prices. The cost of fuel represents a major expense to airlines that is not within their control, and significant increases in fuel costs or hedges that inaccurately assess the direction of fuel costs can materially and adversely affect their operating results, financial condition and ability to meet their obligations. Due to the competitive nature of the aviation industry, operators may be unable to pass on increases in fuel prices to their customers by increasing fares in a manner that fully offsets the increased fuel costs they may incur. In addition, they may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. The profitability and liquidity of those airlines that do hedge their fuel costs can also be adversely affected by swift movements in fuel prices if such airlines are required as a result to post cash collateral under hedge agreements. Furthermore, a sustained period of lower fuel costs may adversely affect regional economics that depend on oil revenue, including those in which our lessees operate. Any changes in fuel prices, such as the recent material increases in fuel prices, could result in our lessees being likely to incur higher costs or generate lower revenues, which may affect their ability to meet their obligations to us.

Sustained periods of financial strength and stability for certain airline customers may result in their purchasing their own aircraft or future aircraft deliveries, entering into fewer aircraft leases with us and/or competing with us, which may have an adverse effect on our business.

In addition to facing competition from other aircraft operating leasing companies, aircraft manufacturers, financial investors (including hedge funds and other funds and private equity firms) and tax lessors, we are also exposed to the risk that, during periods of strong demand for passenger travel and air cargo transportation services which typically lead to sustained periods of financial strength and stability for certain airline customers, we may face a reduction in demand for leasing of our aircraft as certain airline customers seek to purchase their own aircraft rather than entering into aircraft leasing arrangements. In addition, airline consolidation, the availability of investment capital, low jet fuel prices, industry liberalization or deregulation, removal of visa or travel restrictions and growth in new airline business models may also lead to periods of stronger financial performance by our airline customers. Airlines or other aircraft owners may also seek to lease out their own aircraft, thereby leading to increased competition for our aircraft.

Any or all of these factors could have a material adverse effect on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the notes.

Airworthiness directives may affect a substantial number of aircraft in our fleet and we may be forced to bear a substantial portion of the cost of compliance.

In addition to the general aviation authority regulations and requirements regarding maintenance, our aircraft may be subject to further maintenance requirements imposed by airworthiness directives issued by aviation authorities. Airworthiness directives typically set forth particular special maintenance actions or modifications to certain aircraft types or models of aircraft that the owners or operators of aircraft must implement. Given the high concentrations of particular models of aircraft in our fleet, airworthiness directives might affect a substantial number of our aircraft. Our lessees are responsible for maintaining our aircraft as airworthy during the term of the relevant lease, and therefore are responsible for complying with airworthiness directives affecting our aircraft during the term of the relevant lease; however, in some leases we agree to bear a portion of the cost of such compliance if it exceeds a specified threshold. If lessees fail to satisfy their obligations, if we have undertaken some obligations as to airworthiness under a lease or if the aircraft is not subject to a lease, we may be forced to bear (or, to the extent required under the relevant lease, to share) the cost of any airworthiness directives compliance.

The effects of various environmental, health and safety laws and regulations may negatively affect the airline industry.

Many aspects of commercial airlines' operations, including aircraft and engine noise and emissions levels, are subject to comprehensive federal, state, local and foreign environmental, health and safety laws and regulations relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the protection of health and safety. Environmental, health and safety laws and regulations are subject to change, have tended to become more stringent over time and violations can result in substantial fines, permit revocation or other damages. There is also increased global pressure from consumers and governments alike for the aviation industry to reduce its environmental impact and reach "net zero targets" by 2050. This could result in a disruption to the industry for a period of time as new technologies are developed, new regulations are passed and as consumer attitudes towards air travel may change. This may have an impact on cashflows for a period. Moreover, investment in new technologies which are more fuel efficient, or in the development of sustainable aviation fuel or in carbon offset projects may lead to increased capital expenditures. Any or all of these factors could have a material adverse effect on the airline industry and on our business, financial condition and results of operations and our ability to meet our financial obligations as well as the value of the notes.

Governmental regulation of aircraft and engine noise and emissions levels apply based on where the relevant airframe is registered and where the relevant aircraft is operated. For example, the United States and the International Civil Aviation Organization (the "ICAO") each regulate the maximum noise level that an individual civil aircraft can emit by requiring aircraft to meet certain noise certification standards, and have adopted stringent standards for noise levels that apply to engines manufactured or certified on or after January 1, 2006. In 2014, the ICAO adopted more stringent noise level standards for certain aircraft type designs and the United States has adopted noise regulations to harmonize with the new ICAO standards. Currently, United States regulations do not require any phase-out of older aircraft that comply with the older standards, but the E.U. has established a framework for the imposition of operating limitations on aircraft that do not comply with the newer standards. There is also the risk of future penalties for not meeting environmental targets in line with our ESG strategy, which was released in December 2021, or in line with the Paris Agreement (as defined below).

In addition to noise restrictions, the United States and other jurisdictions have imposed limits on aircraft engine emissions, such as NO_x, CO and CO2, consistent with current ICAO standards that can restrict operational flexibility and decrease aircraft productivity. In 2016, the ICAO adopted the Carbon Offset and Reduction Scheme for International Aviation ("CORSIA"), which calls for a global market based measure to help the aviation industry meet its goal of carbon-neutral growth after 2020. As of July 2021, over 100 countries participate in CORSIA, including the United States. Until the technical rules are developed by ICAO, costs for compliance cannot be determined. The United States adopted rules to incorporate the new standards into domestic law.

The E.U. has included the aviation sector in its emissions trading scheme ("ETS"), and has attempted to apply the ETS to flights outside of European airspace. This effort has been opposed by the U.S. and other countries. The ETS is currently suspended for flights from or to non-European countries. The ETS remains in full force, but will be assessed by the E.U. after there is more clarity on the content and nature of CORSIA and the extent of participation by Europe's international partners.

Additionally, in 2015, over 190 countries, including the United States, reached an agreement to reduce global greenhouse gas emissions at the United Nations Framework Convention on Climate (the "Paris Agreement"). The Paris Agreement does not expressly reference aviation, but could result in an adverse direct or indirect effect on the aviation industry as a whole. On November 4, 2020, the United States withdrew from the Paris Agreement. However, in January 2021, shortly after Joseph Biden was sworn into office as the President of the United States, a series of executive orders were issued regarding climate change, which in part led to the United States again depositing an instrument of acceptance of the Paris Agreement, which thereafter re-entered into force for the United States on February 19, 2021.

Over time, it is likely that governments will adopt additional regulatory requirements and/or market-based policies that are intended to further reduce energy usage, emissions and noise levels from aircraft. Such initiatives may be based on concerns regarding climate change, energy security, public health, local impacts or other factors, and may also impact the global market for certain aircraft and cause behavioral shifts that result in decreased demand for air travel. These concerns could also result in greater limitations on the operation of our fleet, particularly aircraft equipped with older technology engines.

Compliance with current or future regulations relating to the use of sustainable aviation fuels, carbon offsets, alternative technology aircraft, taxes or duties could cause our lessees to incur higher costs and lead to higher ticket prices, which could mean lower demand for travel and adverse impacts on the financial condition of our lessees. Such compliance may also affect our lessees' ability to make rental and other lease payments and limit the market for aircraft in our portfolio, which could have other negative effects on our financial position.

Moreover, the potential acute and chronic physical effects of climate change, such as increased frequency and severity of storms, floods, fires, sea-level rise, excessive heat, longer-term changes in weather patterns and other climate-related events, could affect the airline industry and therefore, our operations and financial results. We are not able to predict accurately the materiality of any potential losses or costs associated with the physical effects of climate change.

ESG matters may impose additional costs and expose us to new risks.

Public ESG and sustainability reporting is becoming more broadly expected by investors, shareholders, regulatory agencies and other third parties. Certain organizations that provide corporate governance and other corporate risk information to investors have developed, and others may in the future develop, scores and ratings to evaluate companies and investment funds based upon ESG or "sustainability" metrics. Many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company's ESG or sustainability scores as a reputational or other factor in making an investment decision. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and may also make voting decisions, or take other actions, to hold these companies and their boards of directors accountable. Board diversity is an ESG topic that is, in particular, receiving heightened attention by investors, shareholders, lawmakers and listing exchanges. We may also face reputational damage in the event our corporate responsibility initiatives or objectives, including with respect to board diversity, do not meet the standards set by our investors, shareholders, lawmakers, listing exchanges or other constituencies, or if we are unable to achieve an acceptable ESG or sustainability rating from third party rating services.

Airline defaults under our leases could adversely affect us.

Our principal business is the acquisition and leasing of commercial aircraft to airlines. The ability of airlines to lease our aircraft and perform under our leases is affected by their financial strength and the risks facing airlines at any given time, including passenger air travel and cargo demand, geopolitical and other events such as war, regional conflicts and unrest (including the Russia-Ukraine Conflict) civil disturbances, acts of terrorism, outbreaks of epidemic diseases (including COVID-19) and natural disasters and the availability and price of jet fuel.

To the extent that our lessees are affected by these risk factors, we may experience:

- lower demand for the aircraft in our fleet, which results in lower market lease rental rates and lease margins;
- a higher incidence of lessee defaults, lease restructurings and aircraft repossessions; or
- difficulty in placing new and used aircraft on commercially acceptable terms when they become available, resulting in aircraft not earning revenue and the requirement for payments for storage, insurance, maintenance and other items.

If we repossess an aircraft after a lessee default, we may be required to incur significant unexpected costs. These costs likely would include legal and other expenses of court or other governmental proceedings, including the cost of posting surety bonds or letters of credit necessary to effect repossession of an aircraft, particularly if the lessee is in bankruptcy or contesting the proceedings to obtain possession and/or re-registration of the aircraft. In addition, during these proceedings, the relevant aircraft would likely not be generating revenue. We could also incur substantial maintenance, refurbishment or repair costs if a defaulting lessee fails to pay such costs and such maintenance, refurbishment or repairs are necessary to put the aircraft in suitable condition for re-lease or sale; storage costs associated with any aircraft that we repossess and are unable to immediately place with another lessee; costs associated with the payment of liens, taxes and other governmental charges on repossessed aircraft to obtain clear possession and to remarket the aircraft effectively, including, in some cases, liens that the lessee might have incurred in connection with the operation of its other aircraft; and other costs in connection with the physical repossession of the aircraft, including costs for pilots and other personnel and costs related to retrieving or recreating aircraft records required for registration of the aircraft and obtaining a certificate of airworthiness. Some of these costs may be substantial.

We may also suffer other adverse consequences as a result of a lessee default and the related termination of the lease and the repossession of the related aircraft. Our rights upon a lessee default are subject to requirements and conditions of applicable law, which may include the need to obtain a court order for repossession of the aircraft and/or consents for deregistration or re-export of the aircraft. When a defaulting lessee is in bankruptcy, administration, insolvency or similar proceedings, additional limitations may apply. In addition, certain jurisdictions will give broad rights to a trustee in bankruptcy or a similar officer to assume or reject the lease or to assign it to a third-party, or will entitle the lessee or a third-party to retain possession of the aircraft without paying lease rentals or performing all or some of the obligations under the relevant lease. Accordingly, we may be delayed in, or prevented from, enforcing certain of our rights under a lease and in re-leasing the affected aircraft, in some cases for substantial periods of time.

Our aircraft and our operations may not be insured at all times as a result of lessees' failure to maintain the required insurance during the course of a lease, lessees' coverage limits becoming exhausted or lessees' insurers excluding coverage for certain risks.

While we do not directly control the operation of aircraft, in certain jurisdictions aircraft lessors and/or owners are held strictly liable for losses resulting from the operation of aircraft or for illegal activities involving such aircraft, and in other jurisdictions aircraft lessors may be deemed liable on other theories of liability. Our customers are required under their leases to indemnify us for, and insure against, liabilities arising out of use and operation of the aircraft, including third-party claims for death or injury to persons and damage to property for which we may be deemed liable. Our lessees are also required to maintain public liability, property damage and hull all risks insurance on the aircraft at agreed upon levels and name us on such required insurances as an additional insured party. They are not, however, required to maintain political risk insurance. The hull insurance is typically subject to standard market hull deductibles based on aircraft type that generally range from $250,000 to $1,000,000 per aircraft. These deductibles may be higher or lower in some leases. Deductibles in hull insurance apply in case of repair but in the event of a total loss no deductible applies. Lessees usually have fleet-wide aggregate limits on war risk insurance though these limits may be lowered given the continuing dislocation of the hull war insurance market. Any hull insurance proceeds received in respect of such claims will be paid first to us or our financiers, in the event of a total loss of the aircraft, or, in the absence of a total loss of the aircraft, subject in some cases to minimum thresholds, to the lessee, to effect repairs. Proceeds of liability insurance for indemnification of third-party liabilities will be paid to the relevant third parties.

As a result of the Russia-Ukraine Conflict, aviation insurers continue to exclude or restrict certain coverage in the affected region and incorporate other limitations on coverage (such as certain hull, hull war and confiscation coverage) and have increased premiums, compared to insurance coverage prior to the Russia-Ukraine Conflict. Previously, following the terrorist attacks of September 11, 2001, aviation insurers significantly reduced the amount of insurance coverage available to airlines for liability to persons other than airline employees or passengers for claims resulting from acts of terrorism, war or similar events. At the same time, they significantly increased the premiums for such third-party war risk and terrorism liability insurance and coverage in general. Aided by a number of government indemnity schemes, the scope and price of such liability coverage has almost returned to pre-2001 levels. The majority of government indemnity schemes have now ceased, with airlines again buying war coverage directly in the commercial aviation insurance markets. However, in light of the Russia-Ukraine Conflict, the availability and cost of coverage in the future, including hull war coverage in particular, continues to be uncertain. The amount and scope of hull war risk insurance that is available in the future may be below the amount and scope required under our leases and required by the market in general.

There can be no assurance that our lessees' insurance, including any available governmental supplemental coverage, will be sufficient to cover all types of claims that may be asserted against us. While we maintain certain contingent insurance coverage to provide protection where a lessee's insurance coverage may be unavailable or inadequate, such coverage may not be sufficient or may not be available in certain circumstances. Default by lessees in fulfilling their indemnification obligations, insolvency and/or financial default of the lessees' insurers may leave us exposed for hull losses or liability claims not covered by insurance. If we had to pay these losses directly, it could have a material adverse effect on our financial condition, cash flow and results of operations and our ability to satisfy our debt obligations, including the notes.

Our aircraft may not at all times be duly registered with the appropriate governmental civil aviation authority as a result of lessees failing to maintain such registration during the course of a lease.

Pursuant to the terms of our aircraft leases, our aircraft are required to be duly registered at all times with the appropriate governmental civil aviation authority. Under the laws of most jurisdictions, our aircraft are registered in the name of our lessees. In such case, the failure by a lessee to maintain the registration of any aircraft that is on lease would be a default under the applicable lease, entitling us to exercise our rights and remedies thereunder, but if an aircraft were to be operated without a valid registration, the relevant lessee or, in some cases, we, as the direct or indirect owner or lessor of the aircraft, might be subject to penalties, which could constitute or result in a lien being placed on such aircraft. Lack of registration could have other adverse effects, including grounding of the aircraft and loss of insurance. We cannot assure you that our lessees will always comply with their registration requirements imposed under the leases and applicable law.

If our lessees fail to appropriately discharge aircraft liens, we may be obliged to pay the debts secured by such aircraft liens.

In the ordinary course of business, liens that secure the payment of airport fees and taxes, custom duties, air navigation charges, landing charges, crew wages, repairer's charges, salvage or other charges are likely, depending on the jurisdiction in question, to attach to aircraft that we have leased to a lessee. Such liens may secure substantial sums; in certain jurisdictions and for certain types of liens (particularly fleet liens), the sums secured may exceed the value of the particular aircraft to which such liens have attached. Although the obligation to pay the amounts secured by such liens is the responsibility of the lessees, if they fail to fulfill their obligations, liens may attach to the aircraft leased from us. In some jurisdictions, such liens may give the holder thereof the right to detain or, in limited cases, sell or cause the forfeiture of the aircraft.

Until they are discharged (and all other liens on the airlines assets required to be discharged or satisfied to repossess have been discharged), the liens described above could impair our ability to repossess, re-lease or resell our affected aircraft or could impose a substantial cost in doing so. We cannot assure you that the lessees will comply with their obligations under the leases to discharge liens arising during the terms of the leases. If they do not, we may, in some cases, find it necessary to pay the claims secured by such liens in order to repossess the aircraft, which could have a material adverse effect on our financial condition, cash flow and results of operations.

If our lessees encounter financial difficulties and we restructure or terminate our leases, we are likely to obtain less favorable lease terms.

If a lessee delays, reduces or fails to make rental or maintenance payments when due, or otherwise encounters financial difficulties, we may elect or be required to restructure or terminate the lease. The risk that we may be required to take these actions increased as a result of the COVID-19 pandemic. Since the declaration of the COVID-19 pandemic by the World Health Organization on March 11, 2020, SMBC Aviation Capital has documented a number of rental deferrals and restructurings with customers.

For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations." A restructured lease will likely contain terms less favorable to us or economic concessions. If we are unable to agree on a restructuring deal and we terminate the lease, we may not receive all or any payments still outstanding, and we may be unable to re-lease the aircraft promptly and at favorable rates, if at all. If we are forced to perform a significant number of restructurings and terminations, the associated reduction in lease revenue could materially and adversely affect our financial condition, cash flow and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The appreciation of the U.S. dollar could negatively impact our lessees' ability to honor the terms of their leases, which are generally denominated in U.S. dollars, and may result in lost revenues and reduced net income.

Many of our lessees are exposed to currency risk due to the fact that they earn revenues in their local currencies while a significant portion of their liabilities and expenses are denominated in U.S. dollars, including their lease payments to us, as well as fuel, debt service, and other expenses. For the year ended March 31, 2023, more than 84% of our portfolio by NBV as of March 31, 2023 consisted of assets on lease to customers who have their principal place of business outside the U.S. The ability of our lessees to make lease payments to us in U.S. dollars may be adversely impacted in the event of an appreciating U.S. dollar. This is particularly true for non-U.S. airlines whose operations are primarily domestic. Shifts in foreign exchange rates can be significant, are difficult to predict, and can occur quickly as evidenced by the significant appreciation of the U.S. dollar in 2022. Should our lessees be unable to honor the terms of their leases due to the appreciation of the U.S. dollar, we may experience lost revenues and reduced net income.

Instability in the banking system or financial markets could impair our lessees' ability to finance their operations, which could affect their ability to comply with payment obligations to us.

Adverse changes in the global banking system or the global financial markets may have a material adverse effect on our business. Many of our lessees have expanded their airline operations through borrowings and some are highly leveraged. These lessees depend on banks and the capital markets to provide working capital and to refinance existing indebtedness. Global financial markets can be highly volatile and the availability of credit from financial markets and financial institutions can vary substantially. Events that adversely impact capital markets, such as bank failures and/or distressed bank consolidations, could lead to the imposition of stricter capital requirements on borrowers, reduce the general availability of credit or otherwise result in higher borrowing costs, limiting our lessees' abilities to finance their operations, which could affect their ability to meet payment obligations to us.

Existing and future litigation against us could materially and adversely affect our business, financial position, liquidity or results of operations.

From time to time in the future we may be a defendant in lawsuits relating to our business. We cannot accurately predict the ultimate outcome of any litigation due to its inherent uncertainties. These uncertainties may be increased by our exposure to different liability standards and legal systems internationally, including some that may be less developed and less predictable than those in advanced economies. An unfavorable outcome could materially and adversely affect our business, financial position, liquidity or results of operations. In addition, regardless of the outcome of any litigation, we may be required to devote substantial resources and executive time to the defense of such actions.

Our business and earnings may be adversely affected by general business, geopolitical and economic conditions throughout the world.

Our business and earnings may be adversely affected by general business and economic conditions throughout the world. A recession or worsening of economic conditions, or continued or worsening outbreaks of epidemic diseases (including COVID-19), escalations of war, armed hostilities or conflicts (including the Russia-Ukraine Conflict), terrorist attacks and any related geopolitical conditions, particularly if combined with high fuel prices, may have a material adverse effect on the ability of our lessees to meet their financial and other obligations under our leases. If our lessees default on their obligations to us under our leases, our financial condition, cash flow and results of operations could be materially and adversely affected. General business and economic conditions that could affect us include the COVID-19 pandemic (and future possible epidemics), the Russia-Ukraine Conflict, the level and volatility of short-term and long-term interest rates as well as global oil prices, inflation, employment levels, bankruptcies, demand for passenger and cargo air travel, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor confidence and the strength of the global, regional and local economies in which we operate.

In Europe, political uncertainty has created financial and economic uncertainty. For example, on January 31, 2020, the UK left the European Union ("Brexit") under the terms of the agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the E.U. and the European Atomic Energy Community (the "Withdrawal Agreement"). The Withdrawal Agreement provided for a transition period that ended on December 31, 2020. Prior to the end of the transition period, on December 24, 2020, EU and United Kingdom negotiators agreed to a new trade and cooperation agreement (the "EU-UK Trade and Cooperation Agreement"). Provisional application of the EU-UK Trade and Cooperation Agreement between January 1 and February 28, 2021 has been approved by the European Commission, the European Council and the United Kingdom Parliament to allow sufficient time for the formal ratification of the EU-UK Trade and Cooperation Agreement. However, the economic consequences of Brexit, including the possible repeal of open-skies agreements, remain highly uncertain and could have a material adverse effect on our business. Further, many of the structural issues facing the E.U. following the global financial crisis of 2008 and Brexit remain, and problems could resurface that could affect market conditions, and, possibly, our business, financial results and liquidity, particularly if they lead to the exit of one or more countries from the European Monetary Union (the "EMU") or the exit of additional countries from the E.U. Some of these structural issues have been exacerbated as a result of economic policies adopted by governments throughout the E.U. in connection with the COVID-19 pandemic. If one or more countries exited the EMU, there would be significant uncertainty with respect to outstanding obligations of counterparties and debtors in any exiting country, whether sovereign or otherwise, and it would likely lead to complex and lengthy disputes and litigation. Additionally, it is possible that political events in Europe could lead to the complete dissolution of the EMU or E.U. The partial or full breakup of the EMU or E.U. would be unprecedented and its impact highly uncertain, including with respect to our business.

We are subject to various risks and requirements associated with transacting business in multiple countries which could have a material adverse effect on our business, financial condition and financial results.

Our international operations expose us to obligations and risks under trade and economic sanctions and other restrictions imposed by the United States, the E.U., the United Nations and other governments or organizations. Under these trade and economic sanctions and other restrictions, various government agencies may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned individuals or entities, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact our business, financial condition and financial results.

The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the Foreign Corrupt Practices Act (“FCPA”), and other federal statutes and regulations, including those established by the Office of Foreign Assets Control (“OFAC”). In addition, the U.K. Bribery Act of 2010 (the “Bribery Act”) and the Irish Criminal Justice (Corruption Offences) Act 2018 (the “Corruption Offences Act”) prohibits both domestic and international bribery, as well as bribery across both private and public sectors. An organization that “fails to prevent bribery” by anyone associated with the organization can be charged under the Bribery Act unless the organization can establish the defense of having implemented “adequate procedures” to prevent bribery. Similarly, under the Corruption Offences Act, a corporate body may be impugned with criminal liability for the corrupt actions of its agents unless it can prove that it “took all reasonable steps and exercised all due diligence to avoid the commission of the offence.” A violation of these laws or regulations could adversely impact our business, financial condition and financial results.

The U.S., E.U., the UK, Switzerland, Japan, Canada and other jurisdictions have imposed sanctions in response to Russia’s invasion of Ukraine, including sanctions that impact the airline industry. Certain jurisdictions have also suspended the granting of certain types of export licenses to Russia. Russia has imposed its own sanctions on certain individuals in the United States and may impose other sanctions on the United States and the European Union and/or certain businesses or individuals from these regions. We cannot ensure that the current sanctions or any further sanctions imposed by the European Union, the United States or other international interests against Russia or any other country, territory or person will not materially adversely affect our business, financial condition and financial results. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Russia Related Sanctions.”

Additionally, other developments in U.S. laws and regulatory environment, including but not limited to executive orders such as Executive Order (E.O.) 13959, “Addressing the Threat from Securities Investments That Finance Communist Chinese Military Companies,” may further restrict our ability to transact with certain China-based businesses and the customers and suppliers of such businesses.

We have implemented and maintain policies and procedures reasonably designed to promote compliance with the FCPA, the Bribery Act, the Corruption Offences Act and other applicable anti-corruption laws and regulations, as well as applicable sanctions, export controls and anti-terrorism and anti-money laundering laws and regulations. We cannot ensure, however, that our directors, officers, consultants, employees or agents will not engage in conduct for which we may be held responsible, nor can we ensure that our business partners will not engage in conduct which could materially affect their ability to perform their contractual obligations to us or even result in our being held liable for such conduct. Moreover, while we believe that we have been in compliance with all applicable sanctions laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to change. Violations of the FCPA, the Bribery Act, the Corruption Offences Act, other anti-corruption laws and regulations, or sanctions, export controls, or anti-terrorism and anti-money laundering laws or regulations may result in severe criminal or civil penalties, and which could have a material adverse effect on our business, financial condition and financial results.

We may be indirectly subject to many of the economic, legal and political risks associated with emerging markets.

A portion of our fleet is leased to airlines in emerging market countries. Emerging market countries typically have less-developed economies and are often more vulnerable than other countries to economic and political problems. Emerging market countries also may have less developed legal systems, particularly with respect to aviation and leasing, and may make it more difficult to repossess an aircraft or otherwise assert our rights as lessor or owner in such jurisdiction. Emerging market countries may experience significant fluctuations in gross domestic product, interest rates and currency exchange rates, as well as civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by government authorities. The occurrence of any of these events in markets served by any of our lessees and the resulting economic instability that may arise could have a material adverse effect on the value of our ownership interest in aircraft subject to leases in such countries, or the ability of our lessees that operate in these markets to meet their lease obligations.

Further, demand for aircraft is dependent on passenger and cargo traffic, which in turn is dependent on general economic conditions. As a result, weak or negative economic growth in emerging markets may have an indirect effect on the value of the assets that we acquire if airlines and other potential lessees are adversely affected. COVID-19 and other economic and geopolitical events may further exacerbate economic conditions as emerging markets generally face higher rates of COVID-19 infection and other difficulties (including difficulties related to vaccine availability and the ability to offer economic stimulus) compared to mature markets. For these and other reasons, our financial condition, cash flow and results of operations and ability to satisfy our debt obligations, including the notes, may be materially adversely affected by adverse economic and political developments in emerging market countries.

We might be unable to attract and retain key personnel.

The success of our business largely depends on our ability to attract and retain key personnel. Our senior management's reputation and relationships with financing parties, lessees and aircraft manufacturers are a critical element of our business. Strong competition exists for qualified personnel with demonstrated ability. Inability to retain key personnel, or to attract and retain additional qualified personnel, could have a material adverse effect on our financial condition, cash flow and results of operations.

Additional terrorist attacks or the fear of such attacks or civil unrest, even if not made directly on the airline industry, as well as epidemic diseases or their perceived effects, could adversely affect lessees and the airline industry.

Continued or future outbreaks or escalations of war, armed hostilities or conflicts (such as the Russia-Ukraine Conflict), terrorist attacks, or the fear of such events, could decrease demand for air travel or increase the operating costs of our customers. The situations in Iraq, Afghanistan, Syria, Iran and throughout the Middle East, North Africa and Ukraine remain unsettled, and other international incidents, such as terrorist attacks in the United Kingdom, Belgium, France, Germany and Turkey, tension over North Korea's nuclear program and territorial disputes in East Asia and the Middle East, may lead to regional or broader international instability. Future terrorist attacks, war or armed hostilities, large protests or government instability, or the fear of such events, could further negatively impact the airline industry and may have an adverse effect on the financial condition and liquidity of our lessees, aircraft values and rental rates and may lead to lease restructurings or aircraft repossessions, all of which could adversely affect our financial results and growth prospects.

Terrorist attacks and geopolitical conditions have negatively affected the airline industry, and concerns about geopolitical conditions and further terrorist attacks could continue to negatively affect airlines (including our lessees) for the foreseeable future, as a result of various factors, including: (i) higher costs to the airlines due to increased security measures; (ii) losses in revenue and increased costs due to (a) safety concerns or the inconvenience of additional security measures required to address terrorist attacks and geopolitical conditions and (b) the imposition of sanctions and airspace closures as a result of war, armed hostilities or conflicts or terrorist attacks; (iii) decreases in passenger demand and revenue due to a decrease in travel; (iv) decrease in the value of aircraft due to the withdrawal from operation of a number of aircraft in a country or region that is the subject of or affected by sanctions or airspace closures; (v) the price and availability of jet fuel and the ability to obtain fuel hedges under current market conditions; (vi) higher financing costs and difficulty in raising the desired amount of proceeds on favorable terms, or at all; (vii) higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance has been or will continue to be available; (viii) the ability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of terrorist attacks and geopolitical conditions, including those referred to above; and (ix) special charges recognized by some airlines, such as those related to the impairment of aircraft and other long lived assets stemming from the above conditions.

In addition, currently and over the past several years, there have been outbreaks of epidemic diseases such as COVID-19, Ebola and Zika. Numerous responses, including severe travel restrictions, have been necessary to combat the spread of COVID-19, and similar responses may be necessary to combat future epidemic diseases. While more recently airlines have increased capacity and reported an increase in demand for services, as a result of, among other things, the availability of vaccines, any continued recovery in the airline industry would be hampered if COVID-19 infection rates were to rise or governments otherwise implement restrictive measures. Passengers may also voluntarily choose to reduce travel. Additional outbreaks of these diseases, or the outbreak of other pandemic diseases, or the fear of such events, could provoke further responses, including government-imposed travel restrictions, which could negatively affect passenger demand for air travel and the financial condition of the aviation industry until passenger confidence is built in the vaccine and any safety regulations, and ultimately have a material adverse effect on our financial condition, cash flow and results of operations.

A cyber-attack that bypasses our information technology, or IT, security systems, causing an IT security breach, may lead to a material disruption of our IT systems and the loss of business information which may hinder our ability to conduct our business effectively and may result in lost revenues and additional costs.

Our business depends on the secure operation of our computer systems to manage, process, store and transmit information associated with aircraft leasing. We have, from time to time, experienced threats to our data and systems, including malware, email impersonation and business email compromise attempts. A cyber-attack could adversely impact our daily operations and lead to the loss of sensitive information, including our own proprietary information and that of our customers, suppliers and employees. Such losses could harm our reputation and result in competitive disadvantages, litigation, regulatory enforcement actions, lost revenues, additional costs and liability. While we devote substantial resources to maintaining adequate levels of cyber security at a technical and procedural level, our resources and technical expertise may not be adequate to prevent targeted, highly sophisticated cyber-attacks and attackers.

We are subject to data security and privacy risks, including evolving laws and regulations and associated compliance efforts, which could negatively affect our results, operations or reputation.

We must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S., Europe and elsewhere. For example, the European Union adopted the General Data Protection Regulation ("GDPR"), which became effective on May 25, 2018. GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under GDPR) and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information also could result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, damage to our reputation and credibility and could have a negative impact on revenues and profits.

Like in the European Union, a number of states in the U.S. (including California) have passed or are considering passing consumer privacy and personal data protection laws and regulations. Such laws and regulation will create additional obligations related to the protection of consumer personal data and may be costly for our clients or us to implement. There is also discussion in Congress of a new comprehensive federal data protection and privacy law to which we likely would be subject if it is enacted. Such new laws and proposed legislation, if passed, could have conflicting requirements that could make compliance challenging, require us to expend significant resources to come into compliance, and restrict our ability to process certain personal information. It is difficult to predict the full extent to which these laws may affect our or our customers' businesses.

Changes in interest rates may adversely affect our net income, particularly by increasing our cost of borrowing.

Like many leasing companies, we are subject to interest rate risk. We use a mix of fixed rate and floating rate debt to finance our business. The principal amount of our outstanding floating rate debt was $4.4 billion as of March 31, 2023. Our cost of borrowing is affected by the interest rates that we obtain on our debt financings, which can fluctuate based on, among other things, general market conditions, the market's assessment of our credit risk, prevailing interest rates in the market, fluctuations in U.S. Treasury rates and other benchmark rates, changes in credit spreads or swap spreads, and the duration of the debt we issue. While we routinely enter into hedging transactions to mitigate this risk, those hedging transactions may not sufficiently insulate us from the impact of changes in interest rates and may cause us to forgo any benefit that might result from favorable fluctuations in such rates. In addition, we are exposed to the credit risk that the counterparties to our derivative contracts will default on their obligations. Please refer to "Qualitative Disclosures about Commercial and Market Risk" for further details on our interest rate risk. Our primary source of income is leases with multi-year fixed rates. A mismatch in the rates that we are obligated to pay to finance our business and the rents that accrue under leases can negatively impact our net income.

During the year ended March 31, 2023, interest rates have increased significantly in the U.S., the E.U., the UK and other countries, and we expect that rates will continue to increase during the year ending December 31, 2023. If and when interest rates increase, we will be obligated to make higher interest payments to the lenders of our floating rate debt; this will negatively impact our net income to the extent that those payments are not hedged. Increasing rates may also increase the cost of any new financing we may raise during this period, which could, if not hedged, impact our net income. Typically, we are not able to immediately offset this negative impact by increasing the rates on our leases. During the year ended March 31, 2023, 90.4% of our rentals receivable was attributable to leases with fixed lease rates and 9.6% was derived from leases with lease rates tied to floating interest rates. As our leases are primarily for multiple years with fixed lease rates for the duration of the lease, we generally cannot increase the lease rates with respect to a particular aircraft until the expiration of the lease, even if the market is able to bear the increased lease rates. As a result, there will be a lag in our ability to adjust and pass on the costs of increasing interest rates. Rising interest rates may also have a negative impact on the financial condition of our lessees, who may find it more difficult to service their debt and obtain new financing on favorable terms. While most of our leases have fixed lease rates, some lessees do have floating rate leases, and rising interest rates may increase the risk of a lessee with floating rate lease rates defaulting as payments due to us increase.

We are also exposed to certain risks from interest rate decreases. Decreases in interest rates may adversely affect our interest revenue on cash deposits and our lease revenue. A decrease in interest rates would also cause a decrease in our lease revenue from leases with lease rates tied to floating interest rates. We could also experience reduced lease revenue from our fixed rate leases if interest rates decrease because these are based, in part, on prevailing interest rates at the time we enter into the lease. As a result, new fixed rate leases we enter into at a time of lower interest rates may be at lower lease rates than had no such interest rate decrease occurred, adversely affecting our lease revenue. This may be particularly harmful to our business if we incur debt at higher interest rates and enter into leases at a time of lower interest rates.

Changes in banks' interbank lending rate reporting practices or the method by which widely used floating interest rates are determined may adversely affect our financial condition, cash flow and results of operations.

London Interbank Offered Rate ("LIBOR") and certain other "benchmarks" have been the subject of continuing national, international and other regulatory guidance and proposals for reform and, in some cases, discontinuation. These reforms, including the discontinuation or replacement of such benchmarks, may cause such benchmarks to perform differently than in the past or have other consequences which cannot be predicted. The discontinuation or replacement of such benchmarks may also disrupt the broader financial markets or could negatively impact our interest expense, and hedging transactions that we use in respect of floating rate instruments. On July 27, 2017, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. In March 2021, the ICE Benchmark Administration Limited, the administrator of LIBOR, affirmed its intention to publish one week and two month USD LIBOR through December 31, 2021, and all remaining USD LIBOR tenors through June 30, 2023. To identify a successor rate for U.S. dollar LIBOR, the Alternative Reference Rates Committee ("ARRC"), a U.S.-based group convened by the Federal Reserve Board and the Federal Reserve Bank of New York, was formed. The ARRC has identified the Secured Overnight Financing Rate ("SOFR"), as its preferred alternative rate for LIBOR.

In anticipation of the June 30, 2023 deadline, we commenced the transition of our LIBOR-based instruments, contracts and leases to SOFR. The replacement of existing benchmark rates with an alternate benchmark rate may negatively impact the value of those contracts to us, expose us to additional financial, tax, legal, operational or other costs, or expose us to additional interest rate-related risks.

The success of SOFR-based benchmarks is not assured and it is possible that further adjustments or transitions to alternative benchmarks may be required in the future. Any alternative benchmark rate may be calculated differently than SOFR-based rates and may increase the interest expense associated with our existing or future indebtedness.

Further, lease rentals are contracted on either a fixed rate or floating rate basis. For floating rate leases, rents are typically reset every three or six months. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Lease Terms." SOFR-based rates could negatively impact payments owed to us under floating rate leases.

Inflationary pressure may have a negative impact on our financial results, including by diminishing the value of our leases.

After a sustained period of relatively low inflation rates, for the year ended March 31, 2023, current rates of inflation are above or near recent historical highs in the United States, the European Union, the United Kingdom, and other countries. High rates of inflation may have a number of adverse effects on our business. Inflation may increase the costs of goods, services and labor used in our operations, thereby increasing our expenses. To the extent that we derive our income from leases with fixed rates of payment, high rates of inflation will cause a greater decrease in the value of those payments than had the rates of inflation remained lower. Because our leases are generally for multi-year periods, there may be a lag in our ability to adjust the lease rates for a particular aircraft accordingly. High rates of inflation may also lead policymakers to attempt to decrease demand or to adopt higher interest rates to combat inflationary pressures, resulting in the risks detailed in "—Changes in interest rates may adversely affect our net income, particularly by increasing our cost of borrowing." Our suppliers and lessees may also be subject to material adverse effects as a result of high rates of inflation, including as a result of the impact on their financial conditions, changes in demand patterns, price volatility, and supply chain disruption.

The Issuer and the Parent are Irish tax residents and we cannot assure you that the tax rate applicable to each entity will not change in the future.

The Issuer is a qualifying company within the meaning of section 110 of the Taxes Consolidation Act 1997 of Ireland (as amended) and as such is currently subject to Irish corporate tax on its taxable profits at a rate of 25% (for additional information, see "Certain Irish Tax Considerations"). The Parent is a company carrying on a trade in Ireland and as such is subject to Irish corporate tax on its net taxable income at a rate of 12.5%. There can be no assurance that the 25% tax rate or the 12.5% tax rate, as applicable, or the methodology for calculating the taxable income of the Issuer or the Parent, will not change in the future.

Consistent with the global minimum corporate tax rate initiative (discussed further below), Ireland has announced it will introduce a minimum effective corporate tax rate of 15% for "large" companies (i.e., certain companies with a global consolidated revenue above €750 million). Companies with a global consolidated revenue below €750 million should continue to be taxed at 12.5%.

The introduction of the Base Erosion and Profit Shifting ("BEPS") initiative by the Organization for Economic Cooperation and Development ("OECD") may impact the effective tax rate of our Parent in future periods.

The OECD issued various final reports under its BEPS action plan in October 2015 ("the BEPS Plan"). The OECD's reports cover issues such as the prevention of abuse of tax treaties, deductibility of interest costs, determination of permanent establishments and transfer pricing of services. Certain of the proposed BEPS changes to existing double tax treaties have been implemented by means of a Multi-lateral Instrument ("MLI"). On June 7, 2017, representatives from over 70 countries, including Ireland, participated in the OECD signing ceremony for the MLI. The MLI seeks to implement agreed tax treaty-related measures combating tax avoidance into bilateral existing tax treaties without the need to renegotiate a new treaty. The MLI came into effect for Irish tax treaties on January 1, 2020. Further changes to tax law will be required in order to fully implement the BEPS Plan. At this time, it is difficult to determine what further BEPS actions the governments of the jurisdictions in which we operate will implement. Depending on the nature of the BEPS action plans adopted, it may result in an increase in the effective tax rate of our Parent in future periods.

In January 2020, the OECD announced a new program (referred to as "BEPS 2.0") with a view to creating an international consensus on new rules for the framework for international taxation, particularly for businesses with valuable intangible assets; however, the rules are anticipated to have a much wider scope than this. The BEPS 2.0 program is divided into two Pillars: Pillar 1 and Pillar 2. The stated aim of Pillar 1 is to move beyond the arm's length principle and the scope of current taxing rights which are limited to businesses with a physical presence in a country. The new rules, if adopted, would readjust the balance of taxing rights and multinational companies ("MNC") profit allocation between jurisdictions where MNC assets are owned and the markets where users / consumers are based.

Pillar 2 of BEPS 2.0 concerns the development of a minimum tax rate and set of rules (the "Global Anti-Base Erosion Rules") to provide a coordinated system to ensure that MNC's with revenues above €750 million pay a minimum level of tax of 15% on the income arising in each of the jurisdictions in which they operate. Similarly, the E.U. has proposed a draft minimum tax directive (the "E.U. Minimum Tax Directive") which largely conforms to the Global Anti-Base Erosion Rules. The E.U. Minimum Tax Directive will provide the primary basis for the transposition of the Pillar 2 agreement in Ireland, with the legislation being transposed through future Irish Finance Acts. As of the date of this offering memorandum, the expectation is that the legislation will be transposed through the Finance Act 2023 and the rules will apply for accounting periods beginning on or after January 1, 2024. This may impact the effective tax rate of our Parent in future periods.

The E.U. Anti-Tax Avoidance proposals may impact the effective rate of tax of our Parent in future periods.

The E.U. Commission adopted an Anti-Tax Avoidance Directive on June 20, 2016 (the "E.U. ATAD") and the amending directive on May 29, 2017 (the "E.U. ATAD 2"), which oblige all member states to introduce a number of anti-tax avoidance measures. Many of these measures have been derived from the OECD's BEPS initiative and there are a number of similarities between the OECD proposals and E.U. ATAD and E.U. ATAD 2. However, even where there are common concepts between the OECD BEPS initiative and E.U. ATAD and E.U. ATAD 2, there are a number of differences in detail.

The E.U. ATAD calls for (i) restrictions on the deductibility of interest, (ii) measures in respect of certain hybrid transactions and instruments, (iii) an exit charge, (iv) a switch over rule, (v) controlled foreign company rules and (vi) a general anti-avoidance rule. While Ireland already had an appropriate general anti-avoidance rule in place prior to the publishing of the E.U. ATAD, other provisions modeled after the E.U. ATAD have been introduced into Irish law on a staggered basis over the last several years, including provisions intended to limit the deductibility of interest with effect from January 1, 2022, applying to accounting periods commencing on or after that date. Such rules provide that a restriction on deductibility of 'exceeding borrowing costs' of 30% of EBITDA will apply, where 'exceeding borrowing costs' means broadly, deductible interest expense in excess of taxable interest revenue. As a result, Irish Revenue has introduced a number of relief measures and exemptions from these rules, including a *de minimus* exclusion, leasing income concessions and grouping provisions. For more information on the interest restriction rules and their potential applicability to the Issuer, see "Certain Irish Tax Considerations."

The E.U. ATAD 2 was introduced on January 1, 2020 insofar as relating to hybrid mismatches and from January 1, 2022 for reverse hybrid mismatches. The rules under the E.U. ATAD 2 apply only in the case of a mismatch between a taxpayer and an "associated enterprise" or, in the case of "structured arrangements," between the parties involved (all terms as defined for the purpose of these rules).

For a discussion of the hybrid mismatch rules under the E.U. ATAD 2 and their potential applicability to the Issuer, see "Certain Irish Tax Considerations." The rules equally apply to our Parent and, to the extent that the rules apply to restrict deductibility of certain payments, this could have an impact on the effective tax rate of our Parent for future periods.

Furthermore, the E.U. Commission released a draft directive in December 2021 in respect of the misuse of shell companies (commonly referred to as the "E.U. ATAD 3"). The E.U. ATAD 3 has undergone a series of amendments, including the expected timing of implementation, which is likely to see this legislation take effect in Ireland on January 1, 2025 at the earliest. It is anticipated that the E.U. ATAD 3 will provide for rules regarding disclosure and supporting documentation in respect of certain minimum substance requirements, and consequences for companies deemed to be shell companies. The E.U. ATAD 3 is expected to apply to all entities, regardless of their legal form, that are considered tax residents in an E.U. member state that may be considered to misuse shell companies, as well as to partnerships, and other legal arrangements, that are deemed resident for tax purposes in an E.U. member state. There can be no assurance that the E.U. ATAD 3, in the form, if any, that is enacted and implemented by Ireland, will not result in additional taxes being payable by the Issuer or the Parent.

Finally, the E.U. Commission recently published a proposal for a new E.U. Directive creating a debt-equity bias reduction allowance ("DEBRA"). The DEBRA proposal contains two separate measures that apply independently: (1) an allowance on equity and (2) a further limitation to interest deduction. The DEBRA proposal applies to all taxpayers that are subject to corporate tax in one or more E.U. member states, including a permanent establishment located in one or more E.U. member states of an entity that is tax resident in a third country. It will not, however, apply to "financial undertakings" as defined in the proposal. The timing of the adoption of the final directive (and its implementation in Ireland) is unclear, however it is possible that such rules may take effect by January 1, 2024. There can be no assurance that DEBRA, in the form, if any, that is enacted and implemented by Ireland, will not result in additional taxes being payable by the Issuer or the Parent.

We operate in multiple jurisdictions and may become subject to a wide range of income and other taxes.

We operate in multiple jurisdictions and may become subject to a wide range of income and other taxes. If we are unable to continue to execute our business in jurisdictions with favorable tax treatment, our operations may be subject to significant income and other taxes. Moreover, as our aircraft are operated by our lessees in multiple states and foreign jurisdictions, we may have a nexus or a taxable presence as a result of our aircraft landings in various states or foreign jurisdictions. Such landings may result in us being subject to various foreign, state and local taxes in such states or foreign jurisdictions.

We are indirectly wholly-owned by our shareholders.

Our shareholders (through subsidiaries and other equity investments) hold all of the equity of SMBC Aviation Capital and have appointed a majority of the board of directors of SMBC Aviation Capital and provide a majority of our funding. So long as our shareholders continue to own all of the equity of SMBC Aviation Capital, they will continue to be able to strongly influence or effectively control our decisions. Our shareholders may have economic or business interests or goals that are inconsistent with ours and could take actions that could adversely affect our business, financial condition and results of operations.

In addition, none of our shareholders is a guarantor of the notes and holders of the notes do not have recourse to our shareholders if we fail to meet our payment obligations under the notes. If our shareholders are unable to continue to hold their equity investments, this could affect our organizational structure, potential future capital contributions or loans from our shareholders, our credit ratings (which are partly dependent on the fact that we are majority owned by SMFG) and the value of the notes, or our compliance with certain covenants governing our outstanding indebtedness, which could have a material adverse effect on our financial condition, cash flow and results of operations and our ability to satisfy our debt obligations, including the notes.

Conflicts of interest may arise between us and clients who will utilize our fleet management services, which could negatively affect our business interests, cash flow and results of operations.

Conflicts of interest may arise between us and third-party aircraft owners, financiers and operating lessors who hire us to perform fleet management services such as leasing, remarketing, lease management and sales services. These conflicts may arise because services we anticipate providing for these clients are also services we will provide for our own fleet, including the placement of aircraft with lessees. Our current fleet management services agreements provide, and we expect our future fleet management services agreements to provide, that we will use our reasonable commercial efforts in providing services, and include mechanics to manage any conflicts of interest. Nevertheless, despite these contractual provisions, competing with our fleet management clients in practice may result in strained relationships with them, which could negatively affect our business interests, cash flow and results of operations.

Risks Relating to the Goshawk Transaction

We may not realize the anticipated benefits of the Goshawk Transaction. In particular, we may not successfully realize anticipated growth or cost-savings opportunities or successfully integrate our business and operations with those of the GML business.

The integration of the operations of SMBC Aviation Capital with those of GML is expected to result in financial and operational benefits, including increased revenues, synergies and cost savings going forward. There can be no assurance, however, regarding when or the extent to which we will be able to realize these increased revenues, synergies, cost savings or other benefits. Integration may also be difficult, unpredictable and subject to delay because of possible company culture conflicts. We must continue to integrate or, in some cases, replace, numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll and regulatory compliance, many of which may be dissimilar. Difficulties associated with integration could have a material adverse effect on our business, financial condition and results of operations.

The unaudited condensed combined pro forma financial information of SMBC Aviation Capital is not intended to reflect what the actual financial condition and results of operations would have been had SMBC Aviation Capital and GML been combined for the periods presented, and therefore these results may not be indicative of SMBC Aviation Capital's future operating performance.

The historical financial statements included in this offering memorandum consist of the separate financial statements of SMBC Aviation Capital and GML. The unaudited condensed combined pro forma financial information included and incorporated by reference in this offering memorandum is for illustrative purposes only and is not intended to, and does not purport to, represent what SMBC Aviation Capital's actual results or financial condition would have been if the Goshawk Transaction and related transactions had occurred on the relevant date. In addition, such unaudited condensed combined pro forma financial information is based in part on certain assumptions regarding the Goshawk Transaction that SMBC Aviation Capital believes are reasonable and comply with applicable accounting standards. These assumptions, however, are only preliminary and will be updated only after the consummation of the Goshawk Transaction.

The unaudited condensed combined pro forma financial information does not reflect the costs of any integration activities or transaction-related costs or incremental capital expenditures (including with respect to GML's orderbook) that may be necessary for SMBC Aviation Capital to realize the anticipated benefits from the Goshawk Transaction. Accordingly, the pro forma financial information included and incorporated by reference in this offering memorandum does not reflect what SMBC Aviation Capital's results of operations or financial position would have been had SMBC Aviation Capital and GML been a consolidated entity during all periods presented, or what SMBC Aviation Capital's results of operations or financial position will be in the future.

The Goshawk Transaction may prove disruptive and could result in the combined business failing to meet our expectations.

The process of integrating our operations with GML may require a disproportionate amount of resources and management attention. Our management team may encounter unforeseen difficulties in managing the integration. In order to successfully combine SMBC Aviation Capital and GML and operate the combined business, our management team will need to focus on realizing anticipated synergies and cost savings on a timely basis while maintaining the efficiency of our operations. Any substantial diversion of management attention to difficulties in operating the combined business could affect our revenues and ability to achieve operational, financial and strategic objectives.

The Goshawk Transaction could adversely impact our relationship with our customers and may result in the departure of key personnel.

The Goshawk Transaction could cause disruptions to our business. For example, our customers may refrain from leasing or re-leasing our aircraft until they determine whether the Goshawk Transaction will affect our business, including, but not limited to, the pricing of our leases, the availability of certain aircraft, and our customer support. Our customers may also choose to lease aircraft and purchase services from our competitors until they determine whether the Goshawk Transaction will affect our business or our relationship with them. Uncertainty concerning potential changes to us and our business could also harm our ability to enter into agreements with new customers. In addition, key personnel may depart for a variety of reasons, including perceived uncertainty regarding the effect of the Goshawk Transaction on their employment.

Significant costs have been, and will continue to be, incurred in connection with the integration of GML in connection with the Goshawk Transaction including legal, accounting, tax, financial advisory and other costs.

We have incurred, and expect to continue to incur, significant costs in connection with integrating the operations and aircraft portfolio of GML into our business. These costs have included, and in the future will include, costs for:

- advisory services in respect of legal, accounting, tax, and regulatory matters;
- employee retention, redeployment, relocation or severance;
- the renegotiation and / or termination of existing office facilities; and
- the integration of information systems.

In addition, we expect to incur a number of non-recurring costs associated with combining the operations of SMBC Aviation Capital and those of GML, which cannot be estimated accurately at this time. We have incurred a significant amount of transaction fees and other one-time costs related to the closing of the Goshawk Transaction and additional unanticipated costs may yet be incurred as we integrate the business of SMBC Aviation Capital with that of GML. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the operations of SMBC Aviation Capital with those of GML, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term, or at all.

In connection with the Goshawk Transaction, we have assumed potential liabilities relating to GML's business, and we may not have identified all such liabilities and other risks.

In connection with the Goshawk Transaction, we have assumed potential liabilities relating to GML's business. Although we reviewed GML's business and financial condition in connection with the Goshawk Transaction, we may not have identified all potential liabilities. To the extent we have not identified such liabilities or to the extent the indemnifications obtained from other parties are insufficient to cover known liabilities, these liabilities could have a material adverse effect on our business, financial condition and results of operations. In addition, our review may have failed to identify other potential risks to the business, such as weakened financial conditions of lessees or problems with the asset portfolio, including maintenance defects, any of which could have a negative impact on our business, financial condition and results of operations.

Risks Relating to our Indebtedness and the Notes

The Issuer is a finance company dependent upon cash flow from the Parent and its subsidiaries to meet its obligations under the notes.

The Issuer is a special purpose finance company with no independent business operations. It has limited assets, no subsidiaries and no ability to generate revenue other than through the Parent. As such, the Issuer will be wholly dependent upon payments from the Parent to meet its obligations, including its obligations under the notes.

Various agreements governing the debt of the Parent and the Parent's subsidiaries may restrict and, in some cases may actually prohibit, the ability of those entities to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation and limit the amounts that some of the Parent's subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. The inability to transfer cash among entities within the Parent and the Parent's subsidiaries' respective restrictive groups may mean that even though the entities, in aggregate, may have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity to another in their restricted group in order to make payments to the entity owing the obligations.

The notes and the guarantee are structurally subordinated to all future and existing obligations of the Parent's subsidiaries, which may affect your ability to receive payment on the notes.

The notes and the guarantee are the Issuer's and the Parent's respective unsecured general obligations and will be structurally subordinated to all future and existing obligations of the Parent's subsidiaries (other than the Issuer). As of the closing date, none of the Parent's subsidiaries will guarantee the notes. The notes and the guarantee will be structurally subordinated to all existing and future obligations, including indebtedness and preferred stock, of the Parent's subsidiaries (other than the Issuer). The claims of creditors of the Parent's subsidiaries, including trade creditors, will have priority as to the assets of the Parent's subsidiaries. As of March 31, 2023, the Parent's subsidiaries had $2.36 billion[6] of liabilities and indebtedness to which the notes and the guarantee would be structurally subordinated.

The Parent currently conducts a portion of its operations through its subsidiaries and some of its subsidiaries have significant liabilities. In addition, the Parent may create additional subsidiaries and conduct additional operations through its subsidiaries in the future and, accordingly, its subsidiaries' liabilities may increase. The Parent's cash flow and the Parent's and Issuer's ability to service their debt, including, respectively, the guarantee and the notes, therefore partially depends upon the earnings of the Parent's subsidiaries and the distribution of earnings, loans or other payments by those subsidiaries to the Parent.

The Parent's subsidiaries are separate and distinct legal entities and (other than the Issuer) have no obligation to pay any amounts due on the notes or, subject to existing or future contractual obligations between the Parent and its subsidiaries, to provide the Parent or the Issuer with funds for their respective payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by the Parent's subsidiaries to the Parent could be subject to statutory or contractual restrictions and taxes on distributions. Payments to the Parent by its subsidiaries will also be contingent upon the subsidiaries' earnings and business considerations. Any inability of the Parent's subsidiaries to make dividends or distributions to the Parent, whether by reason of financial difficulties or other restrictions, could have a material adverse effect on the Issuer's ability to service and repay its debt, including the notes.

The Parent's right to receive any assets of any of its subsidiaries upon liquidation or reorganization, and, as a result, the right of the holders of the notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors. The indenture permits the Parent's subsidiaries to incur secured and unsecured debt and permits the Parent to establish additional subsidiaries in the future. In addition, even if the Parent were a creditor of any of its subsidiaries, the Parent's rights as a creditor would be subordinate to any security interest in the assets of its subsidiaries and any indebtedness of its subsidiaries senior to indebtedness held by the Parent.

The Issuer's and the Parent's existing and future secured creditors will have prior claims on certain of their respective assets and, if a default occurs, the Issuer and the Parent may not have sufficient funds to fulfill their respective obligations under the notes and the guarantee.

The notes and the guarantee are the Issuer's and the Parent's respective unsecured general obligations and will rank equally in right of payment with their existing and future unsecured indebtedness. The notes and the guarantee are subject to prior claims on certain of the Issuer's and the Parent's assets by their respective existing and

[6] Comprised of $1.362 billion of A preference shares, $700 million of B preference shares and $300 million of subordinated debt.

future secured creditors and the indenture permits each of the Issuer and the Parent to incur additional secured and unsecured debt.

In addition, the JBIC Facilities include a requirement that the Parent provide JBIC with such additional security for the outstanding loans thereunder (the "JBIC Facilities Lien") as JBIC may, in its sole discretion, require. If JBIC were to exercise such right under the JBIC Facilities, and depending on the amount of the JBIC Facilities Lien, all or a substantial portion of the Parent's assets could be pledged in the future to secure its obligations under the JBIC Facilities. JBIC has agreed that it will not request additional security from the Parent under each of the JBIC Facilities unless, in the reasonable opinion of JBIC, such request is necessary in order to protect the rights, interest and claims of JBIC under the relevant JBIC Facility and has further agreed that a request shall not be deemed to be reasonable when (i) in the case of the 2012 JBIC Facility, both (A) SMBC's absolute and unconditional guarantee of payment of the 2012 JBIC Facility remains in effect and (B) none of S&P, Fitch or Moody's has assigned to SMBC a credit rating that is less than investment grade and (ii) in the case of the 2019 JBIC Facility, either (A) SMFG directly or indirectly holds at least 50% of the beneficial ownership of the Parent or (B) either S&P or Fitch has assigned to the Parent a credit rating that is at least investment grade. As of the date of this offering memorandum, each of SMBC and the Parent was rated investment grade by each of S&P and Fitch, however, we cannot assure you that SMBC and/or the Parent will not be subject to a future ratings downgrade below investment grade. JBIC has never requested the Parent to provide additional security for the JBIC Facilities and we believe that JBIC currently has neither the ability nor the intention to request any such additional security. For more information about the terms of the JBIC Facilities, see "Description of Other Financial Indebtedness—Amortizing Loan Facility with the Japanese Bank of International Cooperation."

In the event of the Parent's insolvency, bankruptcy, liquidation, reorganization, examinership, dissolution or other winding up, proceeds from the disposition of assets that secure debt, including the JBIC Facilities to the extent that JBIC has exercised its JBIC Facilities Lien right, will be available first, to pay (i) the claims of a limited category of preferential creditors, such as the claims of employees and certain taxes on a winding-up, and the remuneration, costs and expenses properly incurred by any liquidator to or examiner of the Issuer and/or the Parent (as the case may be) (which may include any borrowings made by an examiner to fund the Issuer's requirements for the duration of his appointment) that have been approved by the Irish High Court (see "—If the Issuer or the Parent is unable to pay its debts, an examiner may be appointed under Irish law to oversee the Issuer's or the Parent's operations" below) and (ii) the obligations on the debt secured by those secured assets. Holders of the notes will participate in the Parent's remaining assets ratably with all of its unsecured and unsubordinated creditors. If the Issuer and/or the Parent incurs any additional obligations that rank equally with the notes and/or the guarantee (as the case may be), the holders of those obligations will be entitled to share ratably with the holders of the notes in any proceeds distributed upon the insolvency, bankruptcy, liquidation, reorganization, examinership, dissolution or other winding up of the Issuer and/or the Parent (as the case may be). This may have the effect of reducing the amount of proceeds paid to you. If there are not sufficient assets remaining to pay all these creditors, all or a portion of the notes then outstanding would remain unpaid.

As of March 31, 2023, the Parent and its subsidiaries had no secured indebtedness outstanding and, after giving effect to the possible imposition of a JBIC Facilities Lien in an amount equal to the entire outstanding amount of the JBIC Facilities as of such date, would have had $1.9 billion of secured indebtedness outstanding.

Certain of our debt agreements contain covenants that impose restrictions on us and our subsidiaries that may limit our flexibility to operate our business.

The agreements governing the Parent's debt, including any indentures, revolving credit facilities, term financing facilities, other commercial bank financings and other agreements impose operating and financial restrictions on its activities. These restrictions include certification to, compliance with or maintenance of certain financial tests and ratios, including certification of net worth and maintenance of interest expense coverage ratios, and limit or prohibit the Parent's and its subsidiaries' ability to, among other things:

- sell assets;
- incur additional indebtedness;

- create liens on assets;
- enter into transactions with affiliates;
- engage in mergers or consolidations; and
- change the business conducted by the borrowers and their respective subsidiaries.

These restrictions could seriously harm the Parent's ability to operate its business by, among other things, limiting its ability to take advantage of financing, amalgamation, merger and acquisition and other corporate opportunities.

Various risks, uncertainties and events beyond the Parent's control could affect its ability to comply with these covenants and maintain these financial tests and ratios. Failure to comply with any of the covenants in the Parent's existing or future financing agreements would result in a default under those agreements and under other agreements containing cross-default provisions. A default would permit debt holders to accelerate the maturity for the debt under these agreements and to foreclose upon any collateral securing the debt and to terminate any commitments to lend. Under these circumstances, the Parent may have insufficient funds or other resources to satisfy all its obligations, including its obligations under the guarantee. In addition, the limitations imposed by financing agreements on the Parent's ability to incur additional debt and to take other actions may significantly impair its ability to obtain other financing.

The limited covenants applicable to the notes may not provide protection against some events or developments that may affect the Issuer's or Parent's ability to repay the notes or the guarantee or the trading prices for the notes.

The indenture governing the notes, among other things, does not:

- require the Issuer or the Parent to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity and, accordingly, does not protect holders of the notes in the event that the Issuer or the Parent experiences significant adverse changes in its financial condition or results of operations;
- limit the Issuer's or the Parent's ability to incur indebtedness, including secured indebtedness (subject to compliance with the liens covenant), that is senior to or equal in right of payment to the notes;
- limit the Parent's subsidiaries' ability to incur secured (subject to compliance with the liens covenant) or unsecured indebtedness, which would be structurally senior to the notes;
- restrict the Issuer's or the Parent's ability to repurchase or prepay their securities;
- restrict the Issuer's or the Parent's ability to make investments; or
- restrict the Issuer's or the Parent's ability to pay dividends or repurchase or make other payments in respect of the Issuer's or the Parent's common stock or other securities ranking junior to the notes.

For these reasons, the limited protection investors are entitled to could have a material negative impact on the value of an investor's investment.

Our substantial level of indebtedness could impair our financial condition and the Parent's and the Issuer's ability to fulfill their debt obligations, including the notes and the guarantee.

We have substantial indebtedness. As of March 31, 2023, our total consolidated indebtedness was $17.6 billion. Our level of indebtedness and the covenants contained in the agreements governing our debt could have important consequences, including:

- making it more difficult for the Parent and the Issuer to satisfy their obligations with respect to the notes and the guarantee and our other indebtedness, which could in turn result in an event of default on such other indebtedness or the notes;

- impairing our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

- requiring us to dedicate a substantial portion of cash flow from operations to debt service payments, thereby reducing the availability of cash for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

- increasing our vulnerability to adverse economic and industry conditions;

- limiting flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- limiting your rights to receive payments under the notes if secured creditors have not been paid;

- placing us at a competitive disadvantage compared to our competitors that have proportionately less debt; and

- making us vulnerable to increases in interest rates.

Our policy is to align the leases and the underlying loan financing based on interest rate basis, currency and term, where feasible on an overall portfolio basis. Facilities are aligned in terms of interest rate basis; however, we do have leases that are not aligned by term. This is the nature of portfolio funding rather than match funding to specific leases and all are reviewed monthly; trading leases through the cycle will also have an impact on term alignment. As of March 31, 2023, our principal outstanding indebtedness was fully matched by currency, as we currently do not have any non-U.S. dollar denominated debt.

Despite the Parent's current indebtedness levels, the Parent or its subsidiaries (including the Issuer) may still be able to incur significantly more debt, which could exacerbate the risks associated with the Parent's substantial debt.

The Parent or its subsidiaries (including the Issuer) may be able to incur additional debt in the future. The terms of the Parent's financing facilities and the indenture governing the notes allows the Parent and its subsidiaries (including the Issuer) to incur substantial amounts of additional debt, subject to certain limitations.

The Issuer and the Parent may not be able to service their debt and meet their other cash needs, which will require a large amount of cash that may not be available.

The Issuer's and the Parent's ability to service their indebtedness, including the Issuer's ability to make scheduled payments of principal and interest on the notes, or to refinance their indebtedness, including the notes, will depend upon the Parent's future operating performance, which will be affected by general economic, financial, competitive, legislative, regulatory, business and other factors beyond its control.

In addition, the Issuer's and the Parent's ability to borrow funds in the future to repay, refinance or make payments on their debt will depend on the satisfaction of the covenants in their term financing facilities and their agreements governing their other debt, including the indenture governing the notes, and other agreements they may enter into in the future, including securitizations. Many of our loan documents require that we maintain a specified interest expense coverage ratio of not less than 1.50 to 1.00. See "Description of Other Financial Indebtedness." The Issuer and the Parent cannot assure you that their businesses will generate sufficient cash flow from operations or that future borrowings will be available under term financing facilities or from other sources in an amount sufficient to pay their debt, including the notes, or other liquidity needs.

If the Issuer's and the Parent's cash flows and capital resources are insufficient to fund their debt service obligations, they may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance the notes or other indebtedness. The Issuer's and the Parent's ability to restructure or refinance their debt will depend on the condition of the capital markets and their financial condition at such time. Any refinancing of debt could be at higher interest rates and may require the Issuer and the Parent to comply with more onerous covenants, which could further restrict their business operations. Existing or future debt instruments may restrict the Issuer or the Parent from adopting some of these alternatives. These alternative measures may not be successful and may not permit the Issuer or the Parent to meet their scheduled debt service obligations.

If the Parent defaults on its obligations to pay other indebtedness, the Issuer may not be able to make payments on the notes.

Any default under certain agreements governing the Parent's other indebtedness that is not waived by the required holders of such indebtedness, and the remedies sought by the holders of such indebtedness, could leave the Issuer unable to pay principal or interest on the notes and could substantially decrease the market value of the notes. If the Parent is unable to generate sufficient cash flow and is otherwise unable to obtain funds necessary to meet required payments of principal or interest on such indebtedness, or if the Parent otherwise fails to comply with the applicable covenants, including financial and operating covenants, in those agreements governing its indebtedness, it could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be immediately due and payable, together with accrued and unpaid interest, which in turn could trigger cross defaults under other agreements governing some of the Parent's other indebtedness. The Parent may not have, and may not be able to obtain, sufficient funds to pay any accelerated amounts, and it could be forced into bankruptcy or liquidation.

Changes in the credit ratings of the Parent, the Issuer or the notes may adversely affect the value and liquidity of the notes, the Issuer's and the Parent's borrowing costs and their ability to access capital markets.

Any credit ratings on the notes are limited in scope, are not a recommendation to buy, sell or hold the notes and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of any such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies if, in each rating agency's judgment, circumstances so warrant. Any downgrade, placement on negative watch or change in outlook or anticipated changes or downgrades on the Issuer's or the Parent's debt credit ratings generally or the ratings on the notes could impact the trading prices for, or the liquidity of, the notes and adversely affect the Issuer's or the Parent's cost of borrowing, limit their access to the capital markets or result in more restrictive covenants in future debt agreements.

Redemption may adversely affect your return on the notes and you may have reinvestment risk.

The Issuer has the right to redeem some or all of the notes prior to maturity, as described under "Description of the Notes—Maturity, Optional Redemption" and "Description of the Notes—Optional Redemption for Changes in Withholding Taxes." The Issuer may redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security and obligor at an effective rate as high as that of the notes.

The Issuer may not be able to repurchase the notes upon a Change of Control Triggering Event.

Our shareholders may have an interest in pursuing a sale, divesture, merger or other disposition of all or part of us that they believe could enhance their equity investments. Upon the occurrence of a Change of Control Triggering Event, as defined in "Description of the Notes—Repurchase at the Option of Holders," each holder of notes will have the right to require the Issuer to repurchase all or any part of such holder's notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including the date of repurchase. If the Issuer experiences a Change of Control Triggering Event, it cannot assure you that it would have sufficient financial resources available to satisfy its obligations to repurchase the notes. The Issuer's failure to repurchase the notes as required under the indenture governing the notes would result in a default under the indenture governing the notes, which could result in defaults under the instruments governing the Parent's other indebtedness, including the acceleration of the payment of any borrowings thereunder, and have material adverse consequences for the Issuer, the Parent and the holders of the notes. See "Description of the Notes—Repurchase at the Option of Holders."

Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of "substantially all" of our assets.

A Change of Control Triggering Event will require the Issuer to make an offer to repurchase all of the outstanding notes. One of the circumstances under which a Change of Control, which is a condition to a Change of Control Triggering Event, may occur is upon the sale or disposition of "all or substantially all" of the assets of the Parent. There is no precise established definition of the phrase "substantially all" under applicable law and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of notes to require the Issuer to repurchase its notes as a result of a sale of less than all of the Issuer's assets to another person may be uncertain.

The Issuer may be unable to repay the notes at maturity.

At maturity, the entire outstanding principal amount of the notes, together with accrued and unpaid interest, will become due and payable. The Issuer may not have the funds to fulfill these obligations or the ability to renegotiate these obligations. If upon the maturity date other arrangements prohibit the Issuer from repaying the notes, it could try to obtain waivers of such prohibitions under those arrangements, or it could attempt to refinance the borrowings that contain the restrictions. In these circumstances, if the Issuer was not able to obtain such waivers or refinance these borrowings, it would be unable to repay the notes.

The Issuer and the Parent are not regulated by any securities, commodities or banking regulatory authority in Ireland or elsewhere, but they cannot assure you that no such laws may be applicable to them in the future.

The Issuer and the Parent believe that they are not required to be licensed or authorized under any current securities, commodities or banking laws of Ireland, their jurisdiction of incorporation, or any other jurisdictions, and none of the Parent's subsidiaries are subject to such regulation. There is no assurance, however, that laws or regulations will not change or that regulatory authorities in one or more jurisdictions may not take a contrary view regarding the applicability of any such laws to the Issuer, the Parent or its subsidiaries. If the Issuer, the Parent or its subsidiaries becomes subject to regulation, it could have an adverse impact on the Issuer, the Parent or the holders of the notes.

The Issuer and the Parent are organized in Ireland, and Irish law differs from U.S. law and may afford you less protection.

Holders of the notes may have more difficulty protecting their interests than would security holders of a corporation incorporated in a jurisdiction of the United States. As a designated activity company and a limited company organized under the laws of Ireland, respectively, the Issuer and the Parent are subject to the Companies Acts, 2014 of Ireland (the "Irish Companies Act") and other provisions of Irish law. The Irish Companies Act differs in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors.

Under Irish law, the duties of directors and officers of a company are generally owed to the company only. Security holders of Irish companies generally do not have rights to take action against directors or officers of the company, except in limited circumstances. Officers of an Irish company must, in exercising their powers and performing their duties, among other things, act in good faith and in the best interests of the company and must exercise due care, skill and diligence. But because their fiduciary duty is owed to the company and directors and officers have no duty with respect to security holders directly, holders of the notes may not have the same protection provided under U.S. laws.

Judgments obtained in a court of the United States may not be enforceable in Ireland and it may be difficult to serve process on the Issuer and the Parent.

Each of the Issuer and the Parent is incorporated under the laws of Ireland. In addition, certain of the directors and officers of the Issuer and the Parent are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and of the Issuer and the Parent are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Issuer or the Parent, or to enforce against them in U.S. courts judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States.

The United States currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland. A judgment of the U.S. courts will be enforced by the Irish courts if the following general requirements are met: (i) the procedural rules of the U.S. court must have been observed and the U.S. court must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule); and (ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however, the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that, in the meantime, the judgment should not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive. However, the Irish courts may refuse to enforce a judgment of the U.S. courts which meets the above requirements for one of the following reasons: (a) if the judgment is not for a definite sum of money; (b) if the judgment was obtained by fraud; (c) if the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice; (d) if the judgment is contrary to Irish public policy or involves certain United States laws which will not be enforced in Ireland; (e) the judgment is inconsistent with a judgment of the Irish courts in respect of the same matter; or (f) if jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Superior Courts Rules.

The guarantee of the notes by the Parent may be voidable, subordinated or limited in scope under laws governing fraudulent transfers and insolvency.

The guarantee of the notes by the Parent may be subject to review under Irish law in the following circumstances:

- if the Parent, having become the subject of liquidation proceedings within six months (or two years if the guarantee is given in favor of anyone who is, in relation to the Parent, a connected person) of issuing the guarantee, is made the subject of an application by the liquidator, on behalf of the Parent, to the Irish courts to void the guarantee on the grounds that the issuance of the guarantee constituted a preference over other creditors at a time when the Parent was insolvent; or

- if the Parent were wound up, the Irish courts, on the application of a liquidator or creditor, may, if it can be shown that the guarantee or any payments made thereunder constituted a fraud on the Parent, order a return of payments made by the Parent under the guarantee; or

- if the Parent having become insolvent, or deemed likely to become insolvent, is made the subject of court protection under the examinership procedure (see further below) and the court approves a scheme for the compromise of debts of the Parent.

In an insolvency of an Irish company, the claims of certain preferential creditors (including the Irish Revenue Commissioners for certain unpaid taxes) will rank in priority to claims of unsecured creditors. If the Parent becomes subject to an insolvency proceeding and the Parent has obligations to creditors that are treated under Irish law as creditors that are senior relative to the holders of the notes, the holders of the notes may suffer losses as a result of their subordinated status during such insolvency proceeding.

If a court voided the guarantee or any payment under the guarantee of the notes as a result of a fraudulent transfer or held it unenforceable for any other reason, the rights of holders of the notes under the guarantee would be seriously undermined and such holders could cease to have any claim against the Parent under its guarantee of the notes.

If the Issuer or the Parent is unable to pay its debts, an examiner may be appointed under Irish law to oversee the Issuer's or the Parent's operations.

Both the Issuer and the Parent are resident in Ireland for tax purposes and their respective centers of main interest for the purposes of Regulation (E.U.) 2015/848 on insolvency proceedings (recast) is likely to be Ireland. If the Issuer or the Parent (each a "Relevant Company") is unable, or likely to be unable, to pay its debts, an examiner may be appointed to oversee that Relevant Company's operations and to facilitate its survival and the whole or any part of its business by formulating proposals for a compromise or scheme of arrangement. If an examiner has been appointed to a Relevant Company or any of its subsidiaries, the examinership may be extended to that Relevant Company and any of its related companies, including the Issuer and/or the Parent, even if the Relevant Company is not itself insolvent. There can be no assurance that either Relevant Company would be exempt from an extension of the examinership.

If an examiner is appointed to a Relevant Company, a protection period, which is not likely to exceed 100 days but which may be longer, will be imposed so that the examiner can formulate and implement his proposals for a compromise or scheme of arrangement. During the protection period, any enforcement action by a creditor is prohibited. In addition, the applicable Relevant Company would be prohibited from paying any debts existing at the time of the presentation of the petition to appoint an examiner. The appointment of an examiner may restrict the ability of the Issuer to make timely payments under the notes and holders may be unable to enforce their rights under the notes and/or, as applicable, may restrict the ability of the Parent to make timely payments under its guarantee and holders may be unable to enforce their rights under the guarantee. During the course of examinership, holders' rights under the notes and/or the guarantee may be affected by the examiner's exercise of his powers to, for example, repudiate a restriction or prohibition on further borrowings or the creation of a security interest. Further, a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer or the Parent to the holders of the notes irrespective of their views. In the event that a scheme of arrangement is not approved and the applicable Relevant Company subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of that Relevant Company and approved by the Irish High Court) and the claims of certain other creditors referred to above (including the Irish Revenue Commissioners for certain unpaid taxes) will take priority over the amounts due by that Relevant Company to the holders of the notes.

Irish company law contains certain rules regarding the enforcement of guarantees in an examinership and in the event of the appointment of an examiner to the Issuer there are certain steps which the holder of the guarantee from the Parent will have to observe strictly in order to maintain its rights to enforce the obligations of the Parent under the guarantee. In this respect, a notice containing an offer by the holder of the guarantee to transfer to the Parent such holder's rights to vote on the examiner's proposals in respect of the Issuer must be served on the Parent within certain prescribed time limits. There is no flexibility in relation to the prescribed time limits and they must be strictly adhered to. If the creditor under the guarantee does not comply with the notification procedure, it may not enforce, by legal proceedings or otherwise, the obligations of the Parent in respect of the debts of the Issuer or pursuant to the guarantee.

Your ability to transfer the notes may be limited by the absence of an active trading market, and an active trading market may not develop for the notes.

The notes will be a new issue of securities for which there is no established public market. The Initial Purchasers have advised us that they intend to make a market in the notes as permitted by applicable laws and regulations; however, the Initial Purchasers are not obligated to make a market in the notes and may discontinue their market-making activities at any time without notice. Application will be made to quote the notes on the official list of the CSX. Because the notes are being sold pursuant to an exemption from registration under applicable securities laws and, consequently, may not be publicly offered, sold or otherwise transferred in any jurisdiction where a registration may be required, no public market for the notes is expected to develop. See "Plan of Distribution." Therefore, we cannot assure you as to the development or liquidity of any trading market for the notes. The liquidity of any market for the notes will depend on a number of factors, including:

- the number of holders of the notes;
- our operating performance and financial condition;
- the prospects for companies in our industry generally;
- the market for similar securities and the state of credit markets generally;
- the interest or ability of securities dealers (including due to regulatory developments) in making a market in the notes; and
- prevailing interest rates.

Holders of the notes will not be entitled to registration rights, and the Issuer does not currently intend to register the notes under applicable securities laws. There are restrictions on your ability to transfer or resell the notes without registration under applicable securities laws.

The notes are being offered and sold pursuant to an exemption from registration under U.S. and applicable state securities laws and the Issuer does not plan to register the notes under any U.S. and applicable state securities laws in the future. You may transfer or resell the notes in the U.S. only in a transaction registered under, or exempt from the registration requirements of, the U.S. and applicable state securities laws, and you may be required to bear the risk of your investment for an indefinite period of time. See "Transfer Restrictions."

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the notes will be approximately $ after deducting the Initial Purchasers' discount but excluding estimated offering expenses. We intend to use the net proceeds from the offering of the notes for general corporate purposes, which may include, among other things, the purchase of aircraft and the repayment of existing indebtedness.

THE GOSHAWK TRANSACTION

On December 21, 2022, SMBC Aviation Capital completed the acquisition of GML. Following the Goshawk Transaction, GML was renamed ACML.

The Goshawk Transaction brought together two of the most strategically aligned businesses in the sector, creating the second largest leasing company globally by number of aircraft and the largest Japanese-owned aircraft lessor based on fleet size. The combined business has a portfolio of over 700 owned and managed aircraft and a future delivery pipeline of almost 190 new technology, in-demand Airbus A320NEO family and Boeing 737 Max aircraft. We believe this places the business in a strong position to capitalize on the opportunities presented by the market. See "Business Overview" for further information.

The equity consideration paid consists of $1.36 billion of preferred share capital from our shareholders. We have provisionally assessed the fair value of the assets acquired and liabilities assumed in the acquisition which resulted in no material goodwill.

Substantially concurrently with the consummation of the Goshawk Transaction, the company repaid all of GML's outstanding debt, except for $471.6 million of secured debt which was repaid in January 2023.

UNAUDITED CONDENSED COMBINED PRO FORMA FINANCIAL INFORMATION

The following unaudited condensed combined pro forma financial information is based on the historical consolidated financial statements of SMBC Aviation Capital Limited ("SMBC Aviation Capital") and SMBC Aviation Capital Management Limited (formerly known as GML) ("ACML") and is intended to provide information about how the Goshawk Transaction would impact the historical financial statements of SMBC Aviation Capital as if it was consummated at the times assumed and subject to the assumptions and adjustments noted below. The unaudited condensed combined pro forma financial information is provided for informational purposes only and it does not purport to indicate the financial position or results of operations that would have resulted had the Goshawk Transaction, and related financings, been completed on the assumed dates or for the periods presented, nor should it be taken as indicative of the future financial position or results of operations of SMBC Aviation Capital. The unaudited condensed combined pro forma financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act. See "Risk Factors—Risks Relating to the Goshawk Transaction—The unaudited condensed combined pro forma financial information of SMBC Aviation Capital is not intended to reflect what the actual financial condition and results of operations would have been had SMBC Aviation Capital and ACML been combined for the periods presented, and therefore these results may not be indicative of SMBC Aviation Capital's future operating performance."

The unaudited condensed combined pro forma financial information gives effect to the Goshawk Transaction, together with related financings, and the application of the net proceeds therefrom. The unaudited condensed combined pro forma statements of comprehensive income have been prepared for: (i) the year ended March 31, 2022 (combining SMBC Aviation Capital's statement of comprehensive income for the year ended March 31, 2022 and ACML's statement of comprehensive income for the year ended December 31, 2021) giving effect to the Goshawk Transaction and related financings as if they had occurred on April 1, 2021; and (ii) the nine month period ended December 31, 2022 (combining SMBC Aviation Capital's statement of comprehensive income for the nine months ended December 31, 2022 and ACML's statement of comprehensive income for the nine months ended September 30, 2022) giving effect to the Goshawk Transaction and related financings as if they had occurred on April 1, 2022. SMBC Aviation Capital's statement of comprehensive income for the nine-month period ended December 31, 2022 includes 11 days of ACML's operating results, from December 21 through December 31, 2022, which have been excluded from the unaudited condensed combined pro forma statements of comprehensive income for the nine months ended December 31, 2022. The unaudited condensed combined pro forma financial information should be read in conjunction with the accompanying notes thereto.

ACML's statement of comprehensive income for the nine-month period ended September 30, 2022 is unaudited and was prepared by management in accordance with IFRS and ACML's historical accounting procedures.

The unaudited condensed combined pro forma financial information was based on, and should be read in conjunction, with SMBC Aviation Capital's and ACML's historical financial statements referenced below:

- SMBC Aviation Capital Limited's audited consolidated historical financial statements as of and for the years ended March 31, 2023, 2022, and 2021, and unaudited consolidated historical financial statements as of and for the nine months ended December 31, 2022. See "Index to Financial Statements".

- ACML's audited non-statutory consolidated financial statements as of and for the year ended December 31, 2021 and unaudited interim consolidated non-statutory financial statements as of and for the nine months ended September 30, 2022. See "Index to Financial Statements".

The unaudited condensed combined pro forma financial information for the nine month period ended December 31, 2022 set forth herein is not comparable to SMBC Aviation Capital Limited's audited consolidated financial statements as of and for the years ended March 31, 2023, 2022 and 2021 included elsewhere in this offering memorandum due to the different periods presented. The unaudited condensed combined pro forma financial information for the nine month period ended December 31, 2022 set forth herein includes the most recent consolidated financial statements for ACML for periods ending prior to completion of the Goshawk Transaction available to SMBC Aviation Capital Limited.

The unaudited condensed combined pro forma financial information was prepared using the acquisition method of accounting under IFRS 3, Business Combinations. Based on IFRS 3, SMBC Aviation Capital will be treated as the acquirer in the Goshawk Transaction for accounting purposes. SMBC Aviation Capital has used currently available information to determine preliminary fair value estimates for the purchase consideration and its allocation to the ACML assets acquired and liabilities assumed, which it believes are reasonable estimates under the circumstances. SMBC Aviation Capital has estimated the fair value of ACML's assets and liabilities based on reviews of ACML's historical financial information, preliminary valuation studies, discussions with ACML's management and other due diligence procedures. The assumptions and estimates used to determine the pro forma adjustments including the preliminary purchase price allocation and fair value adjustments are described in the notes accompanying the unaudited condensed combined pro forma financial information. Differences between these preliminary estimates and the final purchase accounting may occur and could be material.

SMBC Aviation Capital expects to incur significant costs associated with integrating the operations of ACML and SMBC Aviation Capital. The unaudited condensed combined pro forma financial information does not reflect the total costs of integration activities or benefits that may result from realization of future cost savings from operating efficiencies or operating synergies that may result from the Goshawk Transaction.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Unaudited Condensed Combined Pro Forma Statement of Comprehensive Income
*For the nine months ended December 31, 2022**

	Historical		Adjustments								
	SMBC Aviation Capital Consolidated Historical For the nine months ended December 31 2022	**ACML Consolidated Historical For the nine months ended September 30, 2022**	**Adjustment to SMBC Aviation Capital Consolidated Historical to exclude ACML For the 11 day period from December 21 to December 31, 2022**		**ACML Assets excluded from acquisition For the nine months ended September 30, 2022**		**Conforming adjustments**		**Purchase accounting adjustments**		**Pro forma combined***
	US $'000	US $'000	US $'000		US $'000		US $'000		US $'000		US $'000
Income											
Lease revenue	884,241	511,359	(19,896)	(4a)	(7,109)	(5a)	17,210	(6a)	(3,306)	(7a)	1,382,499
Other revenue	6,874	32,620	(107)	(4b)	(5,944)	(5b)	(22,645)	(6b)	-		10,798
Gain on disposal of aircraft assets	-	2,999	-		-		(2,999)	(6c)	-		-
Asset management and advisory fees	-	2,212	-		-		(2,212)	(6d)	-		-
Total revenues	**891,115**	**549,190**	**(20,003)**		**(13,053)**		**(10,646)**		**(3,306)**		**1,393,297**
Other operating income	26,575	-	-		-		18,003	(6e)	-		44,578
	917,690	**549,190**	**(20,003)**		**(13,053)**		**7,357**		**(3,306)**		**1,437,875**
Operating expenses											-
Depreciation	(273,434)	(238,233)	7,138	(4c)	2,631	(5c)	(1,216)	(6f)	63,026	(7b)	(440,088)
Asset impairment / write-off	(31,595)	(309,840)	-		192,213	(5d)	(7,356)	(6g)	124,984	(7c)	(31,594)
Goodwill impairment	-	(185,673)	-		-		-		185,673	(7d)	-
Credit impairment charge	(8,736)	(55,589)	360	(4d)	-		-		-		(63,965)
Operating expenses	(117,904)	(37,831)	914	(4e)	969	(5e)	-		-		(153,852)
Depreciation and amortisation – other property assets	-	(1,216)	-		-		1,216	(6h)	-		-
Profit from operating activities	**486,021**	**(279,192)**	**(11,591)**		**182,760**		**1**		**370,377**		**748,376**
											-
Finance income	174,158	912	(50)	(4f)	-		-		-		175,020
Finance expense	(517,201)	(198,007)	8,193	(4g)	5,750	(5)	-		2,527	(7e)	(698,738)
Break gains	124,283	-	-		-		-		-		124,283
Net trading gain	-	39,510	-		-		-		-		39,510
Net finance costs	**(218,760)**	**(157,585)**	**8,143**		**5,750**		-		2,527		**(359,925)**
Profit / (loss) before taxation	**267,261**	**(436,777)**	**(3,448)**		**188,510**		**1**		**372,904**		**388,451**
Tax (expense) / credit	(33,434)	12,069	431	(4h)	(23,564)	(5h)	-		(46,613)	(7f)	(91,111)
Profit / (loss) from continuing operations	**233,827**	**(424,708)**	**(3,017)**		**164,946**		**1**		**326,291**		**297,340**

**As if the acquisition closed on April 1, 2022*

See the accompanying notes to the unaudited condensed combined pro forma financial information, which are an integral part of these statements.

Unaudited Condensed Combined Pro Forma Statement of Comprehensive Income

*For the year ended March 31, 2022**

	Historical		**Adjustments**						
	SMBC Aviation Capital Historical For the year ended March 31, 2022	**ACML Consolidated Historical For the year ended December 31, 2021**	**ACML Assets excluded from acquisition**		**Conforming adjustments**		**Purchase accounting adjustments**		**Pro forma combined***
Income	US $'000	US $'000	US $'000		US $'000		US $'000		US $'000
Lease revenue	1,371,721	719,387	(31,152)	(5a)	12,451	(6a)	(4,143)	(7a)	2,068,264
Other revenue	10,833	15,715	(734)	(5b)	(6,291)	(6b)	-		19,523
Asset management and advisory fees	-	2,609	-		(2,609)	(6d)	-		-
Total revenues	**1,382,554**	**737,711**	**(31,886)**		**3,551**		**(4,143)**		**2,087,787**
Other operating income	124,276	-	-		-		-		124,276
	1,506,830	**737,711**	**(31,886)**		**3,551**		**(4,143)**		**2,212,063**
Operating expenses									
Depreciation	(484,213)	(325,865)	11,278	(5c)	(2,044)	(6f)	92,256	(7b)	(708,588)
Asset impairment / write-off	(1,686,034)	(44,758)	2,294	(5d)	(3,551)	(6g)	46,015	(7c)	(1,686,034)
Credit impairment credit / (charge)	35,364	(38,432)	-		-		-		(3,068)
Financial asset impairment	(16,592)	-	-		-		-		(16,592)
Operating expenses	(104,167)	(47,046)	133	(5e)	-		-		(151,080)
Depreciation and amortisation - other property assets	-	(2,044)	-		2,044	(6h)	-		-
(Loss) / profit from operating activities	**(748,812)**	**279,566**	**(18,181)**		**-**		**134,128**		**(353,299)**
Finance income	108,155	3,462	(1)	(5f)	-		-		111,616
Finance expense	(474,419)	(245,538)	9,865	(5g)	-		10,449	(7e)	(699,643)
Break losses	(817)	-	-		-		-		(817)
Net trading gain	576	13,902	-		-		-		14,478
Net finance costs	**(366,505)**	**(228,174)**	**9,864**		-		**10,449**		**(574,366)**
(Loss) / profit before taxation	**(1,115,317)**	**51,392**	**(8,317)**		**-**		**144,577**		**(927,665)**
Tax credit / (expense)	140,418	(988)	1,039		-		(18,072)	(7f)	122,397
(Loss) /profit from continuing operations	**(974,899)**	**50,404**	**(7,278)**		**-**		**126,505**		**(805,268)**

**As if the acquisition closed on April 1, 2021*

See the accompanying notes to the unaudited condensed combined pro forma financial information, which are an integral part of these statements.

Notes to the Unaudited Condensed Combined Pro Forma Financial Information

1. Description of the Transaction

On December 21, 2022, SMBC Aviation Capital limited completed the acquisition of Goshawk Management Limited and associated corporate assets (together "GML"). GML has subsequently been renamed SMBC Aviation Capital Management Limited ("ACML"). The acquisition of ACML excluded six entities held indirectly by ACML which own aircraft in Russia ("Excluded Aircraft").

The combined business has a portfolio of over 700 owned and managed aircraft, with 115 airline customers in 48 different countries, as of December 31, 2022.

2. Basis of the pro forma presentation

The unaudited condensed combined pro forma financial information is based on the historical consolidated financial statements of SMBC Aviation Capital and the historical consolidated financial statements of ACML, eliminating any balances and income and expenditure relating to the Excluded Aircraft. Certain reclassifications have also been made to the ACML historical consolidated financial statements to conform to SMBC Aviation Capital's financial statement presentation and accounting policies.

The Goshawk Transaction will be accounted for, and the unaudited condensed combined pro forma financial information has been prepared, using the acquisition method. The acquisition method is based on IFRS 3, Business Combinations and uses the fair value concepts defined in IFRS 13, Fair Value Measurements. IFRS 13, Fair value measurements requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date.

Under the acquisition method, the assets acquired and liabilities assumed will be recorded as of the consummation of the Goshawk Transaction at their respective fair values and consolidated with the assets and liabilities of SMBC Aviation Capital. Financial statements and reported results of operations of SMBC Aviation Capital which have been issued after the consummation of the Goshawk Transaction reflect our preliminary assessment of these values. The final assessment may be materially different from the preliminary assessment presented herein.

SMBC Aviation Capital prepares its combined consolidated financial statements on the basis of a fiscal year ending March 31. The combined consolidated financial statements of ACML have historically been prepared on a basis of a fiscal year ending December 31. In preparing the unaudited condensed combined pro forma income statement information for the year ended March 31, 2022, we used (i) SMBC Aviation Capital's statement of comprehensive income for the year ended March 31, 2022 and (ii) ACML's statement of comprehensive income for the year ended December 31, 2021. No adjustments have been made to align fiscal year ends.

3. Estimate of assets to be acquired and liabilities to be assumed

The total consideration paid for the equity was $1.67 billion, funded from the issuance of additional preference shares to existing shareholders and the SMFL Bridge Loan Facility.

The pro forma adjustments described below, including the purchase price allocation, are preliminary and subject to change as additional information becomes available and additional analysis is performed, and such changes could be material. SMBC Aviation Capital currently expects to complete the final purchase price allocation no later than one year following the consummation of the Goshawk Transaction. The final purchase price allocation may be materially different from the preliminary purchase price allocation presented herein.

Under the acquisition method of business combination accounting, if the amount of cash consideration to be transferred results in an amount of consideration transferred that is lower than the fair value of the acquired assets less the fair value of the liabilities assumed, a gain equal to the amount of the difference may be recorded upon the consummation of the Goshawk Transaction. If the amount of cash consideration to be transferred results in an amount of consideration transferred that is higher than the fair value of the acquired assets less the fair value of the liabilities assumed, goodwill equal to the amount of the difference may be recorded upon the consummation of the Goshawk Transaction. We have provisionally assessed the fair value of the assets acquired and liabilities assumed in the acquisition which resulted in no material goodwill.

The following table summarizes management's preliminary assessment of the fair value of the material assets acquired and liabilities assumed at the acquisition date, based on current provisional accounting for the business combination:

	December 31, 2022
	$'000
Property, plant and equipment of which:	
Aircraft for hire under operating leases	6,246,061
Other property, plant and equipment	251,269
Trade and other receivables	53,696
Cash and cash equivalents	356,159
Other assets	14,851
Total assets	**6,922,036**
Loan amounts due to third party undertakings	(1,798,082)
Maintenance reserve	(358,770)
Lessor contributions	(82,926)
Security deposits	(51,989)
Deferred tax	(42,588)
Other creditors and deferred income	(84,978)
Total liabilities	**(2,419,333)**
Fair value of net assets	4,502,703
Funding provided to settle existing debt	(2,836,336)
Consideration paid	(1,666,367)
Goodwill	**-**

4. ACML historical for the 11 day period from December 21 to December 31, 2022

The SMBC Aviation Capital statement of comprehensive income for the nine month period ended December 31, 2022 includes 11 days of ACML's operating results, from December 21 to December 31, 2022, which were prepared using SMBC Aviation Capital accounting policies. The 11 days of ACML's results included in SMBC's income statement have been eliminated from the unaudited condensed combined pro forma statements of comprehensive income for the nine months ended December 31, 2022. This elimination is included in the column under the heading "*Adjustment to SMBC Aviation Capital Consolidated Historical to exclude ACML for the 11 day period from December 21 to December 31, 2022*".

a. Adjustment reflects Lease revenue relating to ACML for the 11-day period from December 21 to December 31, 2022.

b. Adjustment reflects Other revenue relating to ACML for the 11-day period from December 21 to December 31, 2022.

c. Adjustment reflects Depreciation relating to ACML for the 11-day period from December 21 to December 31, 2022.

d. Adjustment reflects the Credit impairment related to ACML for the 11-day period from December 21 to December 31, 2022.

e. Adjustment reflects the Operating expenses related to ACML for the 11-day period from December 21 to December 31, 2022.

f. Adjustment reflects the Finance income related to ACML for the 11-day period from December 21 to December 31, 2022.

g. Adjustment reflects the Finance expense associated with Borrowings related to ACML for the 11-day period from December 21 to December 31, 2022, which on the acquisition date was comprised of $471.6 million secured debt, fully settled in January 2023.

h. Adjustment reflects the Tax expense associated with the adjustments related to ACML for the 11-day period from December 21 to December 31, 2022 at the Irish statutory tax rate of 12.5% (see notes 4(a) to 4(g)).

5. Balances excluded from acquisition

The acquisition of ACML excluded six entities held indirectly by ACML which own the Retained Aircraft. Income and expenditure relating to the Retained Aircraft has been eliminated from the unaudited condensed combined pro forma statements of comprehensive income for the nine months ended December 31, 2022 and the year ended March 31, 2022. These eliminations are included in the column under the heading "*ACML Assets excluded from acquisition*".

a. Adjustment reflects Lease revenue relating to the Excluded Aircraft.

b. Adjustment reflects Other revenue relating to the Excluded Aircraft.

c. Adjustment reflects Depreciation relating to the Excluded Aircraft.

d. Adjustment reflects Asset impairment charge relating to the Excluded Aircraft.

e. Adjustment reflects the Operating expenses related to the Excluded Aircraft.

f. Adjustment reflects the Finance income related to the Excluded Aircraft.

g. Adjustment reflects the Finance expense associated with Borrowings which funded the Excluded Aircraft.

h. Adjustment reflects the Tax expense associated with the adjustments related to the Excluded Aircraft (see notes 5(a) to 5(g)).

6. Conforming adjustments

During the preparation of the unaudited condensed combined pro forma financial information, SMBC Aviation Capital performed an initial review of the accounting policies of ACML to determine if differences in accounting policies require reclassification or adjustment.

Certain reclassifications and adjustments have been made to the historical condensed combined financial statements of ACML to conform to SMBC Aviation Capital's accounting policies. These reclassifications and adjustments are included in the column under the heading "Conforming adjustments".

When management completes its final review of ACML's accounting policies, additional differences may be identified that, when conformed, could have had a material impact on the unaudited condensed combined pro forma financial information.

a. Reclassification of the following items, as SMBC Aviation Capital reports these within Lease revenue:

	Nine months ended December 31, 2022	Year ended March 31, 2022
	$'000	$'000
Lessee interest to lease revenue (See note 6(b) below)	5,450	6,930
Maintenance reserves reclassification from Other revenue (See note 6(b) below)	4,404	1,970
Maintenance reserves reclassification from Operating lease asset impairment (See note 6(g) below)	7,356	3,551
Total adjustment	**17,210**	**12,451**

b. Reclassification from Other revenue to / from the following:

	Nine months ended December 31, 2022	Year ended March 31, 2022
	$'000	$'000
Lessee interest to Lease revenue (See note 6(a))	(5,450)	(6,930)
Maintenance reserves reclassification to Lease revenue (See note 6(a))	(4,404)	(1,970)
Income from claims to Other operating income (See note 6(e) below)	(15,004)	-
Fees from Asset management and advisory fees (See note 6(d) below)	2,212	2,609
Total adjustment	**(22,645)**	**(6,291)**

c. Reclassification of Gain on disposal of aircraft assets to Other operating income (see note 6(e) below).

	Nine months ended December 31, 2022	Year ended March 31, 2022
	$'000	$'000
Gain on disposal of aircraft assets	(2,999)	-

d. Reclassification of Asset management and advisory fees to Other revenue (see note 6(b) above).

	Nine months ended December 31, 2022	Year ended March 31, 2022
	$'000	$'000
Asset management and advisory fees	(2,212)	(2,609)

e. Reclassification of the following items to Other operating income.

	Nine months ended December 31, 2022	Year ended March 31, 2022
	$’000	$’000
Gain on disposal of aircraft assets (see note 6(c) above).	2,999	-
Income from claims to Other operating income (See note 6(b) above)	15,004	-
Total adjustment	**18,003**	**-**

f. The adjustment reflects the reclassification of Depreciation and amortization – other property assets to Depreciation.

g. Reclassification of release of maintenance reserves in Operating lease asset impairment and write-off charges to Lease revenue (see note 6(a) above).

	Nine months ended December 31, 2022	Year ended March 31, 2022
	$’000	$’000
	(7,356)	(3,551)

h. Reclassification of Depreciation and amortization – other property assets to Depreciation (see note 6(d) above).

	Nine months ended December 31, 2022	Year ended March 31, 2022
	$’000	$’000
	1,216	2,044

7. Purchase accounting adjustments

a. Adjustment reflects the elimination of ACML lease incentive asset amortization as historic incentives recorded by GML on lease initiation had a fair value of nil.

b. The ACML depreciation has been adjusted to conform with SMBC Aviation Capital’s depreciation policy. Under SMBC Aviation Capital’s depreciation policy, five-year intervals are used to determine future market values for the purposes of setting depreciation rates for individual aircraft. GML depreciated leased aircraft on a straight-line basis to an estimated residual value of 15% over the estimated useful life of 23 to 35 years.

	Nine months ended December 31, 2022	Year ended March 31, 2022
	$’000	$’000
ACML under SMBC Aviation Capital’s depreciation policy	(175,207)	(233,609)
ACML depreciation under ACML depreciation policy	238,233	325,865
Total adjustment	**63,026**	**92,256**

c. Adjustments of $125.0 million (nine months ended December 31, 2022) and $46.0 million (year ended March 31, 2022) reflect the impact of purchase price accounting. As set out in note 3, the fair value of the property plant and equipment is determined under the acquisition method of accounting. The adjustments result in a pro forma amount equal to the fair value of the aircraft as determined under this acquisition method.

d. Adjustment of $185.7 million (nine months ended December 31, 2022) reflects the impact of purchase price accounting on goodwill. As set out in note 3, based on the provisional assessment of the fair value of the assets and liabilities acquired, no goodwill has been recorded. Consequently, the adjustment reflects the elimination of goodwill impairment consistent with the determination that no goodwill exists based on the purchase price accounting.

e. Adjustment reflects the elimination of ACML Amortization of capitalized debt costs.

f. Adjustment reflects the income tax impact of the purchase accounting adjustments, for the nine months ended December 31, 2022 and for the year ended March 31, 2022, at the Irish statutory tax rate of 12.5%.

CAPITALIZATION

The following tables set forth our total financial obligations, shareholder equity and total capitalization as of March 31, 2023, on a historical basis and on an as adjusted basis to give effect to the issuance of the notes offered hereby (after deducting Initial Purchaser's discount including estimated offering expenses). The information presented in the table below should be read in conjunction with "Use of Proceeds" and "Description of Other Financial Indebtedness" as well as SMBC Aviation Capital's and SMBC Aviation Capital Management Limited's consolidated historical financial statements and the notes thereto and the unaudited condensed pro forma financial information, appearing elsewhere in this offering memorandum.

Unless otherwise indicated, any references to "as adjusted" figures or figures provided on an "as adjusted basis" give effect to this offering and the use of proceeds therefrom.

	As of March 31, 2023	
	Actual	**As Adjusted**
Financial obligations		
Loan amounts due to third-party undertakings (JBIC Facilities and other term loans from third parties)	$5,502,868	$
Loan amounts due to parent group undertakings[(1)]	9,789,094	
Other debt securities issues (2023 Notes[(2)])	499,834	
Other debt securities issues (2024 Notes[(3)])	499,337	
Other debt securities issues (2028 Notes[(4)])	1,142,926	
Other debt securities issues (2026 Notes[(5)])	497,249	
Notes offered hereby	—	
Total external financial obligations	$17,931,308	$
Shareholder equity		
Share capital	2,249,513	
Other equity reserves	495,178	
Retained earnings	1,346,883	
Total shareholder equity	4,091,574	
Subordinated Liabilities	300,000	
Total capitalization	$22,322,882	$

(1) For more information on loan amounts due to parent group undertakings see "Description of Other Financial Indebtedness—Shareholder Loans."

(2) The $500.0 million in aggregate principal amount of 4.125% senior notes due 2023 issued on July 30, 2018 (the "2023 Notes") is shown net of unamortized facility fees. The amount included in our consolidated financial statements therefore does not reflect the contractual obligation which is $500.0 million.

(3) The $500.0 million in aggregate principal amount of 3.550% senior notes due 2024 issued on April 15, 2019 (the "2024 Notes") is shown net of unamortized facility fees. The amount included in our consolidated financial statements therefore does not reflect the contractual obligation which is $500.0 million.

(4) The $500.0 million in aggregate principal amount of 2.300% senior notes due 2028 issued on June 15, 2021 and the $650.0 million in aggregate principal amount of 5.45% senior notes due 2028 issued on May 3, 2023 (together, the "2028 Notes") are shown net of unamortized facility fees. The amount included in our consolidated financial statements therefore does not reflect the contractual obligations which are $500.0 million and $650 million, respectively.

(5) The $500.0 million in aggregate principal amount of 1.900% senior notes due 2026 issued on October 15, 2021 (the "2026 Notes") is shown net of unamortized facility fees. The amount included in our consolidated financial statements therefore does not reflect the contractual obligation which is $500.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements included elsewhere in this offering memorandum. Unless otherwise indicated or the context otherwise requires, "SMBC Aviation Capital", "we", "us", and "our" refer to SMBC Aviation Capital Limited and its direct and indirect subsidiaries, the term "Issuer" refers only to SMBC Aviation Capital Finance DAC and the term "Parent" refers only to SMBC Aviation Capital Limited.

Overview

SMBC Aviation Capital is one of the world's leading aircraft operating lease companies. In operation since 2001, we have an owned and managed fleet valued at $31 billion as of March 31, 2023, comprising 497 owned and 208[7] managed aircraft.

Our direct order book is 100% narrow-body and is comprised of the newest technology in terms of operational and fuel efficiency. The airline industry is increasingly focused on addressing the environmental impact of its operations which we expect will result in the retirement of older, higher emission aircraft, a dynamic that the COVID-19 pandemic accelerated. Maintaining a portfolio focused on young, more fuel-efficient aircraft assets is critical to long-term profit stability and our increased focus on sustainability.

We are disciplined in terms of the commercial jet aircraft in which we invest, focusing on young, liquid, in-demand assets which have large production runs, the widest installed base and are flown by most airlines around the world. We acquire these aircraft either directly through orders with the OEMs, through SLBs with airlines, through portfolio purchases from other lessors or, on occasion, through strategic M&A opportunities. Our strategy is to recalibrate our focus on different acquisition channels at different points in the industry cycle to optimize overall returns.

We believe that our focus on aircraft liquidity will continue to reduce earnings volatility in a long-run normalized operating environment and maximize risk adjusted returns over time. This strategy has resulted in a portfolio as of March 31, 2023 that is comprised almost entirely of what we believe to be the most liquid aircraft available, such as Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 -8/-9 aircraft. Furthermore, 83% of our existing portfolio (weighted by NBV as of March 31, 2023) and 100% of our future direct order commitments are comprised of narrow-body aircraft which are the most liquid aircraft available in the global commercial jet fleet.

We lease our owned and managed aircraft to a diverse group of operators, both geographically and by business type. As of March 31, 2023, we had 114 airline customers in 47 different countries worldwide and a balanced geographical mix comprised of 34.1% in Europe, Middle East and Africa, 31.5% in the Americas and 34.4% in Asia (in each case, weighted by NBV as of March 31, 2023).

We augment our core leasing business through a combination of marketing our shareholders' wider aircraft finance product offerings, for which we receive referral fees, and utilizing our extensive lease management platform to provide fleet management services to aircraft investors for a management fee. These fleet management services are similar to those we perform with respect to our owned fleet and include inter alia leasing, remarketing for sale or lease, lease administration and provision of technical oversight.

We trade our aircraft assets frequently to optimize returns and manage risk, ensuring that our portfolio stays young and attractive to our airline and investor customer base. Since inception, we have sold 475 aircraft from our owned portfolio to more than 130 third-party investors, reflecting the strength of our aircraft trading platform and our ability to access liquidity across a broad spectrum of global investors throughout the economic cycle.

[7] Including 8 aircraft for affiliated companies.

Over our 22 years in business, we have maintained one of the youngest portfolios of owned aircraft among investment grade leasing companies[8] , with a weighted average age of 5.1 years and a weighted average remaining lease-term of 6.6 years as of March 31, 2023.

It is the combination of our disciplined investment strategy, focused risk management and balance sheet strength, together with our experienced management team and strong shareholder support that underpins our strong investment grade ratings. Our strong credit ratings in turn facilitate our access to a broad range of competitively priced financing sources, providing us with a strong liquidity base and increased funding optionality in all market conditions.

Recent Developments

Business Performance

As the airline operating market returns to more normalized operating conditions in the wake of the COVID-19 pandemic, the business generated a higher profit before tax of $341.5 million for the fiscal year 2022.

Russia-Ukraine Conflict

In response to the invasion of Ukraine by Russia, the E.U., the U.S., the UK and other countries imposed a wide range of sanctions against Russia. SMBC Aviation Capital has complied and will continue to fully comply with all applicable sanctions and has previously terminated the leasing of all our aircraft to Russian airlines.

We have sought to repossess all our aircraft from Russian airlines and in the days following the invasion, we successfully grounded and took redelivery of one of our aircraft previously on lease to a Russian airline; however, 34 of our aircraft remain in Russia continue to be flown by Russian airlines and we continue to be deprived of the possession and control of these aircraft. As a result, in the year ended March 31, 2022, we recognized a full write-off in respect of aircraft that remain in Russia of $1.6 billion.

We have entitlements under applicable insurance policies which provide coverage in respect of the aircraft which were lost in Russia and have submitted claims under these policies.

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

While no guarantee can be given in respect of the level and timing of any recovery, it is important to note the upside potential that the group stands to gain from any future recoveries.

(i) Summary Financial Performance

As the airline operating market returns to more normalized operating conditions in the wake of the COVID-19 pandemic, the business generated a higher profit before tax of $341.5 million for the year ended March 31, 2023 compared to the loss before tax of $1.1 billion for the year ended March 31, 2022, which resulted from the full write-off of aircraft that have been lost in Russia of $1.6 billion.

In addition, robust investor demand for our assets has resulted in a marked increase in our trading activity. The business generated a profit on disposal, including gains from settling sale-related funding on 36 aircraft of $200.1 million for the year ended March 31, 2023 (23 disposals were made during the year ended March 31, 2022 generating a profit on disposal, including gains from settling sale-related funding of $68.5 million), and seven aircraft were classified as held for sale as of March 31, 2023.

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[8] Based on publicly available information concerning the fleets of Air Lease Corporation, BOC Aviation, AerCap Holdings N.V., Aircastle Limited, Dubai Aerospace Enterprise, Avolon and Aviation Capital Group.

During the year ended March 31, 2023, separate from the addition of 154 aircraft from the Goshawk Transaction, we acquired 71 aircraft from a range of procurement channels including sale and leasebacks, direct orders as well as through portfolio purchases from other lessors. The aircraft additions were financed through a combination of operating cash flow, cash on hand, advances to OEMs and borrowings.

(ii) Operational Update

While COVID-19 has presented challenges over the past three years, it also provided opportunities for lessors that had the financial strength to take advantage of the market dislocation. In the period, many top tier airlines turned to the sale and leaseback market to monetize aircraft assets and shore up liquidity. Despite the dislocation in many wholesale funding markets, especially in the early months of the pandemic, our level of liquidity together with our shareholders' financial support allowed us to redeploy a significant portion of our capital into the sale and leaseback market where there was superior returns and overall transaction quality.

These transactions will both enhance future profitability and maintain portfolio quality. This is in line with our long-term strategy to recalibrate our focus on different acquisition channels at different points in the industry cycle to optimize overall returns.

The recovery in short haul, regional passenger traffic in the majority of the main markets has quickly translated into increased demand for new technology, narrow-body delivery positions. During the nine months ended March 31, 2023, we placed 32 aircraft from our direct order book, delivering through 2024.

As a result of the marked improvement in investor demand we are seeing an increased number of opportunities to trade our aircraft, which we will pursue if they align with our strategy. In addition to 36 aircraft we sold in the fiscal year 2022, we have also signed letters of intent and/or agreements for the sale of a further 9 aircraft, 7 of which have been classified as held for sale as of March 31, 2023. We expect that our high quality, narrow-body focused portfolio will continue to facilitate trading activity through the coming cycle.

As a result of our acquisition and sales activity, 63% of our portfolio is comprised of the newest technology aircraft (Airbus A320NEO family, Airbus A350-900, Boeing 737-MAX8 and Boeing B787 variants).

(iii) Balance Sheet

As of March 31, 2023, our shareholders provide $13.8 billion of credit approved senior unsecured revolving debt facilities, a $0.5 billion term loan and $0.3 billion subordinated debt to the business which constitute a key balance sheet strength, an increase of $5.7 billion from March 31, 2022. As of March 31, 2023, $6.5 billion of these facilities were undrawn. As part of the Goshawk Transaction, our shareholders provided $1.36 billion of equity capital. Our Total Net Leverage[9] and Third-Party Net Leverage[10] was 3.77x and 1.54x respectively[11] as of March 31, 2023, which compares to 4.35x and 1.88x respectively as of March 31, 2022.

Following the close of fiscal year 2022, we continued to increase our third-party funding by issuing in May 2023 $650 million in aggregate principal amount of 5.45% senior unsecured notes maturing on May 3, 2028.

Our A-/BBB+ credit ratings from S&P and Fitch, reflect our strong credit profile and materially enhances our third-party fundraising capability.

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9 Total borrowings of $17.6 billion less unrestricted cash of $0.7 billion / total equity (including $300 million subordinated shareholder loan treated as equity by S&P/Fitch) of $4.4 billion.

10 Total external financial obligations of $7.5 billion less unrestricted cash of $0.7 billion / total equity (including $300 million subordinated shareholder loan treated as equity by S&P/Fitch) of $4.4 billion. (Total external financial obligations excludes $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

11 Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

Our ability to access both shareholder and third-party funding sources provides us with a strong, unsecured liquidity base that provides efficient, flexible funding to the business and mitigates liquidity and refinancing risk, historically one of the aircraft leasing industry's primary balance sheet risks.

The combination of shareholder funding (with a tenor of up to 16 years) and the third-party unsecured bond / term loan markets provides access to a full spectrum of debt tenors, allowing us to match the tenor of our debt facilities to that of our leases, minimizing mismatch risk.

As of March 31, 2023, we had $9.1 billion in unrestricted cash, undrawn, unsecured third-party facilities and shareholder credit approved flexible lines of credit.

ESG Strategy

The airline industry is increasingly focused on addressing the environmental impact of its operations, and SMBC Aviation Capital intends to play a leadership role in this. We see this both as an imperative but also as a source of competitive advantage and are committing resources to ensure that this is embedded into our business strategy and core product offering.

We are committed to assisting our airline customers to reduce their carbon emissions through the leasing and financing of the most technologically advanced and fuel-efficient aircraft on the market and are also exploring additional available decarbonization pathways for our industry.

As facilitators of air travel, our objective is to hold ourselves accountable to the highest standards of ESG, not just for our business and customers but also for our staff, our investors and our shareholders.

This focus on sustainability was underscored by the launch of our inaugural ESG strategy (the "ESG Strategy") in December 2021.

This ESG Strategy outlines our long-term commitments to 2050, specifically expressing our commitment to:

- Set science-based targets and disclose in line with best practice Task Force on Climate-Related Financial Disclosures ("TCFD") reporting.
- Target up to 80% new technology, lower carbon emitting fleet by 2025.
- Make continued progress on Equality, Diversity and Inclusion.
- Channel additional resources to social impact schemes.
- Maintain and enhance our best-in-class corporate governance.

Our initiatives align with the UN SDGs and crucially, we are prepared to both measure our progress and be measured.

We are also focused on our customers' decarbonization journeys. In September 2022, we introduced a sustainability solution for our airline customers, comprising an initial $53.3 million investment in high quality carbon credit programs that align with the UN SDGs.

Our investments are directed exclusively towards some of the LDCs in the world, in Africa, Asia and the Americas, and aim to generate a positive and lasting impact both on the environment as well as the day-to-day lives of the people in the communities in which we are investing. Our credits are based on energy efficient cookstove projects which align with several of the UN SDGs including good health and well-being, gender equality and climate action. Part of the investment will also support local community initiatives in LDCs such as irrigation schemes and micro finance opportunities for women.

Airlines and investors can acquire carbon credits from SMBC Aviation Capital either as part of a lease contract or independently. This can offer airlines significant advantages including access to carbon credits that are of high quality, increased certainty over accreditation and a more predictable, and fixed-cost supply of credits

Factors Affecting Results of Operations

Our results of operations have been affected and will continue to be affected by a variety of factors, including those set out below. Please see "Risk Factors" for a discussion of other factors that might affect our results of operations.

Utilization of Our Aircraft

Our business depends on the continual leasing and remarketing of our aircraft in order to generate sufficient revenues to finance our growth and operations, pay our debt service obligations and generate positive cash flows from operations. Our ability to lease and remarket our aircraft will depend in part on general market and competitive conditions at the time the initial leases are entered into and the time of their expiry or early termination. The ability of our airline lessees to discharge their obligations under the relevant leases will depend in part on general market conditions and demand for air travel on an ongoing basis.

Size and Mix of Our Fleet

Continued growth in our revenues and profit from operating activities depend upon our ability to grow the size of our portfolio. The overall size of our fleet of aircraft held for lease is the primary driver for lease rental income, on the one hand, and depreciation and interest expense, on the other. The mix of aircraft types and age impact our lease rental income and depreciation, as customer demand for certain types of aircraft determines the lease rental rates generated from leasing or re-leasing the aircraft and older aircraft will depreciate more rapidly under our accounting policies and are generally more susceptible to risk of asset impairment.

Terms of Our Purchase Commitments and Lease Agreements

The price we pay for aircraft and the rental rates for lease transactions and sale and leaseback transactions, which may be affected by general market and competitive conditions and factors that are outside of our control, impact our ability to generate profit from operating activities.

Financial Market Conditions and the Availability and Cost of Debt

Interest expense is our most significant cash expense and the cost of new financing or re-financing impacts our total comprehensive income. Our exposure to interest rate risk arises primarily from loans and borrowings, finance lease payables to third parties and related parties, finance lease receivables from third parties and related parties and lease rental income and expenses. As of March 31, 2023 and March 31, 2022, we had $5.9 billion and $5.7 billion, respectively, in floating rate debt outstanding (including, in each case, $300 million subordinated debt).

Our ability to incur debt to fund fleet growth and to refinance amortization and debt maturities also significantly impacts our results. We are indirectly wholly-owned by SMFG and Sumitomo Corporation. If our ownership arrangement changes or our shareholders cease to provide us with funding for our operations, it could have a material impact on our financial condition, cash flow and results of operations.

Market Conditions in the Airline and Aircraft Operating Lease Industries

Market conditions affect our ability to negotiate favorable terms in new leases, including higher lease rentals and longer lease terms, and our ability to sell aircraft on favorable terms in order to generate gains on sale or minimize losses. Market conditions also impact appraised values for aircraft, which, in turn, may affect advance rates for secured financings and our asset impairment analyses.

Sale of Aircraft

We sell aircraft to manage risk in our portfolio and to generate gains on sale. If market or other conditions limit our ability to sell aircraft, the size and mix of our fleet may change, with the potential impact described above. Sales prices for our aircraft will affect the gain on sale we are able to generate.

Ability of Our Customers to Meet Their Lease Obligations

Payments generated by performing customers drive our lease rental income. If a customer fails to perform, lease rental income may be negatively impacted and we may incur other operating expenses should we repossess and redeploy the affected aircraft.

Experienced Management Team with a Proven Track Record Over Cycles

Our senior management team has worked together over the last 22 years to successfully guide our company through two industry economic cycles and the sale of the business. Our highly experienced team, which has an average of close to 30 years of experience each in all facets of the aircraft leasing industry, has developed and applied a consistent, disciplined business strategy of investing in liquid aircraft types and developing robust operational processes, procedures and risk management frameworks to manage our portfolio. In addition, the experience of our senior management team has allowed us to develop and maintain deep, long-standing relationships with the key decision makers at major airlines, aircraft manufacturers, aviation financiers and aviation investors. The inability to retain our senior management team could have a material adverse effect on our financial condition, cash flow and results of operations.

Inflation

Over the past 12 months, the global economy has experienced the effects of increasing inflation and related actions by central banks to stymie inflation. We continue to assess the risk of inflation and decrease in purchasing power in relation to direct expenses in the current and foreseeable economic environment. As of March 31, 2023 inflation has not had a material impact on the Company but our interest expense has increased as a result of the related interest rate environment.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based on our audited consolidated financial statements as of and for the years ended March 31, 2023, 2022 and 2021, which have been prepared in accordance with IFRS-EU. The preparation of financial statements in conformity with IFRS-EU requires management to make use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of our reporting and the amount of income and expenses during the reported period.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Although these estimates are based on management’s best knowledge of the amount, event or action, actual results may differ from those estimates. A summary of our significant accounting policies is presented in the notes to our audited consolidated financial statements. Critical accounting policies and estimates are defined as those that are both important to the portrayal of our financial position and results and require our subjective judgments, estimates and assumptions. Our most critical accounting policies and significant estimates, assumptions and judgments are described below.

Business Combinations

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

When the Group (as defined below) acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Plant and Equipment

Aircraft

Purchased aircraft are included under property, plant and equipment and initially recorded at cost. Such costs include borrowing costs that are directly attributable to the acquisition of aircraft prior to delivery. Subsequent to recognition, purchased aircraft are stated at cost less accumulated depreciation and any recognized asset impairment loss. Modifications, equipment and all other costs associated with placing the aircraft in service are capitalized. The cost of aircraft is stated net of manufacturers' credits. Expenditure for additions and improvements is capitalized. Expenditure for maintenance and repairs, unless drawn from maintenance reserves, is charged to the statement of comprehensive income.

The carrying values of aircraft are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Pre-Delivery Payments

Pre-delivery payments ("PDPs") are recorded at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalized as incurred, unless production of an aircraft is deemed to have been suspended, in which case capitalization is suspended until production resumes in advance of delivery. As aircraft which are subject to PDPs are delivered, all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment. The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid.

Depreciation

Assets are depreciated over their estimated useful economic lives to their residual values. Management believes the true useful economic life of a new commercial aircraft to an entity operating the aircraft is generally 25 years from the date of manufacture. However, it is our business practice to trade aircraft at regular intervals. As such, we estimate the residual value allowing for the expected physical condition or utility of the aircraft at five year intervals after taking account of the redelivery condition intended in an associated lease. We reset our residual value at each five year point or at lease end, if sooner. We estimate the residual value of office equipment, fixtures and fittings at three to ten years from the date when brought into use. Fully depreciated assets are retained in our financial statements until they are no longer in use.

The residual values, useful life and depreciation method are reviewed and adjusted, as appropriate, at each year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The effects of any revision are recognized in our statement of comprehensive income when the changes arise.

Disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in our statement of comprehensive income in the period the asset is derecognized.

Non-current assets 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.

Lease component assets and liabilities

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

Finance lease receivables

A finance lease is recognized when there is a contractual right to the asset's cash flows and derecognized 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 recognized 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.

Loans receivable and advances to OEMs

Loan receivables and advances to OEMs are measured on initial recognition at fair value, and subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in our profit or loss except income tax on items recognized outside the profit or loss, which are 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/year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the date of reporting.

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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the date of reporting.

Impairment of Non-Financial Assets (Including Aircraft)

Long-term tangible and intangible assets that are subject to amortization 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 recognized 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.

Maintenance Reserves

Normal maintenance and repairs, airframe and engine overhauls and compliance with return conditions of the aircraft leased pursuant to operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make maintenance reserve contributions to us, which subsequently can be drawn on to pay for certain maintenance events.

We cannot and do not return more monies than lessees contribute to the maintenance reserve account. All cash maintenance reserves collected under these lease agreements are recognized as liabilities on our statement of financial position during the time of the lease. At the end of the lease, excess supplemental income from the maintenance reserve account, along with any redelivery payment from or to the lessee, is recognized as revenue in our statement of comprehensive income in accordance with International Accounting Standard ("IAS") 37 – Provisions, Contingent Liabilities and Contingent Assets. Contemporaneously with the recognition of maintenance income, we depreciate the asset to reflect its actual physical condition at lease end. Generally, this end of lease revenue and depreciation recognition results in no net end of lease profit and leaves the asset on our statement of financial position at a value closely correlated to its physical condition.

Lease Incentive Assets and Lessor Contributions

On subsequent re-lease, a lessor contribution will often be made available to the next lessee to incentivize that lessee to enter into the transaction. In general, such contribution relates to maintenance reserves or redelivery adjustments collected in the prior lease and is only payable when the related maintenance is affected. Lessor contributions represent our contractual obligations to contribute to the lessee's cost of the next planned major maintenance events expected to occur during the lease.

Lessor contributions are set up as a liability on our statement of financial position and cleared on settlement. At commencement of the relevant lease, a matching lease incentive asset is set up to match the payable account. This amount is amortized over the life of the associated lease as a charge against lease revenue.

Borrowing Costs

Borrowing costs consist of interest and other costs that we incur in connection with the borrowing of funds. Borrowing costs are expensed in the period to which they relate.

Specifically, borrowing costs are capitalized as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure of the asset and borrowing costs are incurred. Borrowing costs are capitalized until the assets are substantially completed for their intended use or sale.

Additionally, we borrow to finance certain PDPs for aircraft under construction. The interest incurred on such borrowings is capitalized and included in the cost of the aircraft, except for the interest incurred for aircraft PDPs arising from lease commitments on which we earn income. Capitalization of interest ceases when the aircraft is delivered.

We currently have interest rate swaps in place to hedge our exposure to interest rate movements. At March 31, 2023, 100.0% (by value) of our swaps currently in place are effectively hedged for the purposes of IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") and, as such, any movements in value are reserve accounted with any hedging ineffectiveness recognized through the Net trading income/(expense) line of our statement of comprehensive income.

Break costs associated with prepayment of loans and breaking derivatives are also charged to borrowing costs in our statement of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates and sales taxes or duties.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating leases with step rentals are recognized on a straight-line basis over the term of the initial lease, assuming no renewals. Rentals received but unearned under lease agreements are recorded as payments received on account in trade and other payables.

At each reporting date, we assess 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.

New Accounting Pronouncements and Developments

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

- IFRS 3 Business Combinations: Reference to the Conceptual Framework (amendment) (IFRS 3)
- IAS 16 Property, plant and equipment: Proceeds before Intended Use (amendment) (IAS 16)
- IAS 37 Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract (amendment) (IAS 37)
- Annual Improvements 2018 – 2020

These standards had no impact on the Group. The Group has not adopted any other new or amended accounting pronouncements which have impacted the Unaudited Condensed Consolidated Interim Financial Statements.

The following amended standards and interpretations approved by the IASB will be relevant to the Group and Company, but were not effective at March 31, 2023, and have not been applied in preparing these financial statements:

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

The impact of these amended standards and interpretations is not expected to be material.

Description of Key Line Items

Set forth below is a description of the key line items in our consolidated statement of profit and loss and other comprehensive income.

Income

Revenue

Our primary source of income is revenue received from aircraft operating leases with airlines. Lease revenue includes monthly lease rentals and maintenance income.

Our lessees typically pay rent monthly in advance. Lease rentals are contracted on either a fixed rate or floating rate basis. For fixed rate leases, the rental is typically fixed at the time of execution of lease contract or just prior to the delivery date by reference to a swap rate in line with the term of the lease. For floating rate leases, rents are typically reset every three or six months by reference to either three or six-month U.S. dollar SOFR. While delivery earlier in the year will generate more revenue, more depreciation and finance expenses will also be incurred.

Unutilized maintenance reserves and redelivery adjustments received from the airline at expiry of a lease are taken as a credit to revenue in the profit and loss. At the same time, a similar amount of additional depreciation is expensed to the profit and loss to reflect the physical condition of the asset.

We also receive aircraft management fees for services provided to aircraft owners for a variety of services, including invoicing and collections, monitoring insurance renewals, monitoring letter of credit renewals, utilization reporting and tracking, technical inspections, transition planning and management, lease placement, sales and marketing and other related services. Fees are typically structured as a percentage of periodic rentals and we receive additional fees for lease placement or sales services.

Other Operating Income

Profit on disposal of property, plant and equipment is derived from sale proceeds and related maintenance reserves retained by us, less net book value (inclusive of lease incentive assets and lessor contributions where relevant) of the relevant aircraft and any sales expenses incurred.

Expenses

Depreciation

Assets are depreciated over their estimated useful economic lives to their residual values. We estimate the residual value allowing for the expected physical condition or utility of the aircraft at five year intervals after taking account of the redelivery condition intended in an associated lease. We reset our residual value at each five year point or at lease end, if sooner.

Asset Impairment Charge

Asset impairment charges reflect the excess of net book value of the aircraft over corresponding recoverable amounts.

Credit Impairment Charge

If management judge that the collectability of rental due under a relevant aircraft operating lease is unlikely, we will continue to recognize the rental income until the lease has been modified or terminated and also recognize an offsetting expected credit impairment charge in respect of the relevant amount of the unpaid rent, effectively removing the income from our profit and loss statement. In the event that the rent obligation is discharged by the lessee, we will write back the previous credit impairment charge taken.

Operating Expenses

Operating expenses are principally comprised of administration expenses, which largely consist of staff costs, marketing and traveling expenses, general office expenses, operating lease expenses, technical service expenses and professional fees.

Staff costs are comprised mainly of gross salary, bonuses, employer's defined pension contribution payments, employer's social welfare / pension liabilities and staff benefits. We currently have short-term and long-term staff incentive plans in place. Our short-term incentive plan bonus is payable to our employees when certain key performance indicator targets (mainly financial and some operational targets) for each year are met. Bonus payments are made over a pre-determined period. The bonus is accrued and recognized in our statement of comprehensive income in the period in which the employees render their services to us.

Our long-term incentive plan is payable to selected employees based on the achievement of certain key performance targets (mainly financial and some operational targets) at the end of a pre-determined period. Bonuses are accrued and recognized in our statement of comprehensive income in the period in which the employees render their services to us. Payment of accrued bonus will be made over a period after each pre-determined period.

Net Finance Costs

Finance costs relate primarily to interest income and expense, fair value changes to ineffective portion of derivative financial instruments and other charges on our loans and borrowings and finance lease payables, which are not capitalized as part of property, plant and equipment, as explained in our critical accounting policies.

Tax Expense

Tax expense is recorded in our profit or loss, except for any income tax on items recognized outside our profit or loss, 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/year, arising in profit in other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the date of our reporting.

Income tax mainly relates to provisions for deferred tax liabilities and is mainly attributable to 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the date of our reporting.

Results of Operations Data

	Year Ended March 31,		
	2023	2022	2021
Income		(in thousands of U.S. dollars)	
Lease revenue	1,347,962	1,371,721	1,130,832
Other revenue	9,072	10,833	13,721
Total revenues	1,357,034	1,382,554	1,144,553
Other operating income	51,617	124,276	22,697
	1,408,651	1,506,830	1,167,250
Operating expenses			
Depreciation	(413,633)	(484,213)	(442,094)
Operating lease asset impairment and write-off charge	(70,260)	(1,686,034)	(176,439)
Credit impairment (charge) / credit	(31,693)	35,364	(153,872)
Financial asset impairment	-	(16,592)	-
Operating expenses	(182,333)	(104,167)	(85,941)
Profit / (loss) from operating activities	710,732	(748,812)	308,904
Finance income	265,864	108,155	95,208
Finance expense	(635,114)	(475,236)	(389,325)
Net trading gain	-	576	442
Net finance costs	(369,250)	(366,505)	(293,675)
Profit / (loss) before taxation	341,482	(1,115,317)	15,229
Tax (expense) / credit	(45,371)	140,418	(1,674)
Profit / (loss) from continuing operations	296,111	(974,899)	13,555
Other comprehensive income			
Cash flow hedges - effective portion of changes in fair value	113,317	231,245	275,269
Cash flow hedges - reclassified to profit or loss	737	781	820
Movement in fair value fair value of equity investments at FVTOCI	(1,356)	-	(1,260)
Tax on other comprehensive income	(14,257)	(29,003)	(34,512)
Other comprehensive income / (expense), net of tax	98,441	203,023	240,317
Total comprehensive income / (loss)	394,552	(771,876)	253,872

Year Ended March 31, 2023 Compared to Year Ended March 31, 2022

Profit before tax of $341.5 million was generated for the year ended March 31, 2023 (“Fiscal 22”), compared to a loss before tax of $1.1 billion for year ended March 31, 2022 (“Fiscal 21”). The loss in Fiscal 21 reflected the impact of Russian sanctions and related write-off of aircraft lost in Russia at the time. The increased profitability was due mainly to a combination of:

- Charge of $1.6 billion in Fiscal 21 to reflect write-off of aircraft lost in Russia;
- $200.1 million (192%) increase in profit on disposal including gains from settling sale-related funding from the sale of 36 aircraft during Fiscal 22;
- $70.6 million (14.6%) decrease in depreciation due to a decrease in redelivery adjustments, sales and the write-off of aircraft which were lost in Russia, partially offset by new deliveries in Fiscal 22;
- $78.2 million (75.0%) increase in operating expenses mainly due to acquisition related costs of $26.7 million, as well higher insurance and staff costs, reflected in the higher average headcount of 230 (Fiscal 22: 203); and
- $67.1 million (189.6%) increase in credit impairment charges in Fiscal 22.

Revenue

Lease revenue remained stable at $1.35 billion for Fiscal 22 (Fiscal 21: $1.37 billion).

Net maintenance income decreased by $235.3 million to an expense of $1.9 million for Fiscal 22 (Fiscal 21: $233.3 million income) primarily due to income recognized in Fiscal 21 following the termination of leasing with Russian airlines.

Other revenue, which consists mostly of ongoing aircraft management fees, decreased by $1.8 million (16.3%) to $9.1 million for Fiscal 22, (Fiscal 21: $10.8 million) mainly as a result of lower fee income from affiliates and related entities.

Other Operating Income

Other operating income is comprised of profit on disposal of aircraft, arranger fee and other fee income.

We trade aircraft for a variety of reasons including for portfolio management purposes as well as for profit. A pre-impairment adjusted profit on disposal of aircraft of $107.5 million was generated on the sale of 36 aircraft for Fiscal 22 (Fiscal 21: $68.5 million, adjusted profit on disposal was generated on the sale of 23 aircraft). Additionally, contracts and / or Letters of Intent for a further nine aircraft sales were signed as of March 31, 2023, which we expect to close in the coming period.

Expenses

Asset Impairment

Asset impairment charges decreased by $1.6 billion to $70.3 million in Fiscal 22 compared to $1.7 billion in Fiscal 21. The Fiscal 22 charge reflected the full write-off of 34 aircraft that have been lost in Russia. The charge for the current period reflects management’s approach in the revisions of estimate of future cash flows in relation to certain owned aircraft with operators at risk of restructuring and anticipated sales and an increase in the discount rate to 6% (Fiscal 21: 5%).

Credit impairment charge

Credit impairment charges increased by $67.1 million to $31.7 million for Fiscal 22 (Fiscal 21: $35.4 million reversal). This credit impairment increase relates predominantly to an increase in receivables, and management judgement on the recoverability of receivables in Fiscal 22 including those relating to operators at risk of restructuring, with airline restructurings having an impact in Fiscal 21.

Net Finance Costs

Net finance costs (before break gains) increased by $173.9 million, from $365.7 million in Fiscal 21, to $539.6 million in Fiscal 22. The increase reflects a 27.3% increase in average debt balances to fund our increased asset base and a higher interest rate environment. An increase in break gains of $171.1 million, including $97.7 million of break gains associated with the sale of aircraft during the period, was also realized in the normal course of business as part of ongoing derivative and liability management.

Tax Expense

Tax expense increased by $185.8 million, from a credit of $140.4 million in Fiscal 21, to a $45.4 million charge in Fiscal 22, due to the higher level of overall profitability and an increase in our effective tax rate from 12.6% to 13.3% due to the geographic spread of profitability in Fiscal 22 and certain non-deductible expenses in Fiscal 22.

Year Ended March 31, 2022 Compared to Year Ended March 31, 2021

(Loss)/Profit before tax decreased by $1.1 billion to a $1.1 billion loss before tax for the year ended March 31, 2022 ("Fiscal 21"), (year ended March 31, 2021 ("Fiscal 20"): $15.2 million profit). The decreased profitability was due mainly to a combination of:

- $1.5 billion increase in operating lease asset impairment and write-off charges;

- $72.8 million (24.8%) increase in net finance costs primarily due to a higher average debt balance used to finance the increase in our average aircraft assets under operating lease and lower PDP interest capitalized;

- $42.1 million (9.5%) increase in depreciation driven by the increased average aircraft assets under operating lease (18.1% increase to $13.7 billion), with acquisitions weighted toward the second half of Fiscal 21, partially offset by resetting of the depreciation curve on aircraft with lease amendments;

- $18.2 million (21.2%) increase in operating expenses primarily due to an increase in general operating costs;

- $240.9 million (21.3%) increase in operating lease revenue (after redelivery adjustments). Operating lease revenue for the period includes $161.6 million recognized following the termination of leasing with Russian airlines in relation to the release of maintenance reserves and other related balances. This amount also includes $76.3 million received in respect of letters of credit which were drawn down as part of this termination;

- $189.3 million (-123.0%) decrease in credit impairment charge to a $35.4 million reversal in the current period; and

- $101.6 million increase in other operating income driven by an increase in profit on disposal of $67.5 million and a $34.1 million increase in other operating income mainly due to the release of security deposits and other related balances following the termination of leasing with Russian airlines and the sale of unsecured claims arising from lessee bankruptcies.

Income

Total Income for Fiscal 21 was $1.5 billion, an increase of $339.6 million (29.1%) from $1.2 billion in Fiscal 20, due to a combination of (i) $240.9 million (21.3%) higher lease revenues after redelivery adjustments; (ii) $101.6 million higher other operating income, primarily consisting of profit on disposal of $69.3 million and $54.9 million other operating income; partially offset by (iii) $2.9 million lower other revenue. Separately (see Expenses), a credit impairment reversal of $35.4 million was recognized in the period (a decrease of $189.3 million on Fiscal 20: charge of $153.9 million).

Revenue

Rentals receivable net of lease incentive amortization increased by $69.9 million (6.5%) to $1.14 billion for Fiscal 21 (Fiscal 20: $1.07 billion) due to an 18.1% increase in average aircraft assets under operating lease, including aircraft held for sale.

Maintenance income increased by $171.0 million to $233.3 million for Fiscal 21 (Fiscal 20: $62.3 million) mainly due to the release of $149.3 million maintenance reserves following the termination of leasing with Russian Airlines, including $76.3 million letters of credit which were drawn down and received as part of this termination.

Other revenue, which consists mostly of ongoing aircraft management fees decreased by $2.9 million (21.0%) to $10.8 million for Fiscal 21, (Fiscal 20: $13.7 million) mainly as a result of lower fee income from affiliates and related entities.

Other Operating Income

Other operating income is comprised of profit on disposal of aircraft, arranger fee and other fee income.

Profit on disposal of aircraft was $69.3 million for Fiscal 21, an increase of $67.5 million compared to $1.9 million for Fiscal 20.

Other operating income includes arranger and other fee income of $34.6 million for Fiscal 21 and $20.3 million recognized following the termination of leasing with Russian airlines in relation to the release of security deposits and other related balances, an increase of $34.1 million from $20.8 million in Fiscal 20.

Expenses

Depreciation

Depreciation increased by $42.1 million (9.5%) to $484.2 million in Fiscal 21 (Fiscal 20: $442.1 million), primarily due to increased average aircraft assets under operating lease (18.1% increase to $13.7 billion), with acquisitions weighted toward the second half of Fiscal 21, partially offset by resetting of the depreciation curve on aircraft with lease amendments.

Operating lease asset impairment and write-off charges

Operating lease asset impairment and write-off charges increased by $1.5 billion to $1.7 billion for Fiscal 21 compared to $176.4 million for Fiscal 20. The amount related to aircraft that remain with Russian airlines (excluding the one aircraft that was recovered from a Russian airline) was $1.7 billion. The balance of the charge relates to aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value. Excluding the impairment relating to aircraft in Russia, operating lease asset impairment decreased to $69.4 million for Fiscal 21 compared to $176.4 million for Fiscal 20.

Credit impairment charge

Credit impairment charges decreased by $189.3 million to a credit of $35.4 million for Fiscal 21 (Fiscal 20: charge of $153.9 million) This credit impairment reversal predominantly related to a specific airline restructuring where the outcome of negotiations and subsequent collection of outstanding rentals was better than initially modelled and also the application of security against outstanding rentals as a part of the early lease termination with one airline customer. The credit impairment charge is determined through a combination of the internal credit grading of the airline and management judgement.

Operating Expenses

Operating expenses increased by $18.2 million (21.2%), from $85.9 million in Fiscal 20, to $104.2 million in Fiscal 21, primarily due to an increase in general operating costs.

Net Finance Costs

Net finance costs increased by $72.8 million (24.8%), from $293.7 million in Fiscal 20, to $366.5 million in Fiscal 21. The increase reflects a 17.2% increase in the average debt balance to fund our increased asset base and lower PDP interest capitalized, partially offset by our continued ability to put in place competitively priced debt, resulting in an average cost of debt of 3.1% for the period.

Tax Expense

Tax expense decreased by $142.1 million, from a $1.7 million charge in Fiscal 20, to a $140.4 million credit in Fiscal 21, due to the loss before tax in Fiscal 21 and an increase in our effective tax rate from 11.0% to 12.6%, due to the geographic spread of profitability in the current period.

Condensed Consolidated Statement of Financial Position Data

	As of March 31		
	2023	**2022**	**2021**
		(in thousands of U.S. dollars)	
Non-current assets			
Property, plant and equipment	21,747,591	13,729,560	13,638,022
Intangible assets	3,921	3,601	3,081
Advances to OEMS	25,087	44,771	364,577
Finance lease and loan receivables	560,907	586,982	475,532
Lease incentive assets	140,880	68,383	13,604
Derivative financial instruments	80,492	24,851	-
	22,558,878	14,458,148	14,494,816
Current assets			
Advances to OEMS	19,743	563,585	376,602
Assets held for sale	245,280	34,787	-
Finance lease and loan receivables	32,262	46,021	26,040
Trade and other receivables	281,450	212,299	242,029
Cash and cash equivalents	738,220	994,274	817,055
Lease incentive assets	43,775	19,769	8,348
Derivative financial instruments	806	-	1,373

	1,361,536	1,870,735	1,471,447
Total assets	23,920,414	16,328,883	15,966,263
Equity			
Share capital	2,249,513	887,513	887,513
Other components of equity	495,178	396,737	193,714
Retained earnings	1,346,883	1,050,772	2,025,671
Total equity	4,091,574	2,335,022	3,106,898
Non-current liabilities			
Trade and other payables	1,112,607	464,223	597,805
Obligations under finance leases	-	-	2,389
Borrowings	16,501,753	11,301,193	9,602,958
Deferred tax liabilities	341,933	242,473	355,840
Derivative financial instruments	50,074	106,737	312,393
Subordinated liabilities	300,000	300,000	300,000
	18,306,367	12,414,626	11,171,385
Current liabilities			
Liabilities associated with assets held for sale	26,824	2,773	-
Trade and other payables	711,208	421,778	380,297
Obligations under finance leases	-	-	3,171
Borrowings	784,441	1,154,478	1,303,567
Derivative financial instruments	-	206	945
	1,522,473	1,579,235	1,687,980
Total liabilities	19,828,840	13,993,861	12,859,365
Total equity and liabilities	23,920,414	16,328,883	15,966,263

Assets

Total assets are comprised primarily of aircraft operating lease assets, aircraft classified as finance lease and loan receivables, aircraft pre-delivery payments (“PDPs”), advances to OEMs, cash, trade and other receivables and assets held for sale.

Total assets increased by $7.6 billion (46.5%), from $16.3 billion in Fiscal 21, to $23.9 billion in Fiscal 22. This increase was primarily due to the Goshawk Transaction, which added $6.9 billion of assets to the business, as well as the acquisition of 71 aircraft in the normal course of business. In addition, there were $214.1 million of newly funded PDPs.

Net lease receivables, included in Trade and other receivables, increased by $4.6 million, primarily due to the receivables acquired as part of the Goshawk Transaction ($56.5 million), negated by a continued improvement in payment performance by airlines, partly offset by an increase in credit impairment provisions of $31.7 million in relation to increased receivables for certain airline customers.

The consummation of the Goshawk Transaction in December 2022, and the delivery of new aircraft, partly offset by depreciation and asset impairment charges for Fiscal 22, resulted in an increase in net book value of aircraft of $8.0 billion to $21.5 billion, including aircraft classified as finance lease and loan receivables and aircraft classified as held for sale. Aircraft assets under operating lease and aircraft classified as held for sale of $20.9 billion were $8.0 billion higher compared to Fiscal 21, with aircraft classified as finance lease and loan receivables totaling $593.2 million in Fiscal 22 ($633.0 million in Fiscal 21).

Assets held for sale are classified as such based on a combination of (i) sale contracts or letters of intent that have been signed, and (ii) the completion of the sale of these aircraft are considered to be highly probable and are expected to complete within 12 months of classification as held for sale.

Liabilities

Total liabilities increased by $5.8 billion (41.7%), from $14.0 billion in Fiscal 21, to $19.8 billion in Fiscal 22. Total debt (including $300 million subordinated liabilities) increased from $12.8 billion in Fiscal 21, to $17.6 billion in Fiscal 22 due to additional debt that resulted from the Goshawk Transaction.

Maintenance Reserves

Normal maintenance and repairs, airframe and engine overhauls and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees.

Certain lease agreements require the lessees to make maintenance reserve contributions to us, which subsequently can be drawn on to pay for certain maintenance events carried out.

These maintenance reserves are accounted for as a liability on our statement of financial position. If a lessee performs scheduled maintenance of the aircraft, we are required to reimburse the lessee for qualifying scheduled maintenance payments. We may incur additional maintenance expenditure in the future in the event a lessee fails to meet its maintenance obligations under the lease agreement and the actual maintenance exposure on the aircraft exceeds the maintenance reserves held as a liability by us. Unutilized maintenance reserves and redelivery adjustments received from the airline at expiry of a lease are retained and recorded as income. At the same time, a similar amount of additional depreciation is expensed to reflect the physical condition of the asset.

Maintenance reserves, including those associated with assets held for sale, increased by $410.3 million (143.5%) from $285.8 million in Fiscal 21, to $696.1 million in Fiscal 22, primarily due to maintenance reserves acquired as part of the Goshawk Transaction, as well as ongoing reserve collection.

Liquidity and Capital Resources

Our primary sources of liquidity are bank balances, cash generated by aircraft leasing operations, proceeds from aircraft sales and debt financings. Our business is capital intensive, requiring significant investments in order to expand our aircraft fleet during periods of growth and to improve and maintain our existing fleet. The cash flows from our operations, particularly our revenues from operating leases, have historically provided a significant portion of the liquidity for these investments.

In the past, we have also met our liquidity and capital resource needs by utilizing several sources, including:

- lines of credit, unsecured term financings, shareholder funding, secured borrowings supported by export credit agencies for new aircraft acquisitions and bond financings; and
- equity contributions from our shareholders.

Going forward, we expect to continue to seek liquidity from these sources. While we continue to focus on unsecured debt, we may selectively consider secured financing for a portion of our financing needs. In Fiscal 22, 100% of total debt financings were unsecured.

In Fiscal 22, we were, in all material respects, in compliance with all applicable covenants in our financial instruments.

We believe that cash on hand, payments to be received from lessees and other funds to be generated from operations, future borrowings for aircraft, standby revolving credit facilities and proceeds from future aircraft sales will be sufficient to satisfy our liquidity and capital resource needs over the next twelve months, including payments due under our aircraft purchase obligations, required principal and interest payments under our long-term debt facilities, expected capital expenditures and lessee maintenance payment reimbursement.

Cash Flows Data

	Year ended March 31,		
	2023	**2022**	**2021**
	(in thousands of U.S. dollars)		
Profit / (loss) before tax	341,482	(1,115,317)	15,229
Adjustments for:			
Depreciation of property, plant and equipment	413,633	484,213	442,094
Impairment and write-off charge of property, plant and equipment	70,260	1,686,034	176,439
Amortisation of computer software intangible assets	1,158	857	755
Lease incentive asset amortisation	40,574	18,760	15,924
Credit impairment charge / (credit) on trade debtors	31,693	(35,364)	153,872
Financial asset impairment	-	16,592	-
Net interest expense	367,506	366,489	293,656
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges	-	(576)	(442)
Profit on disposal of assets held under operating leases	(29,736)	(69,327)	(1,857)
	1,236,570	1,352,361	1,095,670
Decrease / (increase) in receivables	18,502	28,750	(247,632)
Increase / (decrease) in payables	238,553	(187,884)	(40,145)
Cash generated by operations	1,493,625	1,193,227	807,893
Income taxes paid	(1,532)	(586)	(400)
Interest paid	(279,130)	(380,128)	(357,148)
Net cash from operating activities	1,212,963	812,513	450,345
Investing activities			
Proceeds on disposal of property, plant and equipment	1,230,805	965,918	90,802
Purchases of property, plant and equipment	(2,941,763)	(3,140,904)	(2,851,456)
Purchases of intangible assets	(1,479)	(1,376)	(2,543)
Net investment in business combination	(1,310,327)		
Net cash used in investing activities	(3,022,764)	(2,176,362)	(2,763,197)
Financing activities			
Proceeds from issuance of share capital	1,362,000	-	-
Receipts from restricted cash accounts	-	361,700	240,100
Repayment of obligations under finance leases	-	(5,752)	(7,703)
Proceeds from indebtedness	4,355,582	2,947,802	2,595,900
Repayments of indebtedness	(4,162,957)	(1,399,635)	(701,568)
Net cash from financing activities	1,554,625	1,904,115	2,126,729
Effect of exchange rate changes on unrestricted cash and cash equivalents	(878)	(1,347)	922
Net (decrease) / increase in unrestricted cash and cash equivalents	(256,054)	538,919	(185,201)
Unrestricted Cash and cash equivalents at beginning of the period	994,274	455,355	640,556

Unrestricted Cash and cash equivalents at end of the period	738,220	994,274	455,355
Restricted Cash and cash equivalents	-	-	361,700
Closing Cash and cash equivalents	738,220	994,274	817,055

Year Ended March 31, 2023 Compared to Year Ended March 31, 2022

During Fiscal 22 we invested $2.9 billion in aircraft assets and aircraft PDPs and $1.3 billion net investment in GML. The additional cash to fund these investments was generated from a number of sources including:

- proceeds from indebtedness of $4.4 billion;
- proceeds from issuance of share capital of $1.4 billion; and
- proceeds from aircraft disposals of $1.2 billion.

Net cash from operating activities was $1.2 billion for Fiscal 22, an increase of $0.4 billion compared to net cash generated from operating activities of $0.8 billion for Fiscal 21.

The cash generated by operations was $1.5 billion for Fiscal 22, an increase of $0.3 billion compared to $1.2 billion for Fiscal 21, due to an increase in cash collateral held in respect of derivatives due to the movement in interest rates.

Net cash used in investing activities was $3.0 billion for Fiscal 22, an increase of $0.8 billion compared to $2.2 billion for Fiscal 21. This was primarily due to net investment in GML of $1.3 billion, partially offset by a decrease in purchase of property, plant and equipment of $0.2 billion and an increase in the proceeds on disposal of property, plant and equipment of $0.3 billion.

Net cash from financing activities was $1.6 billion for Fiscal 22, compared to $1.9 billion net cash from financing activities for Fiscal 21. This decrease of $0.3 billion was mainly due to a decrease in net proceeds from indebtedness of $1.3 billion and a reduction in receipts from restricted cash accounts of $0.4 billion, partially offset by the proceeds from the issuance of share capital of $1.4 billion.

Year Ended March 31, 2022 Compared to Year Ended March 31, 2021

Unrestricted cash balances increased by $538.9 million for Fiscal 21, during which we invested $3.1 billion in aircraft assets and aircraft PDPs.

The cash to fund these investments was generated from a number of sources including:

- net cash from operating activities of $812.5 million,
- proceeds from aircraft disposals of $965.9 million; and
- net cash from financing activities of $1.9 billion.

Net cash from operating activities was $812.5 million for Fiscal 21, an increase of $362.2 million compared to net cash generated from operating activities of $450.3 million for Fiscal 20.

The cash generated by operations was $1,193 million for Fiscal 21, an increase of $385.3 million compared to $807.9 million for Fiscal 20. This is reflective of the improved cash payments by airline customers in the period compared to the comparative period.

Net cash used in investing activities was $2.2 billion for Fiscal 21, an increase of $0.6 billion compared to $2.8 billion for Fiscal 20. This was primarily due to an increase in proceeds on disposal of property, plant and equipment of $0.9 billion, offset by an increase in purchase of property, plant and equipment of $0.3 billion.

Net cash from financing activities was $1.9 billion for Fiscal 21, compared to $2.1 billion for Fiscal 20. This decrease of $0.2 billion was mainly due to a decrease in the net of repayments of debt and proceeds from new loans to fund aircraft purchases of $0.3 billion, offset by an increase in receipts from restricted cash accounts of $0.1 billion relating to the reduction in restricted cash required for a collateral call account for derivatives.

Debt Obligations

We raise debt financing from our shareholders and external sources for the purpose of funding the purchase of aircraft, payment to the OEMs of PDPs for aircraft, the repayment of existing debt and for general corporate purposes. As of March 31, 2023, 43% of our total debt financing has been sourced from external sources. Our external debt has been raised through a combination of issuance of unsecured bonds and unsecured term loans in the banking market. We also have unsecured revolving credit facilities available for short to medium term financing requirements and liquidity management.

We have a strong preference for funding our business on an unsecured basis given the operational flexibility this approach provides and our status as one of the most active traders of aircraft in the industry. We intend to make increasing use of corporate recourse borrowings by continuing to expand our unsecured investor base.

The following table provides a summary of our secured and unsecured debt financings as of March 31, 2023:

Debt Obligation	Collateral	Outstanding Borrowing ($'000)	Final Stated Maturity
Unsecured Debt Financings:			
Parent group undertakings	None	10,089,094	Between 2023 and 2039
Third party undertakings........................	None[12]	7,497,100[13]	Between 2023 and 2031
Total debt financings		17,586,194	

Unsecured Debt Financing

Bank and Bond Financing

As of March 31, 2023, we had unsecured loans totaling $17.6 billion, of which $8 billion (including $300 million of subordinated debt) was sourced from shareholder entities, $7.6 billion was sourced from third-party financial institutions and $2.0 billion was raised from our corporate bond offerings.

[12] The JBIC Facilities rank pari passu with our other existing unsecured debt. SMBC guarantees the 2012 JBIC Facility. Should the guarantee cease to remain in effect or should SMBC be assigned a credit rating of less than investment grade by an international rating agency, JBIC has the right to call for additional security for the outstanding amounts owed to it under the facility (note that removal of the guarantee or downgrading of SMBC does not automatically create any charge over our assets).

[13] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."[14] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

Unsecured Revolving Credit Facilities

As of March 31, 2023, we had undrawn borrowing capacity of $6.5 billion from Sumitomo Mitsui Banking Corporation ("SMBC") under our credit approved shareholder revolving credit facility. This amount is available up to September 30, 2023, at which time we expect that it will be extended for a further 12 months.

As of March 31, 2023, we also had $1.8 billion of borrowing capacity under our third-party revolving credit and term facilities, $120 million available up to July 12, 2025, $600 million available up to August 16, 2025, $400 million available up to March 5, 2025, and $700 million available up to October 26, 2027. We expect to extend or increase these facilities over time.

Subordinated Loan

In November 2018, we entered into a floating rate subordinated loan with an initial 16-year maturity with a shareholder entity. The maturity of the loan has been extended on September 30, 2022 to February 2039 and can be extended further annually on request.

Derivatives

Our revenues from operating leases are generated from the rental and maintenance payments we receive from our lessees. These rental payments are generally fixed, but may be fixed or floating with respect to leases entered into in the future. In general, we may be exposed to risks associated with fluctuations in interest rates because the debt used to finance our aircraft assets accrues interest at floating rates, while the lease revenue on some of these aircraft may be fixed. Our policy is to minimize this exposure to interest rate risk for the full term of the lease through the use of interest rate swaps and other derivative instruments.

Derivative financial instruments are used to manage exposure to changes in interest rates and foreign currencies. Derivative financial instruments are not held or issued for trading or speculative purposes.

All derivative financial instruments are required to be recorded as either assets or liabilities in the consolidated statements of financial position and are recorded at fair value. If certain conditions are met, a derivative financial instrument may be specifically designated as a hedge. Fair value changes in derivative financial instruments that are not designated as hedges or do not qualify as hedges are included in earnings. As of March 31, 2023, there are no derivative financial instruments designated as being in a fair value hedge relationship.

On the date we enter into a derivative financial instrument our management designates the derivative as a hedge for an identified exposure if it qualifies.

All relationships between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions, are formally documented at inception. In this documentation, a hedged item is specifically identified and how the hedging instrument is expected to hedge the risks related to the hedged item is stated.

We formally assess the effectiveness of our hedging relationships both at the time of inception and on a quarterly basis in accordance with our risk management policy. For all qualifying and highly effective cash flow hedges, the changes in the fair value of the derivatives are recorded as Other Comprehensive Income to the extent effective.

We attempt to limit our credit exposure by dealing with creditworthy counterparties. In addition, before entering into each agreement and periodically throughout the period a financial instrument is owned, we review each counterparty to evaluate its financial stability.

Contractual Obligations

As of March 31, 2023, we have aircraft orders in place with Airbus for 90 A320NEO aircraft and 43 A321NEO aircraft, and orders in place with Boeing for 56 737-MAX-8 aircraft. In addition to these direct orders, we have a sale-leaseback commitment for one additional Boeing aircraft.

As of March 31, 2023, the combined purchase price of these orders totalled $9.8 billion and scheduled delivery dates are between 2023 and 2027. These contracted obligations 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.

The following table sets out our future obligations in respect of aircraft purchase commitments and unsecured debt arrangements with third parties and group companies:

	As of March 31, 2023—$'000			
	Total	**Less than 1 year**	**1 - 5 years**	**More than 5 years**
Unsecured Debt—Third party undertakings	7,497,100,140[14]	699,834,200	5,329,444,020	1,467,821,919
Unsecured Debt—Group Undertakings	10,089,093,490	84,606,666	1,649,069,152	8,355,417,672
Aircraft Capital Commitment	9,765,903,686	1,959,369,394	7,806,534,291	-
	27,352,097,316	2,743,810,261	14,785,047,464	9,823,239,591

Off-Balance Sheet Arrangements

Other than aircraft purchase commitments we do not have any off-balance sheet arrangements.

Qualitative Disclosures about Commercial and Market Risk

Commercial Risk

The airline industry is cyclical and highly competitive. Our 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; and
- geopolitical issues.

[14] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

We are directly exposed to the ongoing impact of the sanctions imposed against Russia. The impact of the sanctions will result in the risks noted above being heightened until the Russian crisis subsides, as well as an adverse impact on our financial condition, results and cashflows.

Market Risk

Market risk represents the risk of changes in value of a financial instrument caused by fluctuations in interest rates and foreign exchange rates. Changes in these factors could cause fluctuations in our results of operations and cash flows. We are exposed to the following market risks:

Interest Rate Risk

Interest rate risk is the risk that the fair values or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises primarily from loans and borrowings, finance lease payables to third parties and related parties, finance lease and loan receivables from third parties and related parties and lease rental income and expenses.

Our policy is to minimize cash flow and interest rate risk by managing our funding in both duration and interest basis on similar terms to our overall portfolio of leasing transactions, using floating-to-fixed interest rate swaps where appropriate. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. As of March 31, 2023, and March 31, 2022, we had $5.9 billion and $5.7 billion, respectively, in floating rate debt (including $300 million subordinated debt).

As of March 31, 2023, if interest rates on financial assets or liabilities with variable interest rates decreased/increased by 10 basis points, the underlying post-tax profit for the year would have been $0.1 million lower/higher; other components of equity would have been $4.7 million lower/higher as a result of a decrease/increase in the fair value of cash flow hedge reserve.

We obtain financing primarily through bank borrowings and capital market fundraising. Our objective is to obtain the most favorable interest rates available on acceptable terms and conditions.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. Our approach to managing liquidity is to ensure, as far as possible, that we will always have sufficient liquidity to meet our liabilities when due. Any maturity mismatch within the overall long-term structure of our 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 our liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise. While operating cash flows have decreased in the current year due to impact of COVID-19 on various lessees, available liquidity capacity has ensured that there was no material change in the liquidity risk during the year.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. We are exposed to credit risk in the carrying amounts of trade and other receivables, derivative financial instruments, advances to OEMs, fixed deposits and cash and bank balances.

Credit risk on lease receivables is managed within the SMBC Aviation Capital group to enable us to achieve appropriate risk versus reward performance while maintaining credit risk exposure in line with approved risk appetite on an entity basis. Our credit risk on liquid funds is limited because our counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The credit impairment charge is determined by classifying lessees into four categories, Category 1 being the lowest risk and Category 4 the highest risk with an appropriate provision percentage ascribed to each category depending on payment performance. 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, 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.

We continue to monitor the economic environment of our customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances. All lessees who entered bankruptcy protection, administration (or similar arrangements) during the prior financial year are included in Category 4.

Foreign 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. We minimize cash flow currency risk by ensuring our 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. For Fiscal 21 and Fiscal 20, our lease revenues were denominated in U.S. dollars. As of March 31, 2022, we had no currency swaps in place.

All of our financial instruments are primarily in U.S. dollars. However, certain bank accounts and receivables and payables are denominated in Euro, Japanese Yen, Chinese Yuan and Sterling.

BUSINESS OVERVIEW

SMBC Aviation Capital forms part of the wider Sumitomo family aircraft financing group and is one of the world's leading aircraft operating lease companies. In operation since 2001, we are a top five aircraft operating lessor globally based on fleet size, with an owned and managed fleet valued at $31 billion as of March 31, 2023, comprising 497 owned and 208[15] managed aircraft, including 154 owned and 19 managed aircraft acquired in the Goshawk Transaction, which closed in December 2022.

For the year ended March 31, 2023, our business generated a profit before tax of $341.5 million (compared to a loss before tax of $1.1 billion for the year ended March 31, 2022). These results reflect a return to a more normalized operating environment following the period of disruption caused by among other things, the effects of the COVID-19 pandemic and the Russian invasion of Ukraine (including the subsequent geopolitical and economic unrest and imposition of sanctions).

Our success over our 22 years of operations has been achieved through our strategy of maintaining a young, narrow-body fleet, generating stable long-term contracted cash flows and attractive risk adjusted returns. As of March 31, 2023, we have accumulated retained earnings of $1.3 billion.

Our direct order book is 100% narrow-body and comprises the newest technology in terms of operational and fuel efficiency. The airline industry is increasingly focused on addressing the environmental impact of its business which we expect will result in the retirement of older, higher emission aircraft, a dynamic that the COVID-19 situation has accelerated. Maintaining a portfolio of young, more fuel efficient aircraft assets is critical to long-term profit stability and our increased focus on sustainability.

We are disciplined in terms of the commercial jet aircraft in which we invest, focusing on young, liquid, in-demand assets which have large production runs, the widest installed base and which are flown by most airlines around the world. We acquire these aircraft either directly through orders with the OEMs, through SLB transactions with airlines and on occasion through portfolio purchases from other lessors and highly selective M&A transactions, such as the Goshawk Transaction. Our strategy is to recalibrate our emphasis on different acquisition channels at different points in the industry cycle to optimize overall returns.

SMBC Aviation Capital is a key pillar of our shareholders international expansion strategy and as a result, we receive significant financial support from the shareholder group. In aggregate, the shareholders' total commitment to SMBC Aviation Capital stands at $18.6 billion as of March 31, 2023 on a combined debt and equity basis.

We believe that our focus on aircraft liquidity will continue to reduce earnings volatility in a long-run normalized operating environment and maximize risk-adjusted returns over time. This strategy has resulted in a portfolio as of March 31, 2023 that is comprised almost entirely of what we believe to be the most liquid aircraft available, such as Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 -8/-9 aircraft. Furthermore, 83% of our existing portfolio (weighted by NBV as of March 31, 2023) are comprised of narrowbody aircraft, and 100% of our future direct order commitments, are comprised of new technology, narrow-body aircraft which are the most liquid aircraft available in the global commercial jet fleet.

We lease our owned and managed aircraft to a diverse group of operators, both geographically and by business type. As of March 31, 2023, we had 114 airline customers in 47 different countries worldwide with a balanced geographical mix comprised of 34.1% in Europe, Middle East and Africa, 31.5% in the Americas and 34.4% in Asia weighted by NBV. This includes 30 new customers across 11 new countries through the acquisition of GML.

We augment our core leasing business through a combination of marketing our shareholders' wider aircraft finance product offerings, for which we receive referral fees, and utilizing our extensive lease management platform to provide fleet management services to aircraft investors for a management fee. These fleet management services are similar to those we perform with respect to our owned fleet and include *inter alia* leasing, remarketing for sale or lease, lease administration and provision of technical oversight.

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[15] Including 8 aircraft for affiliated companies.

We trade our aircraft assets frequently to optimize returns and manage risk, ensuring that our portfolio stays young and attractive to our airline and investor customer base. Since our inception in 2001, we have sold 475 aircraft from our owned portfolio to over 130 trading counterparties as of March 31, 2023, reflecting the strength of our aircraft trading platform and our ability to access and develop liquidity across a broad spectrum of global investors throughout the economic cycle.

Throughout over 22 years in business, we have maintained one of the youngest portfolios of owned aircraft among investment grade leasing companies[16], with a weighted average age of 5.1 years and a weighted average remaining lease-term of 6.6 years as of March 31, 2023.

It is the combination of our disciplined investment strategy, focused risk management and balance sheet strength, together with our experienced management team and strong shareholder support that underpins our investment grade ratings. Our strong credit ratings in turn facilitate our access to a broad range of competitively priced financing sources, providing us with a strong liquidity base and increased funding optionality in all market conditions.

Ownership and History

Our ultimate parent, SMFG, which beneficially owns 66% of our equity, is a G-SIB (Global Systemically Important Bank) and is one of the largest banking groups in Japan with total assets of $2.0 trillion[17] as of March 31, 2023. SMFG has a senior unsecured rating of A- by S&P and A- by Fitch. A G-SIB is a designation given to a financial institution whose distress or disorderly failure, because of its size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity. Sumitomo Corporation, rated A- by S&P and Baa1 by Moody's, is one of the largest Japanese general trading companies and the beneficial owner of the remaining 34% of our equity.

SMBC Aviation Capital, formerly RBS Aviation Capital, was the business unit with global responsibility for commercial aircraft financing within RBSG. SMBC Aviation Capital commenced business in May 2001. In June 2012, SMBC, SMFL and Sumitomo Corporation acquired the commercial aircraft leasing business of RBSG. In April 2013 (nine months after our acquisition by our shareholders), our shareholders' existing aircraft leasing business was integrated into SMBC Aviation Capital, resulting in the addition of 33 aircraft operating leases.

SMBC Aviation Capital is strategically important to SMFG's vision for the next decade to become a global financial group due to its track record of generating consistent profitable U.S. dollar based returns from a diversified, global customer base and by introducing SMFG to business opportunities in new jurisdictions. This was the context in which SMFG acquired our business.

Our shareholders provide significant financial support to our business, with an aggregate amount of $18.6 billion of capital provided as of March 31, 2023, including $7.7 billion[18] of drawn unsecured loan amounts due to parent group undertakings, a $300 million drawn unsecured subordinated liability and $4.1 billion[19] of total equity. In addition, as of March 31, 2023, SMBC had undrawn shareholder funding of $6.5 billion under the SMBC Aviation Capital Revolving Credit Agreement.

As part of its internationalization strategy, SMFG, in particular, focuses on strengthening its business in Asia in order to capitalize on the high medium- to long-term growth potential of Asia's emerging countries. One of SMFG's main goals has been to steadily create a business platform in Asia. SMBC Aviation Capital's platform and customer relationships support this goal, given that, due to strong passenger growth, the Asian region is expected to account for an increasing proportion of the global aircraft financing opportunities in the next 20 years.

SMBC Aviation Capital operates independently but is well-integrated with its shareholders, both from a business and governance perspective, with senior shareholder executives holding a majority of the positions on the

[16] Based on publicly available information concerning the fleets of Air Lease Corporation, BOC Aviation, AerCap Holdings N.V., Aircastle Limited, Dubai Aerospace Enterprise, Avolon and Aviation Capital Group.
[17] Calculated based on an exchange rate as of March 31, 2023 of JPY133,54:1.00.
[18] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."
[19] This amount includes $1.3 billion in retained earnings.

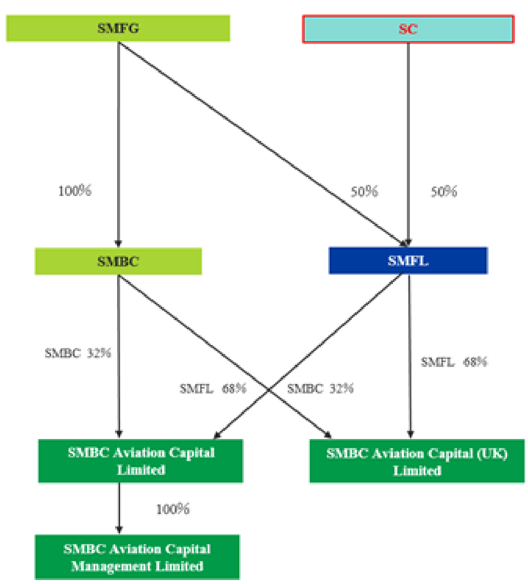
board of directors of SMBC Aviation Capital. SMFG and Sumitomo Corporation have a long track record and knowledge in the aviation sector and, in particular, have been active in the commercial debt market and arranging tax equity products for domestic Japanese investors. SMBC Aviation Capital is now utilized as the platform to maximize SMFG's aircraft financing capabilities.

Since April 2014, we have been working with our shareholders under a co-operation framework that is designed to integrate the marketing of the entire SMFG and Sumitomo Corporation product offering to airlines and investors globally. This initiative is a core component of our shareholders' business strategy, allowing us to differentiate our company from other market participants by offering a broader product proposition to our airline and investor customers. Our marketing team, in conjunction with specialist teams from SMFG and Sumitomo Corporation, offer customers a full suite of financing options including operating leases, Japanese tax leasing structures, debt financing, engine leasing and asset management services. In management's view, this maximizes our relevance to our customer base, resulting in deeper customer relationships than would be possible for a typical "one-product" leasing company.

In November 2018, SMBC Aviation Capital received a further capital investment of $1 billion, consisting of $700 million in preferred share capital issued to SMFL and SMBC, and the $300 million unsecured subordinated loan from SMBC noted above. In parallel, SMFL became a 50:50 joint venture between SMFG and Sumitomo Corporation. Our shareholders' beneficial ownership in SMBC Aviation Capital remained unchanged as a result of the reorganization. We received $1.36 billion of preferred share capital from our shareholders in December 2022 to support the Goshawk Transaction. The capital investment by our shareholders demonstrates their commitment to and support of our ongoing strategy and success.

Following the capital investment, SMBC Aviation Capital continues to remain strategically important to SMFG with a common brand, board composition and integrated strategy. SMBC Aviation Capital will also continue to be a key growth driver for SMFG's international business.

The following chart depicts the current ownership structure of SMBC Aviation Capital.



Ultimate Share Holding Percentage

SMFG: 66% SC: 34%

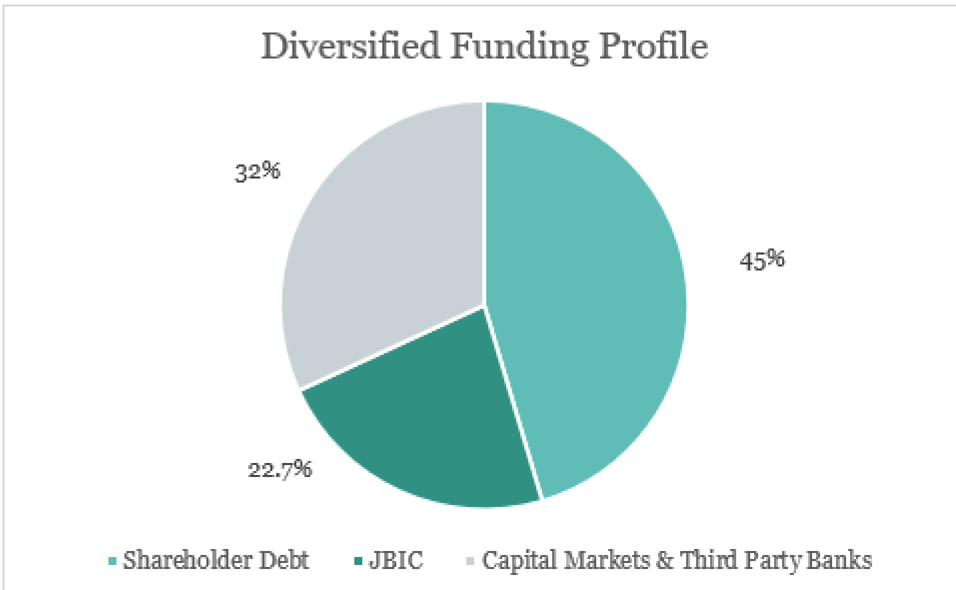
SMFG	Sumitomo Mitsui Financial Group	Bank Holding Company
SMBC	Sumitomo Mitsui Banking Corporation	Bank
SMFL	Sumitomo Mitsui Finance & Leasing	Lease & Finance
SC	Sumitomo Corporation	Trading Company

Financing Strategy

In addition to our business strategies described above, the successful implementation of our financing strategy is a critical component of the success and growth of our business, leveraging off our strong external credit ratings. The overall objective of our financing strategy is to provide the capital to grow our business through arrangements that provide us with a competitive cost of capital, maximize flexibility in strategic choice and minimize risks relating to changes in market conditions and liquidity.

As of March 31, 2023, 100% of our equity capital, 100% of our subordinated liabilities and 44%[20] of our total borrowings excluding subordinated liabilities were provided by our shareholders. In addition, our Japanese ownership has enhanced our ability to tap into other sources of debt financing available from Japanese financial institutions. As of March 31, 2023, 27.9%[21] of our total borrowings were provided by term loans from non-shareholder Japanese institutions.

As of March 31, 2023, the funding profile[22] of the business consisted of 45%[23] shareholder debt, 22.7% of debt provided by JBIC and the remaining 32% from capital market issuances and third party bank financing.



In line with our business plan, the expectation is that our shareholders will continue to be our primary funding provider. However, a key element of our strategy is to develop a more diversified range of financing sources for a proportion of our funding requirements, which will provide us with increased flexibility and scale to finance our growth. We plan to make increasing use of corporate recourse borrowings by developing a significant senior unsecured investor base.

As of March 31, 2023, 12% of our debt excluding subordinated liabilities (9.2% of our capital requirements) was provided by the issuance of the 2023 Notes, the 2024 Notes, the 2026 Notes and the 2028 Notes. We may also consider in the future issuing notes or incurring loans or other indebtedness secured by aircraft and/or related assets, depending on prevailing market conditions and other considerations we deem relevant. For more information about our debt obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Debt Obligations."

As of March 31, 2023, 100% of our debt was unsecured. Our fully unencumbered balance sheet reduces constraints on selling aircraft, which we believe complements our strategy of actively trading our aircraft assets for

[20] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

[21] This is adjusted to include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

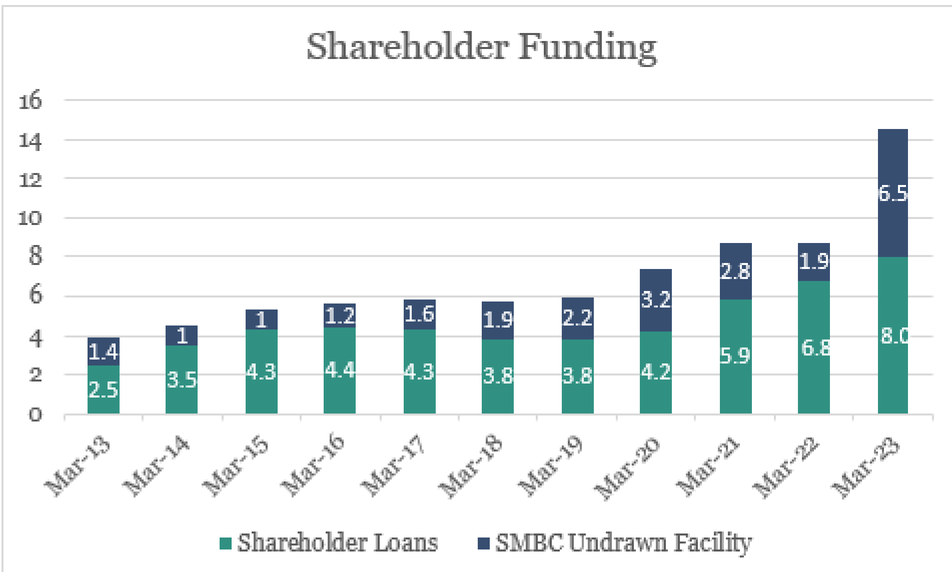
[22] This is including subordinate debt liabilities.

[23] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

portfolio management purposes. The issuance of unsecured notes is in line with our objectives of diversifying funding sources while maintaining flexibility in managing our aircraft portfolio.

It is also our intention to further diversify our sources of financing by building borrowing relationships with international financial institutions. Although we intend to favor unsecured borrowings in the future, depending on market conditions, we may also enter into term loans for the acquisition of a proportion of our aircraft that are secured by the acquired aircraft and, in some cases, may be supported by third-party credit guarantees from agencies such as the Ex-Im Bank and European Export Credit Agencies ("ECAs").

In addition to the $7.7 billion[24] of drawn unsecured shareholder loans and the $300 million in unsecured subordinated loans, as of March 31, 2023, SMBC Aviation Capital had undrawn shareholder funding of $6.5 billion available under the SMBC Aviation Capital Revolving Credit Agreement. When combined with the $1.8 billion of capacity available under our undrawn third-party credit facilities and $0.7 billion of unrestricted cash, we had $9.1 billion of available liquidity as of March 31, 2023.



[24] Does not include $2.1 billion of third-party funding provided by JBIC and received through our shareholder, SMFL. For more information, see "Description of Other Financial Indebtedness—Shareholder Loans—Shareholder Acquisition Facility."

The revolving nature of the majority of our shareholder debt significantly mitigates our refinancing risk. As of March 31, 2023, the average third-party debt repayable over the next 5 years is $1.2 billion per annum. Third-party debt maturities due over the next twelve months is $0.7 billion.

Hedging Policy

Our objective is to align our funding sources across all lease cash flows. In general, we are exposed to three sources of mismatch between leases and funding:

1. Interest rate risk—the risk cash inflows from leases do not adjust in line with cash outflows from funding as interest rates change.

2. Foreign exchange risk—the risk cash inflows from leases do not adjust in line with cash outflows from funding as foreign exchange rates change.

3. Liquidity risk—the risk the long-term nature of our leases is not matched with appropriate long-term funding.

Our objective is to minimize our exposure to these risks. To achieve this, we are aided by having access to SMBC's capital markets subsidiary, which provides attractive, commercial terms to hedge the funding of our activities.

We have a number of floating rate leases where rentals adjust by reference to USD Term SOFR following the cessation of USD LIBOR on June 30, 2023, as well as a number of leases with fixed rentals. As of March 31, 2023, leases with respect to 6.5% of our owned portfolio, measured by NBV, provided for the lease rentals to be paid on a floating rate basis. We seek to align fixed rate debt funding to fixed rate leases and floating rate debt funding to floating rate leases.

Our financial instruments are primarily in U.S. dollars. Certain bank accounts are held in Euro, Sterling, Japanese Yen and Hong Kong Dollar while certain receivables and payables are also denominated in these currencies. All our leases are denominated in U.S. dollars and funded by U.S dollar denominated borrowings and equity resulting in minimal foreign exchange rate risk for us.

To the extent that lease and funding flows materially do not match, we use our internal trading lines with SMBC to allow us to execute interest rate and cross currency swaps where appropriate to reduce that risk.

Finally, to minimize liquidity risk, the maturity of our funding sources is aligned on an average basis and to the extent possible with contracted lease maturities. We carefully evaluate and monitor our debt maturity profile to ensure that our refinancing requirements are well-dispersed, without any debt maturity spike in any single year. As of March 31, 2023, the notional principal on our interest rate swaps was $4.4 billion.

We believe our capital and hedging structure is efficient and prudent given the nature of our long-term aircraft assets and leases, is consistent with our goal of minimizing refinancing risks and our strategy of generating consistent and stable cash flows and profitability and provides us with flexibility to capitalize on market opportunities as they arise. Further diversification of funding sources by gaining access to the unsecured markets through issuance of notes will enhance our financing flexibility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Description of Other Financial Indebtedness" for more information on our sources of financing.

Portfolio

As of March 31, 2023, we had an owned portfolio of 497 aircraft, a managed fleet of 208 aircraft (including 8 aircraft for affiliated companies) and 189 future direct order commitments, as demonstrated in the table below. Our direct orders and sale and leaseback contracts are comprised of 133 Airbus A320 family and 56 Boeing 737-MAX-8 aircraft which are to be delivered between 2023 and 2027.

Aircraft Type	Owned Aircraft	Affiliated Company Owned Aircraft	Managed Aircraft	Committed Aircraft	Total Number
Airbus A320CEO family	121	7	46		174
Airbus A320NEO family	165		46	133	344
Airbus A350 family	14		7		21
Boeing 737NG family	126	1	53		180
Boeing 737MAX family	50		13	56	119
Boeing 787 family	13		23		36
Other	8		12		20
Total	497	8	200	189	894

The characteristics of our owned and committed fleet reflect what we believe to be one of the most disciplined approaches to aircraft acquisition in the aircraft leasing industry:

1. **Aircraft Type**: Our portfolio is comprised almost entirely of what we believe are the most liquid and investor friendly aircraft types, comprising the Airbus A320CEO/NEO family, Airbus A350, Boeing 737-800/MAX and Boeing 787 aircraft.

2. **Fleet Age**: Our fleet had a weighted average age by NBV of 5.1 years as of March 31, 2023.

3. **Lessee Type**: Our portfolio is diversified by type of airline, with low-cost carriers representing 52% of our fleet and established full-service network carriers representing 42% of our fleet as of March 31, 2023.

4. **Lessee Region**: Our portfolio has a balanced geographical mix, comprised of 24.6% Developed and Emerging Europe, 9.5% the Middle East and Africa, 31.5% the Americas and 34.4% Asia weighted by NBV as of March 31, 2023.

5. **Lessee Concentration**: We have a broad array of lessees, with no lessee representing more than 5% of our portfolio as of March 31, 2023.

6. **Long-Term Cash Flows**: Our lease maturities are staggered to ensure that there is no concentration of maturities in any particular period. As of March 31, 2023, our portfolio had a weighted average remaining lease term by NBV of 6.6 years, providing a long-term contracted revenue base.

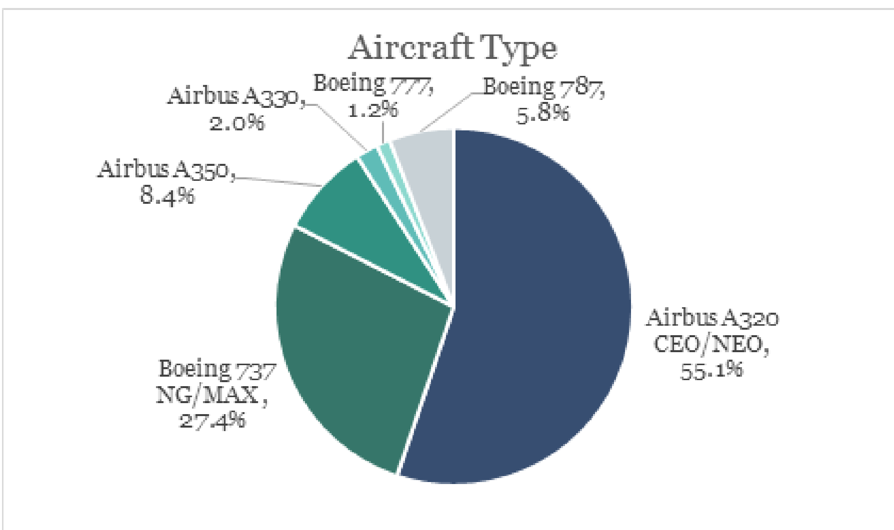
7. **Strategically Important Order Book**: Our direct orders are strategically important as they give us access to highly sought-after, next generation, fuel-efficient aircraft. Our order book represents an important element of our strategy for portfolio transition to new technology.

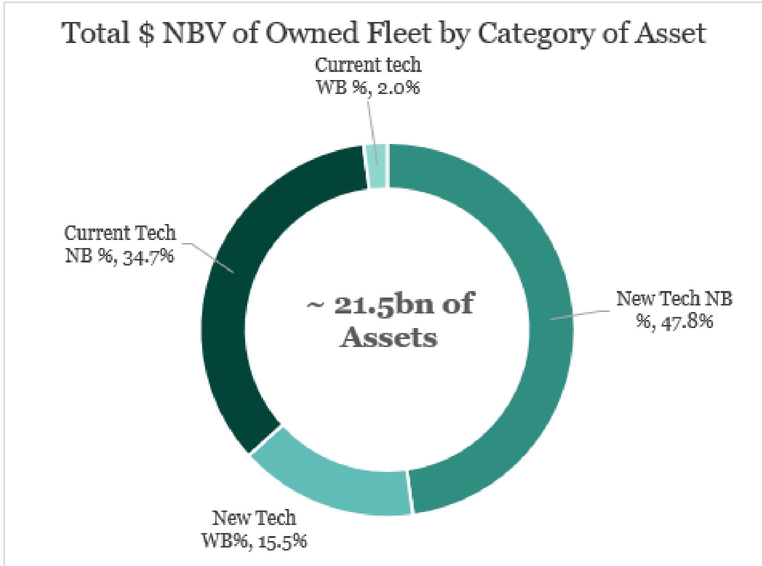
8. **Strong Trading Expertise**: The principle of active aircraft sales is central to our portfolio strategy and allows us to maintain the low average age of our fleet and manage airline concentrations, asset residual value and lease remarketing risk.

9. **Risk Management Approach**: Risk management is core to our business. Over our 22 year history, we have had prudent approach towards risk management which has led to minimal levels of default in a normal operating environment, and in efficient resolution of restructurings arising as a result of the COVID-19 pandemic.

Aircraft Type

In selecting aircraft to acquire, our primary focus is on the liquidity of the asset. We seek to acquire the most popular and in-demand aircraft in production today. As of March 31, 2023, our owned portfolio was comprised of Airbus A320CEO/NEO family (55.1%), Boeing 737 NG/MAX (27.4%), Airbus A350 (8.4%), Airbus A330 (2%), Boeing 777 (1.2%) and Boeing 787 (5.8%) aircraft, as shown in the first chart below. Of these aircraft types, 34.7% are existing technology narrow-body, 15.5% are new technology wide-body, 47.8% are new technology narrow-body and only 2% are existing technology widebody, as shown in the second chart below.





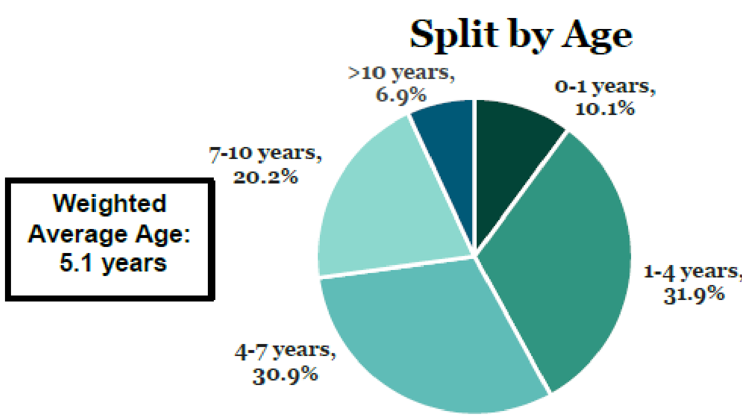
Source: SMBC Aviation Capital (Weighted by NBV).

This disciplined approach to asset selection and our focus on the most liquid aircraft types with large operator bases that are popular among airlines globally maximizes placement opportunities with airlines when aircraft are coming off lease. This strategy has resulted in a portfolio, as of March 31, 2023, that is comprised almost entirely of the Airbus A320CEO/NEO family aircraft, Airbus A350 1000/900 aircraft, Boeing 737-800/MAX 8 aircraft and Boeing 787 aircraft.

Fleet Age

As of March 31, 2023, the average age of our owned aircraft portfolio, weighted by NBV, was 5.1 years. Younger, modern-technology aircraft are more desirable than older aircraft to many lessees because of their fuel efficiency, lower maintenance costs and longer remaining useful lives.

The following graph shows the split by age of our aircraft as of March 31, 2023.

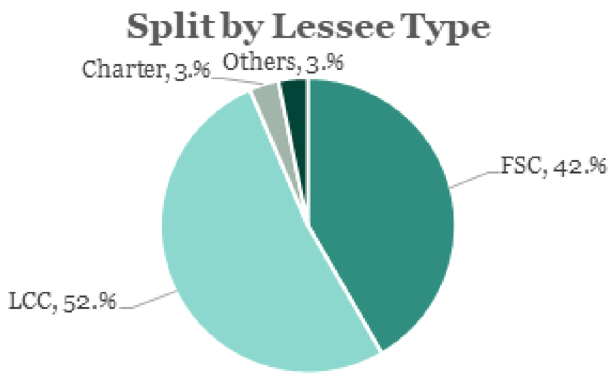


Source: SMBC Aviation Capital (Weighted by NBV).

Lessee Type

We believe creating diversity across business model, geography and lessee mitigates the potential risk of volatility or a material reduction in cash flows by reducing our exposure to any particular sector of the global aviation market. As of March 31, 2023, we had 114 airline clients in 47 countries worldwide.

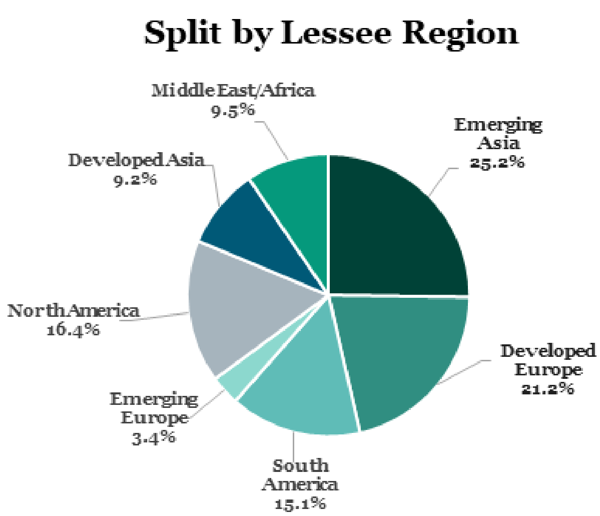
Our owned portfolio is diversified by type of airline, with low-cost carriers and established full-service network carriers (defined as airlines that focus on providing a wide range of pre-flight and on-board services, including different service classes, and connecting flights) ("FSCs") representing 52% and 42% of our fleet, respectively, as of March 31, 2023. The following table demonstrates the percentage of each lessee by type.



Source: SMBC Aviation Capital (Weighted by NBV).

Lessee Region

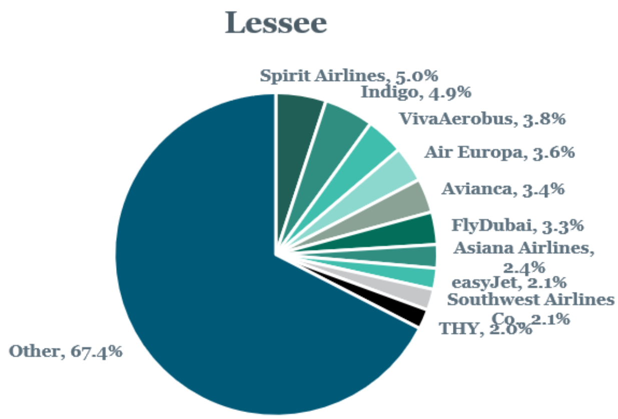
We manage our portfolio to facilitate lessee diversity by geographic region. The geographical mix of our portfolio was 24.6% Developed and Emerging Europe, 9.5% the Middle East and Africa, 31.5% the Americas and 34.4% Asia weighted by NBV as of March 31, 2023. The following chart shows our aircraft lessee concentration by region.



Source: SMBC Aviation Capital (Weighted by NBV).

Lessee Concentration

As of March 31, 2023, no single lessee accounted for more than 5% of the NBV of our owned aircraft portfolio. Our five and ten largest lessees comprised 20.8% and 32.6%, respectively, of the total NBV of our aircraft as of March 31, 2023. Our diversified lessee base limits our risk to our counterparties. The following chart illustrates our top 10 lessees as of March 31, 2023.



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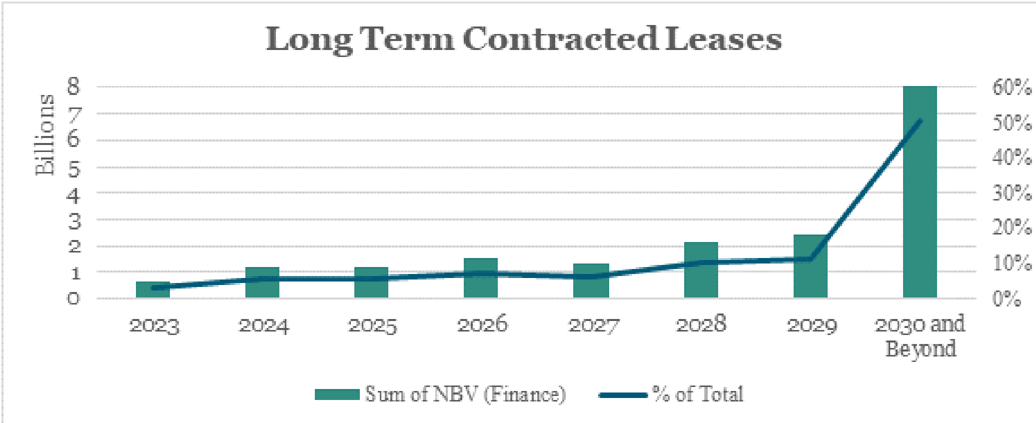
Source: SMBC Aviation Capital (Weighted by NBV).

Long-Term Cash Flows

Our fleet lease maturity concentrations are managed as part of our portfolio risk strategy, with lease maturities staggered to ensure that there is no "wall of maturities" in any particular period, which has resulted in lease maturities in any single year not exceeding 11.2% (2029) of our lease portfolio. Staggering lease maturities reduces our exposure to market cyclicality.

Our lease maturity profile is managed primarily through a combination of a targeted aircraft trading strategy focused on aircraft with relatively short lease terms remaining and leveraging our strong airline relationships to extend initial lease terms. As of March 31, 2023, our owned portfolio had a weighted average remaining lease term by NBV of 6.6 years, providing us with a long-term contracted revenue base with contracted cash flows from our delivered aircraft of $12.4 billion, equating to 70% of all debt outstanding as of March 31, 2023, not including future interest.

The following table shows the maturities of our leases as of March 31, 2023 weighted by NBV, over the next 10 years and beyond.



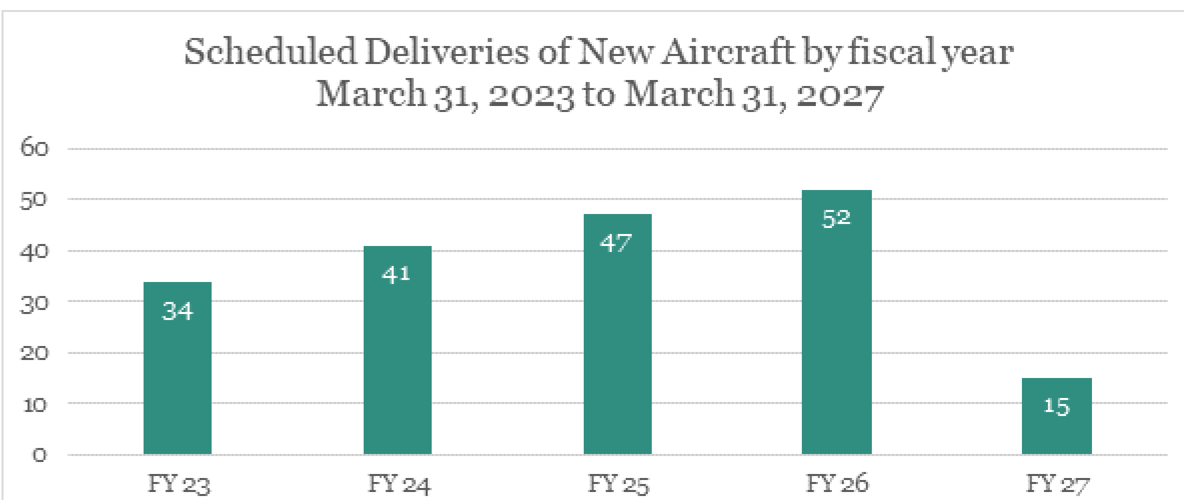
Source: SMBC Aviation Capital (Weighted by NBV).

Strategically Important Order Book

The experience and judgment of our senior management team, combined with the financial standing of our shareholders, provides OEMs with comfort in executing purchase agreements for large scale orders and is instrumental in achieving competitive pricing for our procurement program. We have a strong track record of placing aircraft directly ordered from the OEMs.

Our direct orders are strategically important because they provide us with access to highly sought-after, next generation, fuel-efficient aircraft. The selection of these aircraft types is consistent with our strategy of focusing on the most liquid, efficient assets with a diverse airline user base and our management expects our orders will be attractive to our customers, providing a stable stream of revenue while complementing activities in the SLB market and portfolio purchases.

As of March 31, 2023, we had commitments to acquire 189 direct order aircraft.



Source: SMBC Aviation Capital.

Our direct orders and sale and leaseback contracts now comprise 90 A320NEO aircraft, 43 A321NEO aircraft and 56 Boeing 737-MAX aircraft which are scheduled to be delivered between 2023 and 2027. Our aircraft orders are well dispersed, delivering measured balance sheet growth.

Strong Trading Expertise

Sales of aircraft assets are central to our portfolio strategy. We are an active trader of aircraft, having disposed of 475 aircraft (which, prior to the Goshawk Transaction, represented almost 60% of aircraft purchased since 2001) to over 130 trading counterparties as of March 31, 2023. We have an experienced team of aircraft trading professionals dedicated to disposing of our aircraft assets and cultivating relationships across a broad spectrum of investors globally.

A successful sales strategy over this sustained time period begins with disciplined procurement, purchasing the correct aircraft at an attractive price and placing aircraft on well-structured leases with good customers. We believe our disciplined approach to asset selection, focusing on the most liquid aircraft types, facilitates a higher proportion of trading activity relative to the majority of our peers.

An active aircraft trading program provides an effective portfolio management tool to maintain the low average age of our fleet and manage airline concentrations, asset residual value and lease remarketing risk while enabling us to trade in scale with our airline customers and recycle and redeploy capital on new aircraft opportunities.

Aircraft sales are also a source of fee income from associated asset management opportunities. As of March 31, 2023, we managed 208 aircraft[25] (market value of $9.5 billion) on behalf of affiliated companies and third parties, a large proportion of whom are investors to whom we have sold an operating lease asset but who do not have an operating lease management platform.

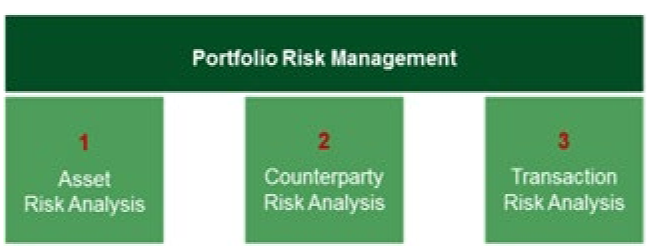
As part of our long-term disposal strategy, we intend to continue to leverage our shareholders' network of relationships in the Japanese domestic market to sell a greater proportion of aircraft into the Japanese investor market.

Risk Management Approach

Risk management is core to our business. Every investment decision made by us is considered in the context of risk management and with a view to ultimately trading our aircraft assets. The experience of our management and staff is supported by our sophisticated risk models and robust risk management procedures.

We have adopted a "3 Pillar" framework approach to risk management. The three fundamental components of this framework are:

- asset risk analysis;
- counterparty risk analysis; and
- transaction risk analysis.



[25] Including 8 aircraft for affiliated companies.

Utilizing this 3 Pillar approach, we regularly assess our portfolio quality to inform our business and strategic decision making as necessary. Over our 22 year history, this three pillar approach has been validated by the high utilization of our fleet (99.5% since 2005)[26].

Asset Risk Analysis

Our asset risk is assessed with the assistance of proprietary models that form the heart of our quantitative risk management. We have enhanced these models over a span of 22 years utilizing advanced mathematical analysis and our management's decades of experience to provide internal forecasts of aircraft future values, aircraft supply and demand, aircraft liquidity and investor appeal.

Our in-house aircraft future value model projects current and future values, and associated standard deviations, for aircraft by type, specification and year of manufacture. These projections are based on the forecast value curve and volatility for the selected aircraft type, which are derived from extensive regression analysis of historic aircraft trades and relevant inputs from the supply and demand model, together with estimates for current replacement cost and future aircraft price inflation. The aircraft future value model supports our pricing decisions and provides key inputs to the Monte Carlo model (see "—Transaction Risk Analysis" below). By supporting an independent view of future values for all aircraft types and specifications, the aircraft future value model avoids reliance on external appraisal firms.

Inputs and assumptions for all models are audited and updated quarterly at an Asset Value Committee attended by senior management and representatives of our shareholders.

Counterparty Risk Analysis

There are three primary elements of counterparty risk:

- **Credit Risk**: We have a qualitative and quantitative approach to evaluating the creditworthiness of our airline counterparties. Detailed financial analysis is at the center of the assessment, but substantial additional weight is given to factors including the competitive environment, market position, management depth and quality and cash flow health via stress testing and sensitivity to macro factors including volatility of FX, interest rates and fuel prices. Our counterparty grading model allows for each airline to be assessed on a consistent basis, taking account of financial and non-financial criteria. A credit analyst is assigned to each of our airline counterparties based on geographic location to allow that analyst to develop a deeper understanding of the broader region in which the airline operates. Proactive anticipation of potential problems is facilitated at a regular "Watch Forum" at which customers are identified that may present future credit problems. The Watch Forum is attended by representatives of our shareholders, our management team and our Portfolio Risk Management department. We are also exposed to credit risk with respect to undrawn balances of our financing agreements. All such undrawn balances are with or backed by highly rated financial institutions.

- **Technical Risk**: As the lessee is responsible for maintenance of the aircraft during the lease, our technical management team assesses the technical risk prior to lease commencement. In addition, the team conducts periodic inspections of our aircraft throughout the terms of the leases. The team is closely connected to a global network of maintenance, repair and overhaul facilities and various industry suppliers that can provide further early insight into potential problems at an airline and can help us to be prepared to act quickly in the event of a repossession and re-lease of an aircraft.

- **Legal Repossession Risk**: Legal repossession risk assessment is carried out by our commercial negotiation and execution team and our portfolio risk management team as well as a network of

[26] Aircraft subject to lease average is calculated as the ratio of the NBV of on lease aircraft at the end of each fiscal year to the total NBV of all aircraft at the end of such year.

reputable international law firms through ongoing jurisdiction reviews in relation to lease enforcement and repossession.

These methods ensure that informed opinions on counterparty risk are developed, allowing us to understand fully the risk we assume while also ensuring we are well positioned to foresee risk issues that may arise with existing customers.

Transaction Risk Analysis

We use a multi-disciplinary deal team structure to consider and address all aspects of a transaction and to optimize transaction quality. Each deal team is comprised of a representative from each of the primary functional departments. These departments reflect on the commercial, technical, legal, economic and counterparty aspects of each transaction and the ongoing contractual management and tradability of the deal. This functional structure establishes pools of expertise and experience within these teams, ensuring that we have the capability to fully consider every aspect of a transaction.

Quantitative and qualitative analysis that incorporates select aspects of a transaction is summarized in a positioning paper prepared by the deal team which is then presented to management for each individual transaction and helps to inform views on transaction quality. We have developed a proprietary model which applies Monte Carlo statistical analysis and considers characteristics including asset type, future asset values, rental, security deposits, maintenance reserves, re-delivery conditions, credit quality and lessee jurisdiction, producing a single measure of the risk-adjusted return of a proposed deal, further facilitating the objective cross-comparison of various deals based on a single metric.

Key Lease Terms

Under our operating leases, lessees bear the risks and rewards of operating the aircraft, while we retain title and bear the risks and rewards of owning the aircraft.

Our leases have a stated, fixed lease term, with terms that generally align with scheduled major maintenance events. Typical lease terms are between 5 and 12 years, with leases for new aircraft often in the 9-to-12-year range. Shorter lease terms are more common for used aircraft in some circumstances. Although a lessee may have an extension option, early termination option or a purchase option, such options are typically associated with aircraft coming to the end of their useful economic life and, as such, occur rarely in our portfolio. Our leases also typically require airlines to be responsible for the implementation of airworthiness directives issued by applicable regulatory authorities. In some cases, we agree to make a contribution towards the costs of the implementation of the airworthiness directives, with such payment usually being made at the end of the lease term.

Our lessees typically pay rent monthly in advance. Lease rentals are contracted on either a fixed rate or floating rate basis. For fixed rate leases, the rental is typically fixed on or before execution of the lease contract or just prior to the delivery date by reference to a swap rate in line with the term of the lease. For floating rate leases, rents are typically reset every three or six months by reference to either three- or six-month USD SOFR. As of March 31, 2023, leases with respect to 6.5% of our owned portfolio, measured by NBV, provided for the lease rentals to be paid on a floating rate basis.

We typically hold a security deposit or letter of credit to secure the performance of the lessee's obligations under the lease, which may be applied against those obligations in the event of a lessee default. The size of any security deposit or letter of credit varies according to the credit quality of the lessee as well as the associated jurisdictional risk but is generally equivalent to between zero- and ten-months' rent. In some cases, we obtain credit support from a third-party for a lessee's obligations under a lease.

Our lease agreements require the aircraft to be maintained in accordance with standards benchmarked with the relevant airworthiness authority and/or aircraft manufacturer. At the end of the lease term, the lessee must return the aircraft in a pre-agreed minimum condition that will generally allow the aircraft to enter service with its next operator. We are typically entitled to receive maintenance payments from our lessees, which represent the maintenance value of cycles, hours or calendar time consumed on the engines and certain other high-value components of the aircraft. Some lessees make these maintenance payments in the form of monthly "maintenance reserve" payments during the term of the lease. Other lessees make a lump sum "return compensation" payment at lease expiry. During the lease, we account for these maintenance payments as a liability on our statement of financial position to the extent we are required to reimburse the lessee following a qualifying maintenance event.

All aircraft are leased on a "dry" basis, with the lessees responsible for all operating expenses such as fuel, crew, flight charges and insurance. In addition, all aircraft maintenance and repairs are the responsibility of the lessees. However, if the lessee pays maintenance reserves, we will typically agree to contribute to the cost of major maintenance events to the extent we have collected maintenance reserves from that lessee or, in some cases, from a previous lessee.

The lessee is generally required to "gross-up" lease payments where such payments are subject to withholding or other taxes, except for taxes on our net income and withholdings that arise out of transfers of the aircraft by us. The lessee is also required to indemnify us for certain other tax liabilities relating to the lease and the aircraft, including value added taxes and stamp duties. Our leases generally provide that the lessee's payment obligations are absolute and unconditional under all circumstances.

Other Revenue Generating Activity

As a complementary product offering to our SLB arrangements, we also occasionally agree with our customers to fund their PDPs to OEMs for future aircraft delivery commitments. In such a situation, we would typically require the relevant customer to pay us a return on the funded portion of the PDP or a higher lease rental to compensate us for making the PDP.

In addition, we utilize our in-house expertise in lease management, technical management and aircraft leasing and sales, when disposing of aircraft to third-party investors who do not have an operating lease platform and provide lease management services in return for a fee. Such services may include:

- invoicing and collections;
- accounting services;
- monitoring insurance renewals;
- monitoring letter of credit renewals;
- utilization reporting and tracking;
- technical inspections;
- transition planning and management;
- lease placement marketing;
- sales marketing;
- lease enforcement oversight; and
- carbon credit provision.

Fees for our third-party lease management services are typically structured as a percentage of periodic rentals. Additional fees may apply for lease placement or sales services. This area of our business generates fee income with minimal capital investment, as it utilizes existing resources and expertise.

We had 208 aircraft under management for affiliated companies and third parties as of March 31, 2023. We will continue to examine strategic opportunities to grow our aircraft asset management business as they arise.

Insurance

We require our lessees to carry casualty and liability insurance customary in the air transportation industry, including comprehensive liability insurance, aircraft all-risk hull insurance and war-risk insurance. We require evidence of insurance to be provided to us prior to delivery of an aircraft to the lessee and prior to expiry of insurance coverages thereafter. Casualty insurance is required to be maintained at levels in excess of our NBV for the aircraft and liability policies are required to provide coverage at industry standard levels. Our lessees are required to pay insurance premiums for these coverages.

In late 2005, the international aviation insurance market unilaterally introduced exclusions for physical damage to aircraft hulls caused by dirty bombs, bio-hazardous materials and electromagnetic pulsing. These exclusions generally apply to the insurance policies covering our aircraft. Exclusions for the same type of perils may be introduced in the future into liability policies.

The Russia-Ukraine Conflict has driven changes in the aircraft insurance and reinsurance markets. This includes the termination of certain coverages and restriction of coverage for certain geographical areas including Russia and Ukraine. For example, Hull War insurers are charging increased premiums to have confiscation coverage included upon renewal and therefore, although still available, confiscation coverage now has lower aggregate limits than those that were available prior to the Russia-Ukraine Conflict.

Separately, we purchase contingent and possessed liability insurance and contingent and possessed hull insurance on all aircraft in our owned fleet and maintain other insurance covering the specific needs of our business operations. While we believe our insurance is consistent with what has historically been customary for our industry as to coverage and amount, adverse developments have been occurring in the aircraft insurance and re-insurance markets, including significant increases in premiums and the restriction of certain coverages as a result of the Russia-Ukraine Conflict.

There can be no assurance that our lessees and aircraft will be adequately insured against all risks, that lessees will at all times comply with their obligations to maintain insurance or provide the notices required thereunder in respect of any claims, that any particular claim will be paid or that lessees will be able to obtain adequate insurance coverage at commercially reasonable rates in the future. See “Risk Factors—Risks Related to Our Business and the Aircraft Leasing Industry—Our aircraft and our operations may not be insured at all times as a result of lessees’ failure to maintain the required insurance during the course of a lease, lessees’ coverage limits becoming exhausted or lessees’ insurers excluding coverage for certain risks, which could have a material adverse effect on our financial condition, cash flow and results of operations.”

Government Regulation

The air transportation industry is highly regulated. Because we do not operate aircraft in commercial service, we are generally not directly subject to most of these laws and regulations. However, our lessees are subject to extensive regulation under the laws of the jurisdictions in which they are registered or under which they operate. These laws govern, among other things, the registration, operation, maintenance and condition of aircraft. Certain jurisdictions impose strict liability on the owners of aircraft, even if such owners do not operate the aircraft.

Most of our aircraft are registered in the jurisdictions in which the lessees are certified as air operators. As a result, the aircraft are subject to the airworthiness and other standards imposed by these jurisdictions. Laws affecting the airworthiness of aircraft generally are designed to ensure that all aircraft and related equipment are continuously maintained in proper condition to enable safe operation of the aircraft. Aircraft manufacturers may also issue their own recommendations or requirements, compliance with which are generally required under our leases.

Each lessee is responsible for complying with airworthiness directives with respect to aircraft operated by it (whether owned or leased) and is required to maintain the aircraft’s airworthiness. To the extent that a lessee fails to comply with airworthiness directives required to maintain its certificate of airworthiness or other manufacturer requirements in respect of an aircraft or if the aircraft is not currently subject to a lease, we may have to bear the cost of such compliance. Under certain of our leases, we have agreed to share with the lessees the cost of complying with material obligations under future airworthiness directives (or similar requirements).

In addition to these direct cost expenditures, which may be substantial, significant new requirements with respect to noise standards, emissions standards, import restrictions and other aspects of aircraft or their operation could cause the value of our owned aircraft portfolio to decrease. Additional governmental regulations relating to noise and emissions levels, or relating to import restrictions or other matters, may be imposed not only by the jurisdictions in which our aircraft are registered but also in other jurisdictions where our aircraft operate or where we may wish to place our aircraft on lease.

In addition, most countries' aviation laws require aircraft to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair. To the extent that our aircraft are not leased or a lessee defaults in effecting such compliance, we will likely be required to comply with such requirements at our expense.

Further, the U.S., the E.U., the UK, Switzerland, Japan, Canada and other countries throughout the world have imposed economic sanctions in response to Russia's invasion of Ukraine. In full compliance with applicable sanctions, we terminated the leasing of all aircraft on lease to Russian airlines in March 2022.

ESG Strategy

The airline industry is increasingly focused on addressing the environmental impact of its operations, and SMBC Aviation Capital intends to play a leadership role in this. We see this both as an imperative but also as a source of competitive advantage and are committing resources to ensure that this is embedded into our business strategy and core product offering.

We are committed to assisting our airline customers to reduce their carbon emissions through the leasing and financing of the most technologically advanced and fuel-efficient aircraft on the market and are also exploring additional available decarbonization pathways for our industry. As facilitators of air travel, our objective is to hold ourselves accountable to the highest standards of ESG, not just for our business and customers but also for our staff, our investors and our shareholders. This focus on sustainability was underscored by the launch of our inaugural ESG Strategy in December 2021.

This ESG Strategy outlines our commitments to 2050, specifically expressing our commitment to:

- Set science-based targets, and disclose in line with best practice Task Force on Climate-Related Financial Disclosures ("TCFD") reporting.
- Target up to 80% new technology, lower carbon emitting fleet by 2025.
- Make continued progress on Equality, Diversity and Inclusion.
- Channel additional resources to social impact schemes.
- Maintain and enhance our best-in-class corporate governance.

Our initiatives align with the UN Sustainable Development Goals and crucially, we are prepared to both measure our progress and be measured.

We are also focused on our customers' decarbonization journeys. In September 2022, we introduced a sustainability solution for our airline customers, comprising an initial $53.3 million investment in high quality carbon credit programs that align with the UN SDGs.

Our investments are directed exclusively towards some of the LDCs in the world, in Africa, Asia and the Americas, and aim to generate a positive and lasting impact both on the environment as well as the day-to-day lives of the people in the communities in which we are investing. Our credits are based on energy efficient cookstove projects which align with several of the UN SDGs including good health and well-being, gender equality and climate action. Part of the investment will also support local community initiatives in LDCs such as irrigation schemes and micro finance opportunities for women. Airlines and investors can acquire carbon credits from SMBC Aviation Capital either as part of a lease contract or independently. This can offer airlines significant advantages including access to carbon credits that are of high quality, increased certainty over accreditation and a more predictable, and fixed-cost supply of credits.

Competition

The acquisition, leasing and sale of aircraft are highly competitive. We face competition from aircraft manufacturers, banks, financial institutions, other leasing companies, aircraft brokers and airlines. Competition for acquisition or leasing transactions is based on a number of factors, including price, delivery dates, lease rates, lease terms, other lease provisions, aircraft condition, the availability of finance and the availability in the marketplace of similar aircraft.

Competition in the acquisition, leasing and sale of used aircraft is based principally on the availability of used aircraft, price and the terms of the lease to which an aircraft is subject and the creditworthiness of the lessee.

Barriers to entry are relatively low in the aircraft acquisition, leasing and sales markets for new and used aircraft. We face competition from other established leasing companies, smaller players and new entrants, with these competitors often focusing on particular market segments. For example, larger lessors are generally more focused on acquiring newer aircraft and include competitors such as AerCap Holdings NV, BOC Aviation, Air Lease Corporation, Aviation Capital Group, CDB Aviation and Avolon Holdings Limited. When leasing or selling used aircraft, we may compete with these same companies and also with a broader group, including ICBC Leasing, Dubai Aerospace Enterprise, Aircastle Limited and other players that may rely on private equity or other private funding, such as Carlyle Aviation and Castlelake.

We believe that we are able to compete effectively in aircraft acquisition, leasing and sales activities because of our significant scale, our strong OEM relationships, our access to competitively priced debt capital, the support provided by our shareholders, the reputation and experience of our management team, our rigorous and proactive risk management policies, our global customer base and good customer relationships and our extensive contacts in the aircraft acquisition, leasing and sales markets.

Employees

We currently have 243 direct employees as well as 14 representatives. We provide certain employee benefits including retirement, health, life, disability and accident insurance coverage benefits to our permanent employees. None of our employees are represented by a union or collective bargaining agreements. We believe that we have good employment relationships with our staff.

Facilities

We lease our principal executive offices, which are currently located at IFSC House, IFSC, Dublin 1, Ireland and One Molesworth Street, Dublin 2, Ireland. In 2024, we plan to combine and relocate our principal executive offices to 28 Fitzwilliam Square, Dublin 2, Ireland. We do not own any real estate.

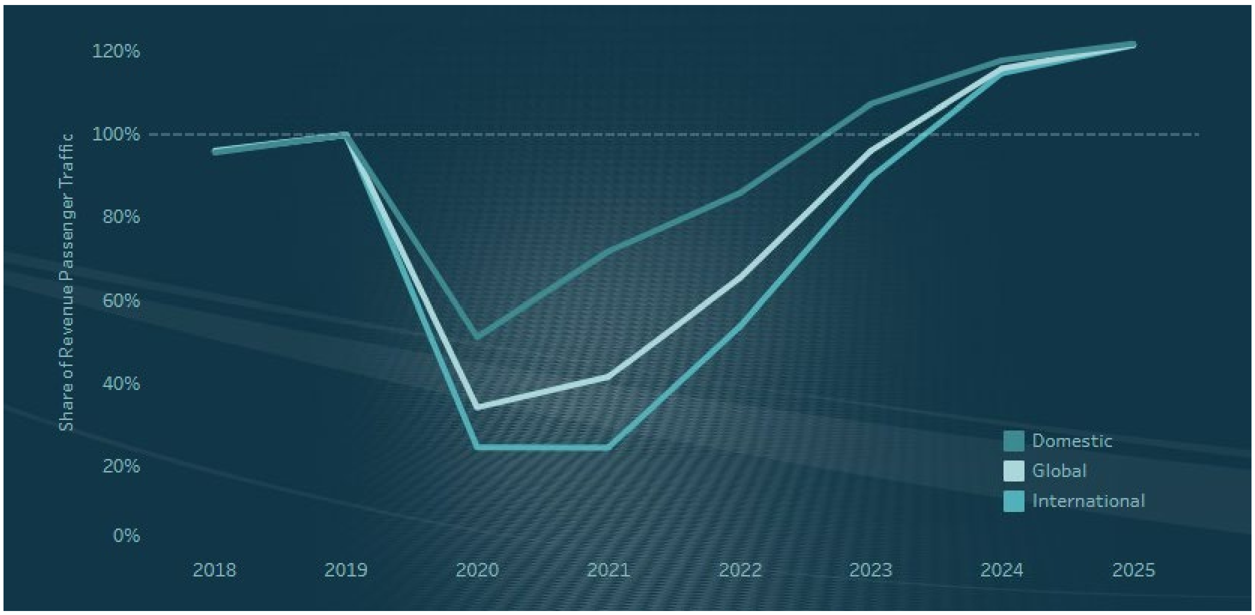
Legal Proceedings

In November 2022, SMBC Aviation Capital commenced litigation in the Irish courts against insurers of the aircraft lost in Russia. Other than this litigation, neither we nor any of our subsidiaries are currently involved in any material litigation nor, to the best of our knowledge, is any material litigation currently threatened against us or any of our subsidiaries.

INDUSTRY

Air Traffic Demand

The airline industry has historically been cyclical and affected by exogenous events. Air traffic has declined on three previous occasions in the last 30-year period and, each time, the global air traffic reverted to its long-term growth trend within a three-year period. COVID-19 has had a more prolonged and deeper impact on the aviation industry but air traffic is expected to recover globally towards the second half of 2023 with domestic travel leading the way. In addition, the fundamentals that have driven air travel for the past five decades remain unchanged and the increasing trend in air traffic over the past 20 years are expected to remain intact.



Source: Boeing Commercial Market Outlook 2023

A year ago, recovery from the COVID-19 pandemic and the war in Ukraine was still a big question mark as there remained uncertainty on how these would affect air travel demand and forecast growth trajectories. As the industry continues to recover from the COVID-19 pandemic and subsequent war in Ukraine, Boeing forecasts a return to long-term traffic growth of approximately 4% while the International Air Transport Association ("IATA") in their forecast between 2019-2040 projects 3.4% annual average growth in global air passengers over the same time period.

In its 2023 Commercial Market Outlook ("CMO"), Boeing has updated its projections from 2023-2042 and are no longer referring back to 2019. Boeing forecasts that airline traffic growth (RPK) will grow at an average of 6.1% during this period noting that 2022 traffic was still approximately 30% down on 2019 levels.

Drivers of Recovery

Following the successful vaccine distribution and effectiveness against COVID-19 variants, it became clear that once there is confidence in the health and safety of air travel, and when conditions allowed governments to reopen borders, demand for air travel rebounded quickly. Demand for domestic air travel has made a strong recovery across a number of regions, with international traffic gaining momentum as restrictions ease, tracking a return to pre-pandemic levels by the second half of 2023 to 2024. Active fleet size has recovered to 97% with single aisle aircraft having a slightly higher share given the speedier recovery of short-haul travel. Load factors have also recovered strongly and are only slightly below 2019 levels.

Growth Markets

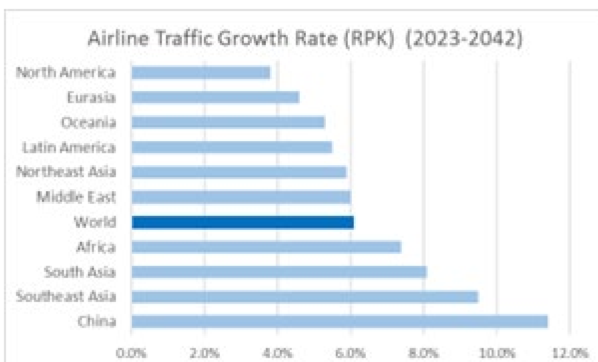
Key elements that drive growth in demand for both new and used aircraft include:

- Global economic growth, resulting in passenger demand and passenger capacity
- Greater travel propensity in emerging markets due to rising middle income household
- New aircraft to replace old aircraft, particularly in mature markets

The industry's largest area of growth is expected to be in developing economies, such as the Asia-Pacific region, which, as the largest region in the world with several thriving economies, is expected to generate strong demand for air travel.

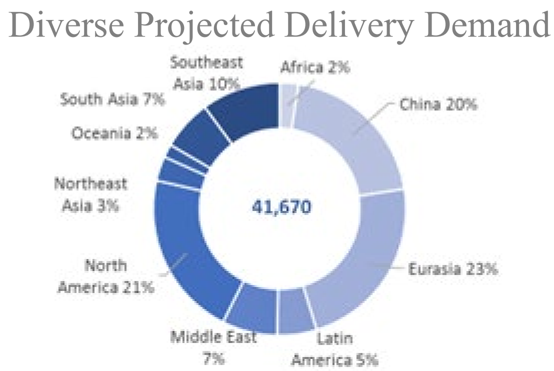
In their Global Outlook for Air Transport, IATA noted that despite the relatively slow pace of recovery from COVID-19, Asia Pacific is expected to be the fastest growing region over the next two decades. With favourable income growth and demographic factors, Asia Pacific is forecasted to add around 2.5 billion additional passengers per year by 2040, at an average annual rate of 4.6%. In Boeing's forecast, the Asia-Pacific region and China will account for 42% of all new passenger aircraft deliveries in the next 20 years.

According to Boeing, despite the significant impact of COVID-19 on China, it remains on track to become one of the largest passenger markets in the coming years. The nation's middle-class population will continue to grow and is expected to double in the next 10 years driving further demand for passenger air travel. Chinese airlines will require approximately 8,400 airplane deliveries over the next 20 years, the largest share of any single country in the world. The fleet is forecasted to grow at a rate of 4.5% over the course of 20 years and 49% of deliveries to the Asia-Pacific region will go to Chinese carriers. While China's growth rate has moderated in recent times, as its economy matures, it is still predicted to have an annual GDP growth rate of 4.1%. Boeing expects RPK of 11.4% in China over the next 20 years. Single-aisle jets are the main driver of this growth, with close to 6,500 new orders forecast for the period. Wide-body demand will account for 18% of China's deliveries, down 3% from 2019's forecast due to the slower recovery in long-haul traffic. The widebody fleet in China is still anticipated to triple by 2042 as airlines continue to expand international and long-haul networks.



Source: Boeing Commercial Market Outlook 2023

India's economy accounts for 90% of South Asia's total economic output and is considered one of the world's leading growth economies with forecasts projecting a 5.5% compound annual growth rate through 2042, according to Boeing. This growth rate continues to lead all countries across the world. The pandemic's short-term impact on the Indian economy has been significant; however, air travel remains strong given the demographic factors that are expected to drive higher propensity to travel. India's domestic market has recovered fully from the pandemic, with traffic and capacity now exceeding 2019 levels by 9% and 11%, respectively. The low-cost carriers continue to stimulate demand with low fares and hold close to 90% share of all domestic and international seats. This has led to strong demand for single-aisle aircraft to bolster fast growing fleets and Boeing forecasts delivering over 2,300 aircraft in South Asia over the next 20 years. This would comprise 86% of all deliveries during this period. 72% of the deliveries to the South Asia market over the 20-year period will be to fuel growth and the fleet is expected to quadruple in the next 20 years cementing its position as an emerging market.

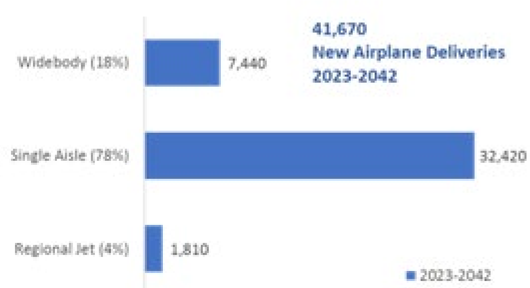


Source: Boeing Commercial Market Outlook 2023

Impact on World Fleet

The future shape and size of the world fleet have changed due to a number of factors arising from the COVID-19 pandemic. A slower recovery in long-haul travel, an increase in retirements, a preference for new technology aircraft as well as a reduction in OEM production rates all impact the supply and demand for aircraft.

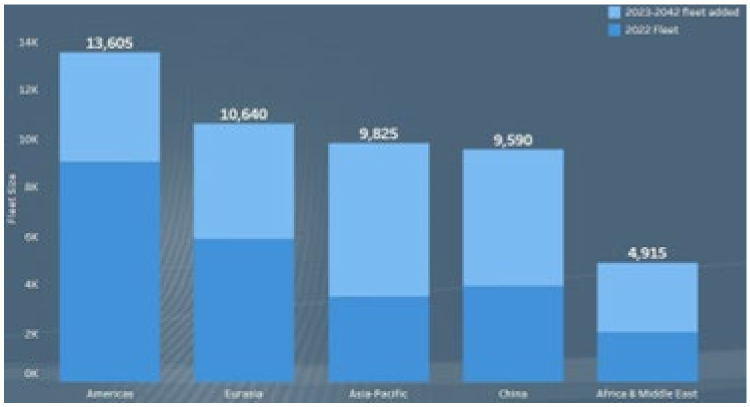
Short-haul demand has led the recovery, with policy dependent long-haul demand lagging behind. As a result of this, demand for narrow-body aircraft is expected to be stronger than wide-body as domestic and regional routes return these aircraft to service. Boeing forecasts that the single-aisle share of the global passenger fleet will increase from 66% in 2022 to 70% by 2042. Boeing expects just over 41,000 passenger aircraft deliveries over the next 20 years and wide-bodies accounting for 17.5%.



Source: Boeing Commercial Market Outlook 2023

Growth, Replacements & Retirements

Traffic growth had been strong in the past decade pre-pandemic, averaging 6.6% per annum, which is above the long-term average of 5.5%. This resulted in an increase in the global fleet through new aircraft deliveries and delayed retirements. Due to the pandemic, airlines grounded certain aircraft type fleets as the cost for operating a significantly reduced schedule with a large variety of aircraft types was high. Once grounded, the additional cost of returning a fleet to service, in addition to the higher operating costs of older, out-of-production models, means that many less-efficient fleets will not return to service. As a result, Boeing is expecting a spike in retirements in the coming years. This is expected to create a temporary dislocation in the retirement/replacement balance in the near term (approximately 10 years) as a greater proportion of deliveries will go towards replacing retiring aircraft than towards growth. Since 2015, 2-3% of the commercial jet fleet is typically replaced every year, but long-term retirement rates have been down a full percentage point and approximately 1500 airplanes that would have retired in typical times remain in the fleet. The proportion also depends on the maturity of the market as North America and Europe deliveries are more focused towards replacements. In contrast, emerging markets have lower replacement needs but higher growth demand and this is seen in Asia-Pacific markets where 60% of new airplane deliveries are forecasted to be for growth.



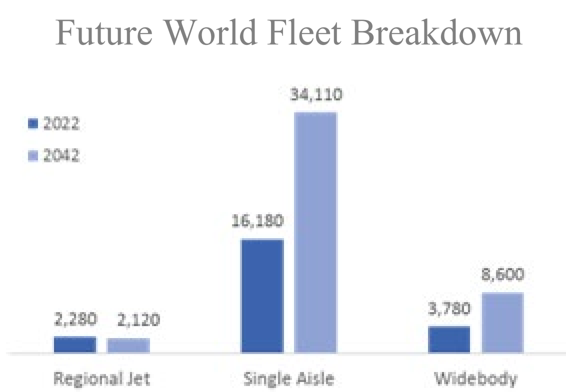
Source: Boeing Commercial Market Outlook 2023

Reduced Production

Both Airbus and Boeing have significantly reduced production and rescheduled order books following the COVID-19 pandemic. This reduction in deliveries over the next number of years (relative to pre-pandemic plans) is expected to help balance supply and demand dynamics caused by the downturn. Both OEMS are working with their supply chain to improve production rates.

Boeing expects that the world fleet will grow at an average of 3.5% per annum over the next 20 years. This reflects a minor increase from the prior year forecast of 2.8%, though still lower than what was forecasted in 2019 which was 3.4%.

We believe that despite the current challenges presented to the industry, long-term air travel demand fundamentals remain solid, driven by global GDP growth, increasing traveling populations, development in emerging markets and ongoing price-led competition. This underpins the need for a growing commercial aircraft fleet.



Source: Boeing Commercial Market Outlook 2023

MANAGEMENT

The following table sets forth certain information concerning the current executive directors and non-executive directors of the Parent as of the date of this offering memorandum.

Executive Directors

Name	Age	Title and Position
Peter Barrett.............................	56	Chief Executive Officer, SMBC Aviation Capital
Catharine Ennis.........................	61	Chief Legal Officer & Company Secretary, SMBC Aviation Capital
Barry Flannery..........................	54	Chief Commercial Officer, SMBC Aviation Capital
David Swan...............................	53	Chief Operating and Sustainability Officer, SMBC Aviation Capital
Aisling Kenny............................	40	Chief Financial Officer, SMBC Aviation Capital

Non-Executive Directors

Name	Age	Title and Position
Noriyuki Hiruta	56	Executive Officer, Deputy Head of Transportation Business Unit, SMFL
Tetsuro Imaeda	61	Director and Deputy President, Co-Head of Global Banking Unit, SMBC
Masaki Tachibana.....................	67	President, SMFL
Koichi Tanaka..........................	56	Executive Officer & General Manager of Transportation Business Planning Department, SMFL
Shinichiro Watanabe................	58	Senior Managing Executive Officer, Head of Transportation Business Unit, SMFL
Takao Kusaka...........................	58	Executive Officer, General Manager, Lease, Ship & Aerospace Business Division, Sumitomo Corporation
Naoki Hirose.............................	48	General Manager of Aviation & Maritime Strategy Department, SMBC
Norihiko Nonaka.......................	61	Managing Executive Officer, General Manager, Transportation & Construction Systems Business Unit, Sumitomo Corporation

Directors

The board of directors of the Parent is comprised of thirteen directors, five of whom are executive directors appointed from the management group of SMBC Aviation Capital and eight of whom are shareholder-appointed non-executive directors. Set forth below is a description of the business positions of each of the directors listed above.

Executive Directors

Peter Barrett, Chief Executive Officer, SMBC Aviation Capital

Peter joined SMBC Aviation Capital as Chief Operating Officer in 2001 and was appointed to the board of directors of the Parent in the same year. Peter was subsequently appointed Chief Executive Officer in 2004. Peter has been active in aircraft leasing and finance for more than 30 years, initially working for Guinness Peat Aviation ("GPA") where he specialized in aircraft cross border tax leasing and financing. After GPA, Peter joined KBC Bank as Head of Aerospace Finance, later becoming Chief Operating Officer for the bank's international operations out of Ireland.

Peter holds a Bachelor of Civil Engineering from University College Cork.

Catharine Ennis, Chief Legal Officer & Company Secretary, SMBC Aviation Capital

Catharine joined SMBC Aviation Capital as Chief Legal Officer in 2002 and was appointed to the board of directors of the Parent in 2004. Catharine subsequently assumed the role of Company Secretary in 2007. Her current responsibilities include Legal, Compliance and Human Resources. Catharine previously worked for Airbus Finance Company Limited with the Airbus Customer Finance team, specializing in securitization, capital markets and structured finance transactions. Prior to joining Airbus, Catharine worked in the capital markets divisions of GE Capital Aviation Services and GPA and was part of the team that brought the first aircraft portfolio securitization to the market.

Catharine qualified as a solicitor with Dublin law firm Mason Hayes and Curran and holds a Bachelor of Civil Law and a diploma in European Law from University College Dublin.

Barry Flannery, Chief Commercial Officer, SMBC Aviation Capital

Barry began his career as a chartered accountant with Coopers and Lybrand in Dublin and the Cayman Islands. He joined the company that became SMBC Aviation Capital in 1997 as Director of Finance. He then spent two years with responsibility for Airline Marketing in Asia. From 2001, he led the Business and Risk Management team which was responsible for investment analysis and risk management. He was promoted to Head of Structured Solutions in 2003 with responsibility for capital markets activities including aircraft trading, aircraft financing and distribution and tax based structures. He was appointed to the board of directors of the Parent as Chief Financial Officer in 2007 with responsibility for corporate finance, treasury, financial reporting and information technology. Barry was subsequently appointed Chief Commercial Officer in June 2021 and has responsibility for (i) all commercial activities in the business, (ii) every aspect of the customer relationship and (iii) the entire asset management cycle of the aircraft portfolio.

Barry holds a Bachelor of Arts in Psychology and Economics from Trinity College Dublin and is a fellow of the Institute of Chartered Accountants in Ireland.

David Swan, Chief Operating and Sustainability Officer, SMBC Aviation Capital

David joined SMBC Aviation Capital in 2002 and was originally responsible for Airline Marketing in Europe, the Middle East & Africa region. David was promoted to Head of Operations in 2004 before being appointed as Chief Operating Officer and joining the board of directors of the Parent in 2007. His responsibilities cover the operation, risk and asset management of SMBC Aviation Capital's global aircraft leasing business. With over 25 years of industry experience, David has also held various international banking roles as Asia-Pacific Regional Head & Global Head of Aviation Finance at KBC Bank and was based in Hong Kong for five years establishing and leading an aircraft and project finance business. David has also recently assumed executive responsibility for SMBC Aviation Capital's sustainability and ESG initiatives since being appointed Chief Operating and Sustainability Officer in January 2023.

David holds a Bachelor of International Business & Economics from Trinity College Dublin and has completed various Executive Management Programs at Harvard Business School and London Business School. In 2017, he stepped down from the board of directors of the International Society of Transport Aircraft Trading ("ISTAT") following a six year term and was elected to the board of the ISTAT Foundation, until stepping down in 2021. David was also appointed to the Executive Board of Financial Services Ireland in 2017 and to the Supervisory Board of SMBC Aero Engine Lease B.V. in 2019. David was the chair of Aircraft Leasing Ireland ("ALI") from its inception in July 2018 until July 2020 and continues to work on some specific initiatives, in his capacity as the founding chair.

Aisling Kenny, Chief Financial Officer, SMBC Aviation Capital

Aisling started her career as a chartered accountant with Ernst & Young in Dublin. She joined SMBC Aviation Capital in 2012 as Senior Vice President, Finance, managing the finance function, with responsibility for financial reporting and financial operations. From 2017 to 2018, Aisling held the role of Head of Funding and

Corporate Tax on an interim basis, with responsibility for SMBC Aviation Capital's third-party funding program, investor relations and its tax department. In 2021, she spent a year working in the Restructuring team of SMBC Aviation Capital, with responsibility for the negotiation of airline restructurings. In November 2021, Aisling was appointed Chief Financial Officer with responsibility for corporate finance, treasury, financial reporting, tax and information technology. Prior to joining SMBC Aviation Capital, Aisling held a management position in the Banking and Leasing audit department of Ernst &Young.

Aisling holds a Bachelor of Commerce and a Masters in Accounting, both from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Non-Executive Directors

Noriyuki Hiruta, Executive Officer, Deputy Head of Transportation Business Unit, SMFL

Noriyuki joined Sumitomo Corporation in 1989. After gaining exposure to a wide range of experience in Japan and earning an MBA in the United States in 1998, he was appointed to Manager, Business Promotion Team, Leasing Business Dept, Sumitomo Corporation in April 2009 and then moved to Aircraft Leasing Team No. 1, Leasing Business Dept, Sumitomo Corporation as Manager in April 2010. In June 2012, he was appointed to joint General Manager, Aviation Capital Dept, SMFL and promoted to General Manager, Pan-EU Aerospace Business Dept, Sumitomo Corporation Europe in October 2014. He was appointed to General Manager, Aircraft & Engine Leasing Dept, Sumitomo Corporation in April 2017 and moved to Lease & Business Development Dept, Sumitomo Corporation as General Manager in 2021. Most recently he was appointed to Executive Officer, Deputy Head of Transportation Business Unit, SMFL in April 2023 and moved to Dublin to assume his current role as Chairman and member of the board of directors of the Parent in May of the same year.

Noriyuki holds a Bachelor of Economics from the University of Osaka and a Master of Business Administration from the University of Chicago.

Tetsuro Imaeda, Director and Deputy President, Co-Head of Global Banking Unit, SMBC

Tetsuro joined Sumitomo Bank in 1986 and become General Manager, Corporate Banking Dept.-I, Americas Division, SMBC in 2009. He held a number of managerial positions in Tokyo and Singapore before being appointed as Managing Executive Officer and Head of Europe, Middle East and Africa Division, SMBC in 2016. In April 2020, he was promoted to Senior Managing Executive Officer and Head of Europe, Middle East and Africa Division, SMBC. In May 2020, he was also appointed to Director and Senior Managing Executive Officer, Compliance Dept., SMBC. In April 2022, he moved to Global Banking Unit, SMBC and SMFG as Senior Managing Executive Officer, Co-Head, and was promoted to Director and Senior Managing Executive Officer, Co-Head of Global Banking Unit, SMBC in March 2023. Most recently, he was appointed to Director and Deputy President, Co-Head of Global Banking Unit, SMBC in April 2023.

Tetsuro holds a Bachelor of Law from the University of Tokyo.

Masaki Tachibana, President, SMFL

Masaki joined Sumitomo Bank in 1980 and became General Manager, Tohoku Corporate Business Office, SMBC in 2002. Masaki held various positions in SMBC and SMFG before being appointed as Managing Director, Head of The Americas Division, SMBC in 2010. In April 2015, he was promoted to Deputy President, Member of the Board of Directors, Co-Head of Wholesale Banking Unit (Planning Dept., Wholesale Banking Unit, Strategic Corporate Business Dept., Public & Financial Institutions Banking Dept., Wholesale Banking Unit) and also took the position of Head of Corporate Banking Division, SMBC. Masaki was appointed as President of SMFL and was also appointed to the board of directors of the Parent in June 2017.

Masaki holds a Bachelor of Economics from the University of Tokyo.

Koichi Tanaka, Executive Officer & General Manager of Transportation Business Planning Department, SMFL

Koichi joined Mitsui Bank in 1989 and held a number of managerial positions in Tokyo and New York before being appointed to Senior Vice President & Group Head, Structured Finance Group at SMBC New York in 2003. Koichi progressed further in a number of deputy and joint managerial positions in SMBC offices in New York, Germany and Tokyo and SMFL between 2009 and 2017. During this period, Koichi was also appointed to Chief Operating Officer and Chief Executive Officer, SMBC Aviation Capital Japan Co., Ltd., in 2014 and 2015 respectively. In 2017, Koichi was appointed to Managing Director & General Manager, Global Aviation and Maritime Finance Department (London) at SMBC Europe Limited. Most recently, Koichi was appointed to General Manager, Aviation & Maritime Strategy Department International Banking Unit (renamed as Global Banking Unit in April 2020), SMBC, General Manager, Transportation Business Planning Department, SMFL and was also appointed to the board of directors of the Parent and SMBC Aviation Capital (UK) Limited in April 2018 and was further promoted to Executive Officer & General Manager, Transportation Business Planning Dept, SMFL in April 2021.

Koichi holds a Bachelor of Political Science from Aoyama Gakuin University, Tokyo.

Shinichiro Watanabe, Senior Managing Executive Officer, Head of Transportation Business Unit, SMFL

Shinichiro joined Sumitomo Bank in 1987 and moved to the Corporate Research Department in 1992 where he worked in offices in Osaka, London and Tokyo over the course of 17 years. During this time, in 2007, Shinichiro was appointed Deputy Head of a global research team at SMBC which consisted of 200 analysts in Tokyo, Osaka, New York, London, Singapore, Hong Kong and Shanghai. In 2010, Shinichiro moved to the Corporate Banking Department as Head of Japan Airlines' "work-out" team. Shinichiro then made a further move to Special Credits – Americas Division for SMBC where he was appointed Managing Director in 2011. In July of the same year, Shinichiro was appointed as a project leader in the sale of RBS Aviation Capital to SMBC and, in 2012, was appointed to General Manager of Aviation Capital Department where he was responsible for the integration of SMBC Aviation Capital into the SMBC group. In 2014, Shinichiro was appointed as General Manager of Global Aircraft Finance Department at SMBC and remained as General Manager when it was renamed as Global Aviation and Maritime Finance Department in 2016. Shinichiro then was promoted to Executive Officer in April 2017. Shinichiro was appointed to the board of directors of the Parent in April 2018 and in May 2018, he was appointed as Managing Executive Officer, Head of Aviation & Maritime Business Division of SMFL (renamed as the Transportation Business Unit of SMFL in April 2019). Most recently Shinichiro was promoted to Senior Managing Executive Officer, Head of Transportation Business Unit, SMFL in April 2022.

Shinichiro holds a Bachelor of Economics from Kyoto University and a Bachelor of Philosophy, Politics and Economics from the University of Oxford. Shinichiro also has a certificate in Executive Management Program from the University of Tokyo.

Takao Kusaka, Executive Officer, General Manager, Lease, Ship & Aerospace Business Division, Sumitomo Corporation

Takao joined Sumitomo Corporation in 1989, and was appointed as Manager, Aerospace & Defense, Sumitomo Corporation of America (Los Angeles) in 1998. He was promoted to Executive Director, Aerospace & Defense, Sumitomo Corporation of America (New York) in 2009. In 2015, Takao commenced working at Sumisho Aero-Systems Corporation as President & CEO, and assumed the role until the appointment as General Manager, Aerospace Dept., Sumitomo Corporation in 2017. He was promoted to Corporate Officer, Deputy General Manager, Lease, Ship & Aerospace Business Division in 2019. He moved to Planning & Coordination Dept. as Corporate Officer, General Manager in 2020, and was promoted to Assistant to General Manager, Transportation & Construction Systems Business Unit in 2021. Takao was further promoted from Assistant to General Manager, Lease, Ship & Aerospace Business Division in 2022, and is currently assuming the role.

Takao holds a Masters Degree in Aeronautical Engineering from the University of Tokyo.

Naoki Hirose, General Manager of Aviation & Maritime Strategy Department., SMBC

Naoki joined SMBC in 1998 and held a number of managerial positions in Tokyo, New York and London. Most recently, Naoki was appointed to Joint General Manager, Aviation & Maritime Strategy Department, Planning Department of Global Banking Unit (renamed as Strategic Planning Department of Global Banking Unit in April 2022), SMBC, Deputy General Manager, Transportation Business Planning Department, SMFL in April 2020 and was further promoted to General Manager, Aviation & Maritime Strategy Department, Strategic Planning Department of Global Banking Unit, SMBC, General Manager, Transportation Business Planning Department SMFL in April 2022.

Naoki holds a Bachelor of Economics from Keio University and a Master of Business Administration from the Wharton School, University of Pennsylvania.

Norihiko Nonaka, Managing Executive Officer, General Manager, Transportation & Construction Systems Business Unit, Sumitomo Corporation

Norihiko joined Sumitomo Corporation in 1985 and was appointed as Manager, Motor Vehicle Department No.5 in 1997. Norihiko held a number of positions at Sumitomo Corporation's offices in Australia and Tokyo before he was promoted to General Manager, Battery Business Development Department in 2010. Norihiko was promoted to Corporate Officer, Deputy General Manager, Global Power Infrastructure Business Division and General Manager, IPP & IWPP Department. No.1 in 2015 before assuming the role of Assistant General Manager for Asia & Oceania Group, Head of Asia & Oceania Environment & Infrastructure Business Unit, and President Director of PT. Sumitomo Indonesia in 2016. In 2017 Norihiko was appointed to Executive Officer before assuming roles of Executive Officer, General Manager, Planning & Coordination Department., Infrastructure Business Unit in 2020 then Managing Executive Officer, Assistant General Manager, Infrastructure Business Unit in 2021. Norihiko was appointed to Managing Executive Officer, General Manager, Transportation & Construction Systems Business Unit in April 2022.

Norihiko holds a Bachelor of Laws from the University of Tokyo.

Executive Team

Please see above for a description of the business positions held by our executive team, which is comprised of Peter Barrett, Catharine Ennis, Barry Flannery, David Swan and Aisling Kenny.

DESCRIPTION OF OTHER FINANCIAL INDEBTEDNESS

The following is a summary of the material provisions of our outstanding financial indebtedness and is not intended to be a complete description.

2022 Term Loan Facility

On October 17, 2022, we entered into a term loan credit agreement with Bank of America N.A., as administrative agent (the "2022 Term Loan Facility"). The 2022 Term Loan Facility provides for a non-amortizing term loan credit facility of up to $200.0 million. It is an unsecured facility, which accrues interest at a rate per annum of USD Term SOFR plus a margin. As of March 31, 2023, $200.0 million was drawn under the 2022 Term Loan Facility. The maturity date is December 19, 2025.

Covenants

The 2022 Term Loan Facility Agreement governing the 2022 Term Loan Facility contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The 2022 Term Loan Facility contains customary events of default.

Global Syndication Term Loan and Revolving Credit Facilities

On September 26, 2022, SMBC Aviation Capital, and our Hong Kong subsidiary, SMBC Aviation Capital Hong Kong 2 Limited, entered into a term and revolving facilities agreement (the "Global Syndication Term Loan and Revolving Credit Facilities Agreement") with Australia and New Zealand Banking Group Limited (ANZ) and Citigroup Global Markets Asia Limited (Citi) acted as Joint Global Co-ordinators, and together with seven banks, including DBS Bank Ltd., The Korea Development Bank, Oversea-Chinese Banking Corporation Limited, BNP Paribas, CaixaBank, S.A., Cathay United Bank, and Industrial and Commercial Bank of China Limited, London Branch acted as Mandated Lead Arrangers and Bookrunners. The Hongkong and Shanghai Banking Corporation Limited acted as a Senior Mandated Lead Arranger, and Apple Bank for Savings, China Everbright Bank Co., Ltd., Hong Kong Branch and KeyBank joined as Mandated Lead Arrangers at the senior syndication phase of the transaction. Subsequently, 19 banks joined the general syndication phase of the transaction.

The Global Syndication Term Loan and Revolving Credit Facilities Agreement provides for (i) a term loan facility of approximately $1.294 billion (the "Global Syndication Term Loan") and (ii) a revolving credit facility of up to $431.25 million (the "Global Syndication Revolving Credit Facility" and, together with the Global Syndication Term Loan, the "Global Syndication Term Loan and Revolving Credit Facilities"), available for utilization from signing until one month prior to the final maturity date. On November 29, 2022, we entered into a syndication agreement to increase the commitment of (i) the Global Syndication Term Loan up to $1.83 billion and (ii) the Global Syndication Revolving Credit Facility up to $710 million. As of March 31, 2023, $1.83 billion was drawn under the Global Syndication Term Loan and $710 million remained undrawn under the Global Syndication Revolving Credit Facility. The facilities mature on October 26, 2027.

Covenants

The Global Syndication Term Loan and Revolving Credit Facilities Agreement contains certain covenants and undertakings, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- change of business;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The Global Syndication Term Loan and Revolving Credit Facilities Agreement contains customary events of default.

2022 Syndication Term Loan Facility

On June 1, 2022, we entered into an unsecured $260.0 million term facility agreement with Industrial and Commercial Bank of China Limited (London Branch) as mandated lead arranger, bookrunner and coordinator, Bank of Communications (Hong Kong) Limited and China Citic Bank Corporation Limited (London Branch), as mandated lead arranger and bookrunners (the "2022 Syndication Term Loan Facility"). The 2022 Syndication Term Loan Facility contains customary events of default and does not contain any restrictive covenants. As of March 31, 2023, $260.0 million was drawn under the 2022 Syndication Term Loan Facility.

Covenants

The 2022 Syndication Term Loan Facility contains certain covenants and undertakings, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- change of business;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

2021 Term Loan Facility with Bank of Communications (Hong Kong) Limited

On July 2, 2021, we entered into an unsecured $50.0 million term facility agreement with Bank of Communications (Hong Kong) Limited, as mandated lead arranger and agent and the other financial institutions from time to time party thereto (the "2021 Term Loan Facility"). The 2021 Term Loan Facility contains customary events of default and does not contain any restrictive covenants.

Covenants

The 2021 Term Loan Facility contains certain covenants and undertakings, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- change of business;
- hedging agreements;
- transactions with affiliates;

- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

2019 Revolving Credit Facility

On July 12, 2019, we entered into a revolving credit agreement with Bank of America N.A., as administrative agent (the "2019 Revolving Credit Agreement"). The 2019 Revolving Credit Agreement provides for a revolving credit facility of up to $120.0 million, which may be increased to $170.0 million. As of March 31, 2023, the 2019 Revolving Credit Facility was undrawn.

Covenants

The 2019 Revolving Credit Agreement governing the 2019 Revolving Credit Facility contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The 2019 Revolving Credit Facility contains customary events of default.

2015 Revolving Credit Facility

On August 14, 2015, we entered into a revolving credit agreement with JPMorgan Chase Bank, N.A., Citibank Europe plc, Credit Agricole Corporate and Investment Bank, Goldman Sachs Bank USA and Royal Bank of Canada, as lenders, and JPMorgan Chase Bank, N.A., as administrative agent (as amended, the "2015 Revolving Credit Agreement"). The 2015 Revolving Credit Agreement provides for a revolving credit facility (the "2015 Revolving Credit Facility") of up to $600.0 million, which may be increased to $850.0 million. As a result of a number of extensions, the 2015 Revolving Credit Facility is scheduled to mature on August 16, 2025. As of March 31, 2023, the 2015 Revolving Credit Facility was undrawn.

Covenants

The 2015 Revolving Credit Agreement governing the 2015 Revolving Credit Facility contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The 2015 Revolving Credit Facility contains customary events of default.

Shareholder Loans

Shareholder Acquisition Facility

Between January and February 2023, we entered into four English-law governed loan agreements with our shareholder, SMFL, for aggregate borrowings of $2.5 billion (together, the "Shareholder Acquisition Facility"), as summarized below.

- On January 25, 2023, for an amount of $1.5 billion and maturing on December 14, 2032;
- On February 16, 2023, for an amount of $500 million and maturing on February 20, 2030;
- On February 16, 2023, for an amount of $300 million and maturing on February 20, 2026;

- On February 16, 2023, for an amount of $200 million and maturing on February 20, 2025.

A portion of the proceeds from the Shareholder Acquisition Facility were used to repay the SMFL Bridge Loan Facility in February 2023 and for other uses related to the Goshawk Transaction. $2.1 billion of the $2.5 billion loan was funded by SMFL with proceeds received from JBIC intended to fund, in part, the Goshawk Transaction.

SMFL Bridge Loan Facility

On October 7, 2022, in connection with the Goshawk Transaction, we entered into the $1 billion SMFL Bridge Loan. We refinanced the SMFL Bridge Loan Facility in February 2023 using a portion of the proceeds of the Shareholder Acquisition Facility.

SMBC NY Term Loan

On March 10, 2021, we entered into a $500 million unsecured non-amortizing term loan facility with Sumitomo Mitsui Banking Corporation, (NY Branch) (the “SMBC NY Term Loan”). The SMBC NY Term Loan is a five-year facility and was drawn down on March 15, 2021. The SMBC NY Term Loan contains customary events of default and does not contain any restrictive covenants.

SMBC Trust Revolving Credit Agreement

On July 28, 2020, we entered into a new $400 million revolving loan agreement with SMBC Trust Bank Ltd (the “SMBC Trust Revolving Credit Agreement”). On September 30, 2021, this facility was amended to extend the last available drawdown date to September 30, 2022. On September 30, 2022, this facility was amended to extend the last available drawdown date to September 30, 2023. As of March 31, 2023, the SMBC Trust Revolving Credit Agreement facility was undrawn. The SMBC Trust Revolving Credit Agreement contains customary events of default and does not contain any restrictive covenants.

SMBC Subordinated Term Loan Facility

On November 21, 2018, we entered into a $300 million unsecured subordinated shareholder term loan facility due 2034 with SMBC (as amended, the “SMBC Subordinated Term Loan Facility”). The SMBC Subordinated Term Loan Facility was drawn down in one tranche and accrues interest at a rate per annum equal to USD LIBOR plus a margin per annum. Upon the conclusion of the current interest period for the SMBC Subordinated Term Loan Facility, this facility shall bear interest at the applicable term SOFR interest rate. The SMBC Subordinated Term Loan Facility is subordinated to senior debt. Prior to a change of control, and upon the written request from SMBC Aviation Capital, the facility may be extended initially to February 29, 2036 and by twelve months thereafter. On September 30, 2022, this facility was extended by one year and will terminate on February 28, 2039.

SMBC Aviation Capital Revolving Credit Facility

On June 1, 2012, we entered into an uncommitted and revolving credit agreement with SMBC (as amended, the “SMBC Aviation Capital Revolving Credit Agreement”). The SMBC Aviation Capital Revolving Credit Agreement provides for a revolving credit facility (the “SMBC Aviation Capital Revolving Credit Facility”) with an initial amount of up to $2.0 billion. In June 2018, this facility was further amended and restated and increased to up to $6.4 billion, and SMBC Aviation Capital Netherlands B.V and SMBC Aviation Capital (UK) Limited were added as borrowers. In June 2019, the facility was increased to up to $7.7 billion. On September 30, 2020, this facility was extended for 12 months and SMBC Aviation Hong Kong 3 Limited was added as a borrower. On May 25, 2022 the facility was increased to up to $13.0 billion. On September 30, 2022, this facility was extended for a further 12 months to a final maturity date as of September 30, 2038. As of March 31, 2023, there is an undrawn balance of $6.1 billion under this facility. Any drawdowns occurring during the Availability Period may be termed out on drawdown for a period of up to 15 years to match the relevant lease term attaching to the aircraft that the drawdown is notionally financing. The SMBC Aviation Capital Revolving Credit Agreement contains customary events of default and does not contain any restrictive covenants.

Facilities with the Japanese Bank of International Cooperation

2019 JBIC Facility

On November 29, 2019, we entered into a $1.0 billion senior unsecured facility due 2029 with the Japan Bank for International Cooperation ("JBIC") (as amended, the "2019 JBIC Facility") pursuant to a loan agreement, dated as of November 29, 2019 (as amended, the "2019 JBIC Loan Agreement"), between the Parent and JBIC. The 2019 JBIC Facility can be drawn down up to 2 years after the signing date. As of March 31, 2023, we had $1.0 billion drawn under the 2019 JBIC Facility. The 2019 JBIC Facility accrues interest at USD LIBOR plus a margin per annum. Upon the conclusion of the current interest period for the 2019 JBIC Facility, this facility shall bear interest at the applicable term SOFR interest rate. There is no SMBC guarantee of the facility.

Covenants

The 2019 JBIC Facility contains certain covenants and repeating representations, subject to customary exceptions and qualifications, including (but not limited to):

- the creation or existence of encumbrances outside of the ordinary course of business;
- material disposals of assets;
- asset covenant requiring that a minimum level of aircraft SMBC Aviation Capital committed to purchase as of November 29, 2019 remain in its ownership for the life of facility
- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- sanctions;
- restrictions on mergers; and
- compliance and reporting with respect to environmental and social considerations.

Events of Default and Prepayment Events

The 2019 JBIC Facility contains customary events of default.

We are required to prepay the 2019 JBIC Facility if, in the sole judgment of JBIC, we are in breach of the environmental/social covenant described above or any requirement imposed by JBIC in accordance with its Environmental Guidelines. We may voluntarily elect to prepay the 2019 JBIC Facility at any time at the face amount plus a prepayment premium of 0.5% of the principal amount of the 2019 JBIC Facility, plus accrued and unpaid interest to, and including, the prepayment date.

In addition, the 2019 JBIC Facility includes a requirement that we provide JBIC with such additional security for the outstanding loans thereunder (the "2019 JBIC Facility Lien") as JBIC may, in its sole discretion, require. JBIC has agreed that it will not request any 2019 JBIC Facility Lien from us unless, in the reasonable opinion of JBIC, such request is necessary in order to protect the rights, interest and claims of JBIC under the 2019 JBIC Loan Agreement, and has further agreed that a request shall not be deemed to be reasonable when either (A) SMFG directly or indirectly holds at least 50% of the beneficial ownership or (B) either S&P or Fitch has assigned to SMBC Aviation Capital a credit rating that is at least investment grade.

2012 JBIC Facility

On June 7, 2012, we entered into a $3.0 billion senior unsecured facility due 2027 with JBIC (as amended, the "2012 JBIC Facility" and, together with the 2019 JBIC Facility, the "JBIC Facilities") pursuant to a loan agreement, dated as of June 7, 2012 (as amended, the "2012 JBIC Loan Agreement"), between the Parent and JBIC.

The 2012 JBIC Facility is fully and unconditionally guaranteed by SMBC and accrues interest at USD LIBOR plus a margin per annum. Upon the conclusion of the current interest period for the 2012 JBIC Facility, this facility shall bear interest at the applicable term SOFR interest rate. As of March 31, 2023, we had $900.0 million outstanding under the 2012 JBIC Facility.

Covenants

The 2012 JBIC Facility contains certain covenants and repeating representations, subject to customary exceptions and qualifications, including (but not limited to):

- the creation or existence of encumbrances outside of the ordinary course of business;
- material disposals of assets;
- restrictions on mergers; and
- compliance and reporting with respect to environmental and social considerations.

Events of Default and Prepayment Events

The 2012 JBIC Facility contains customary events of default, in addition to:

- an event of default triggered by any change in any respect to the beneficial ownership of the Parent's share capital as it exists on the date of this offering memorandum;
- a cross-default without a threshold and including intra-group indebtedness; and
- a material adverse change provision.

We are required to prepay the 2012 JBIC Facility if, in the sole judgment of JBIC, we are in breach of the environmental/social covenant described above or any requirement imposed by JBIC in accordance with its Environmental Guidelines. We may voluntarily elect to prepay the 2012 JBIC Facility at any time at the face amount plus a prepayment premium of 0.5% of the principal amount of the Facility, plus accrued and unpaid interest to, and including, the prepayment date.

In addition, the 2012 JBIC Facility includes a requirement that we provide JBIC with such additional security for the outstanding loans thereunder (the "2012 JBIC Facility Lien") as JBIC may, in its sole discretion, require. JBIC has agreed that it will not request any 2012 JBIC Facility Lien from us under the 2012 JBIC Loan Agreement unless, in the reasonable opinion of JBIC, such request is necessary in order to protect the rights, interest and claims of JBIC under the JBIC Loan Agreement, and has further agreed that a request shall not be deemed to be reasonable when both (A) SMBC's absolute and unconditional guarantee of payment of the 2012 JBIC Facility remains in effect and (B) none of S&P, Fitch or Moody's has assigned to SMBC a credit rating that is less than investment grade. JBIC has never requested the Parent to provide additional security for the 2012 JBIC Facility and we believe that JBIC currently has neither the ability nor the intention to request any such additional security.

Term Loans with Norinchukin Bank

We have entered into nine non-amortizing term loan facilities (collectively, the "Norinchukin Term Loans") with the Norinchukin Bank, London Branch ("Norinchukin"). As of March 31, 2023, the first six Norinchukin Term Loans had matured.

On October 27, 2020, we entered into a $100.0 million non-amortizing term loan facility with Norinchukin (the "Norinchukin Term Loan 7"). The Norinchukin Term Loan 7 is unsecured and accrues interest at a rate per annum equal to USD LIBOR plus a margin. Upon the conclusion of the current interest period for the Norinchukin

Term Loan 7, this facility shall bear interest at the applicable term SOFR interest rate. The Norinchukin Term Loan 7 matures on October 29, 2025.

On June 28, 2021, we entered into a $100.0 million non-amortizing term loan facility with Norinchukin (the "Norinchukin Term Loan 8"). The Norinchukin Term Loan 8 is unsecured and accrues interest at a rate per annum equal to USD LIBOR plus a margin. Upon the conclusion of the current interest period for the Norinchukin Term Loan 8, this facility shall bear interest at the applicable term SOFR interest rate. The Norinchukin Term Loan 8 matures on June 30, 2026.

On July 12, 2021, we entered into a $100.0 million non-amortizing term loan facility with Norinchukin (the "Norinchukin Term Loan 9"). The Norinchukin Term Loan 9 is unsecured and accrues interest at a rate per annum equal to a fixed margin. The Norinchukin Term Loan 9 matures on July 14 2026.

On October 3, 2022, we entered into a $200.0 million non-amortizing term loan facility with Norinchukin (the "Norinchukin Term Loan 10"). The Norinchukin Term Loan 10 is unsecured and accrues interest at a rate per annum equal to USD Term SOFR plus a margin. The Norinchukin Term Loan 10 matures on October 5, 2029.

Covenants

The Norinchukin Term Loans contain certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- financial reports;
- semi-annual certification confirming certain financial metrics;
- change of control;
- nature of business; and
- mergers, consolidation and sale of assets.

Events of Default

The Norinchukin Term Loans contain customary events of default.

SMTB Term Loans

We have entered into three non-amortizing term loan facilities (collectively, the "SMTB Term Loans") with Sumitomo Mitsui Trust Bank, Limited (London Branch).

On March 29, 2018, we signed a loan agreement with Sumitomo Mitsui Trust Bank, Limited (London Branch) (the "SMTB Term Loan 1"), which provides for a $100.0 million non-amortizing term loan facility to be utilized within 12 months of the signing of the loan agreement. The SMTB Term Loan 1 is unsecured and has the option to accrue interest at a fixed or floating rate plus a margin. The SMTB Term Loan 1 will mature on the 7th anniversary of the drawdown date. As of March 31, 2023, $100 million was drawn under the SMTB Term Loan 1.

On September 28, 2018, we signed a loan agreement with Sumitomo Mitsui Trust Bank, Limited (London Branch) (the "SMTB Term Loan 2"), which provides for a $200.0 million non-amortizing term loan facility to be utilized within three years of the signing of the loan agreement. During the initial three year period, the facility is also revolving in nature. The SMTB Term Loan 2 is unsecured and has the option to accrue interest at a fixed or floating rate plus a margin. The SMTB Term Loan 2 will mature on the 10th anniversary of the signing of the loan agreement. As of March 31, 2023, $200 million was drawn under the SMTB Term Loan 2.

On December 21, 2022, we signed a loan agreement with Sumitomo Mitsui Trust Bank, Limited (London Branch) (the "SMTB Term Loan 3"), which provides for a $100.0 million non-amortizing term loan facility to be utilized within 45 days of the signing of the loan agreement. The SMTB Term Loan 3 is unsecured with a fixed interest rate. As of March 31, 2023, $100 million was drawn under the SMTB Term Loan 3. The maturity date is January 19, 2028.

Covenants

The SMTB Term Loans contain certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- financial reports;
- semi-annual certification confirming certain financial metrics;
- change of control;
- nature of business; and
- mergers, consolidation and sale of assets.

Events of Default

The SMTB Term Loans contain customary events of default.

Senior Unsecured Notes

2023 Notes

On July 30, 2018, the Issuer issued $500.0 million in aggregate principal amount of 4.125% senior unsecured notes maturing on July 15, 2023. Interest on the 2023 Notes is payable on January 15 and July 15 each year, beginning on January 15, 2019. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

2024 Notes

On April 15, 2019, the Issuer issued $500.0 million in aggregate principal amount of 3.550% senior unsecured notes maturing on April 15, 2024. Interest on the 2024 Notes is payable on April 15 and October 15 each year, beginning on October 15, 2019. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

2026 Notes

On October 15, 2021, the Issuer issued $500.0 million in aggregate principal amount of 1.900% senior unsecured notes maturing on October 15, 2026. Interest on the 2026 Notes is payable on April 15 and October 15 each year, beginning on April 15, 2022. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

Covenants

The indenture governing the 2023 Notes, the 2024 Notes, the 2026 Notes and the 2028 Notes, which is the same indenture that governs the notes offered hereby, contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- limitations on liens;

- limitations on the conduct of the business of the Issuer;
- financial reports; and
- merger, sale of assets and dissolution.

Events of Default

The indenture governing the 2023 Notes, the 2024 Notes, the 2026 Notes and the 2028 Notes contains customary events of default.

2028 Notes

On June 15, 2021, the Issuer issued $500.0 million in aggregate principal amount of 2.300% senior unsecured notes maturing on June 15, 2028. Interest on the 2.300% senior unsecured notes is payable on June 15 and December 15 each year, beginning on December 15, 2021. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

On May 3, 2023, the Issuer issued $650 million in aggregate principal amount of 5.45% senior unsecured notes maturing on May 3, 2028. Interest on the 5.450% senior unsecured notes is payable on May 3 and November 3 each year, beginning on November 3, 2023. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months.

Private Shelf Notes

On February 16, 2021, we entered into a $300.0 million private shelf agreement with a US Private Placement Investment Management company (the "2021 Private Shelf Agreement") with pricing terms to be determined at the time of issuance. Pursuant to the 2021 Private Shelf Agreement, we issued $165.0 million in aggregated principal amount of 2.61% senior unsecured notes due July 28, 2031 (the "Private Shelf Notes").

Covenants

The 2021 Private Shelf Agreement governing the Private Shelf Notes, contains certain covenants, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- limitations on liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution
- hedging agreements; and
- transactions with affiliates.

Events of Default

The 2021 Private Shelf Agreement governing the Private Shelf Notes contains customary events of default.

2020 Term Loan and Revolving Credit Facilities

On January 20, 2020, our Hong Kong subsidiary, SMBC Aviation Capital Hong Kong 2 Limited, entered into a term and revolving facilities agreement with Australia and New Zealand Banking Group Limited, Caixa Bank,

Bank of China Macau Branch, Cathay United Bank, E.Sun Commercial Bank, Ltd. Tokyo Branch and First Commercial Bank, Offshore Banking Branch as Mandated Lead Arrangers and Bookrunners, and Australia and New Zealand Banking Group Limited., as agent (the "2020 Term Loan and Revolving Credit Facilities Agreement"). Eight additional banks entered the transaction with lead arranger and arranger statuses.

The 2020 Term Loan and Revolving Credit Facilities Agreement is guaranteed by the Parent and provides for (i) a term loan facility of $200 million (the "2020 Term Loan") and (ii) a revolving credit facility of up to $400 million (the "2020 Revolving Credit Facility" and, together with the 2020 Term Loan, the "2020 Term Loan and Revolving Credit Facilities"), available for utilization from signing until one month prior to the final maturity date. As of March 31, 2023, $200.0 million was drawn under the 2020 Term Loan and the 2020 Revolving Credit Facility was undrawn. The facilities mature on March 5, 2025.

Covenants

The 2020 Term Loan and Revolving Credit Facilities Agreement contains certain covenants and undertakings, subject to customary exceptions and qualifications, including (but not limited to):

- maintenance of interest expense coverage ratio at or above 1.50 to 1.00;
- incurrence of liens;
- incurrence of indebtedness of subsidiaries;
- consolidations, mergers and sales of assets, liquidation and dissolution;
- change of business;
- hedging agreements;
- transactions with affiliates;
- changes to fiscal year end;
- anti-terrorism and sanctions regulations;
- financial reports;
- maintenance of properties and insurance; and
- change of control.

Events of Default

The 2020 Term Loan and Revolving Credit Facilities Agreement contains customary events of default.

DESCRIPTION OF THE NOTES

The Issuer will issue $ aggregate principal amount of % senior notes due 20 (the "Notes"), guaranteed (the "Guarantee" and, together with the Notes, the "Securities") by the Parent as described herein.

The Securities are a series of securities issued pursuant to that certain indenture dated as of July 19, 2016 (the "Base Indenture"), among the Issuer, the Parent and Computershare Trust Company, National Association as successor to Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by an officers' certificate to be dated as of the date of issuance of the Securities (the "Issue Date") (the "Officers' Certificate" and, together with the Base Indenture, the "Indenture"). The Indenture is not required to be nor is it qualified under the United States Trust Indenture Act of 1939, as amended (the "TIA"), and the Indenture does not incorporate provisions of the TIA by reference. The following description is only a summary of the material provisions of the Indenture and the Notes. This description does not include all of the provisions of the Indenture.

In this section of the offering memorandum only, unless otherwise noted, references to the "Parent" refer to SMBC Aviation Capital Limited and references to the "Issuer" refer to SMBC Aviation Capital Finance DAC. Certain capitalized terms used in this section of the offering memorandum are defined under "—Certain Definitions" at the end of this section. In addition, references to the "Notes" or the "Securities" refer to, and only to, the Notes or the Securities, unless specifically stated otherwise.

General

The Notes will be the general unsecured obligations of the Issuer and will rank *pari passu* in right of payment with all of the Issuer's existing and future unsecured and unsubordinated indebtedness. The Issuer is a subsidiary of the Parent created for the purpose of issuing debt securities from time to time (including the Notes), and does not, nor is expected to, have any assets of its own other than one or more loans to the Parent of proceeds of debt offerings by the Issuer, including the Notes, and assets of a *de minimis* nature. The obligations of the Issuer under the Notes will be fully and unconditionally guaranteed by the Parent with such Guarantee ranking equal in right of payment with all other existing and future unsecured and unsubordinated indebtedness of the Parent. The Guarantee will be effectively subordinated to the Parent's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The Securities will not provide holders with any direct claims on the assets of any of the Parent's other Subsidiaries and will be effectively subordinated to any and all liabilities of the Parent's other Subsidiaries, in each case to the extent of such Subsidiaries' assets. As of March 31, 2023, we had consolidated total unsecured indebtedness of $17.6 billion. In addition, our JBIC Facilities include a requirement that the Parent provide JBIC with such additional security for the outstanding loans thereunder as JBIC may, in its sole discretion upon the occurrence of certain events, require. After giving effect to the possible imposition of a lien on the Parent's assets in an amount equal to the entire outstanding amount of the JBIC Facilities as of March 31, 2023, we would have had $1.9 billion of secured indebtedness. JBIC has never requested the Parent to provide additional security for the JBIC Facilities loans and we believe that JBIC currently has neither the ability nor the intention to request any such additional security. For more information about the JBIC Facilities, see "Description of Other Financial Indebtedness—Amortizing Loan Facility with the Japan Bank for International Cooperation."

The Indenture does not limit the Parent's ability, or the ability of its Subsidiaries, to incur additional indebtedness.

The Indenture provides for the issuance of the Securities and sets forth the duties of the Trustee. The Parent may cause the Issuer, from time to time, without notice to, or consent of, the holders of the Securities, to create and issue other series of debt securities under the Indenture; provided, however, that any additional notes will have separate CUSIP numbers unless such additional notes are fungible with the original notes for U.S. federal income tax purposes. The Indenture does not limit the aggregate principal amount of Securities (or other debt securities) that may be issued thereunder. Any series of debt securities, including the Securities offered hereby, may be reopened, and additional debt securities of such reopened series may be issued and treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

The Issuer will issue the Notes in a private transaction that is not subject to the registration requirements of the Securities Act. See "Transfer Restrictions."

Listing

Application will be made to quote the Notes on the official list of the CSX.

Principal and Interest

In this offering, the Issuer will issue $ in aggregate principal amount of the Notes.

The Notes will be issued in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Interest on the Notes will accrue at the rate of % per annum, payable semi-annually in arrears on and , of each year, beginning on , 2023 (each, an "Interest Payment Date"). The Issuer will make each payment of interest to the holders of record on the immediately preceding and , respectively, in the case of the Notes, whether or not such date is a business day.

Interest on the Notes will accrue from the most recent date on which interest has been paid, or, if no interest has been paid, from and including the date of issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Guarantee

The obligations of the Issuer under the Indenture and the Notes will be fully and unconditionally guaranteed by the Parent.

The Guarantee will terminate upon defeasance or discharge of the Notes, as provided in "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

Additional Amounts

If any withholding or deduction for or on account of any present or future taxes, duties, assessments or other government charges (or interest on any of the foregoing) of whatsoever nature will be imposed, levied, collected, withheld or assessed by Ireland or any political subdivision thereof, or any governmental authority of any jurisdiction in which the Issuer or Parent is then incorporated or organized or otherwise resident or carrying on a trade or business for tax purposes and any political subdivision thereof (a "Relevant Jurisdiction") on payments of principal (and premium, if any) and interest on the Notes by the Issuer and the Parent, the Issuer and the Parent will pay to holders of the Notes all additional amounts that may be necessary so that the net amount of each payment of interest or principal (including any premium paid upon redemption of such Notes) received by the holder will not be less than the amount such holder would have received if such taxes, duties, assessments or other governmental charges (or interest on any of the foregoing) had not been imposed, levied, collected, withheld, assessed or deducted.

The Issuer's and the Parent's obligations to pay additional amounts is subject to several important exceptions, however. Neither the Issuer nor the Parent will pay additional amounts to any holder for, or solely on account of, any of the following:

(1) any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder or beneficial holder of a Note and the Relevant Jurisdiction, including such holder or beneficial owner (a) being or having been a citizen or resident thereof, (b) maintaining or having maintained an office, permanent establishment, or branch subject to taxation therein or (c) being or having been present or engaged in a trade or business therein (other than the mere receipt of a payment on or holding of, or the enforcement of rights or remedies under, the Notes or the Guarantee);

(2) any estate, inheritance, gift, value added, sales, use, excise, transfer or similar taxes, assessments or other governmental charges imposed with respect to a Note;

(3) any taxes, duties, assessments or other governmental charges imposed because the holder or any other person fails to comply with any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction of the holder or any beneficial owner of a Note, if compliance is required by statute, rule, regulation or by the published official interpretation of applicable tax law by the taxing authorities of the Relevant Jurisdiction or by an applicable income tax treaty, which is in effect and to which the applicable jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and the Issuer or the Parent has given the holders or beneficial owners of the Notes at least 30 days' written notice that such information and identification is required to be provided;

(4) any taxes, duties, assessments or other governmental charges not payable by way of deduction or withholding from payments on or with respect to a Note;

(5) any payment on a Note to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the holder of a Note; or

(6) in respect of any combination of the above.

Notwithstanding anything to the contrary under this Section "—Additional Amounts," neither the Issuer nor the Parent nor any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the "Code") (and any current and future regulations or official interpretations thereof) ("FATCA"), any agreements entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreements implementing the foregoing or any fiscal or regulatory legislation, rules or practices adopted pursuant to any such intergovernmental agreement, including the laws of Ireland implementing FATCA.

In addition to the foregoing, the Issuer and the Parent will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest and any other reasonable expenses related thereto) that are levied by the Relevant Jurisdiction on the execution, delivery, issuance or registration of any of the Notes, the Guarantee, the Indenture or any other document or instrument referred to therein, or enforcement of, the Notes or the Guarantee (other than on or in connection with a transfer of the Notes other than the initial resale of the Notes by the Initial Purchasers).

The Issuer or the Parent will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of the Relevant Jurisdiction's taxes in respect of which the Issuer or the Parent have paid any additional amount. The Issuer or the Parent will make copies of such documentation available to the holders of the Notes or the relevant Paying Agent.

In the event that additional amounts actually paid with respect to the Notes described above are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder or beneficial owner of such Notes, and, as a result thereof such holder or beneficial owner is entitled to make claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder or beneficial owner shall, by accepting such Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to the Issuer and the Parent, provided that such assignment or transfer places such holder or beneficial owner in no worse position than had no such withholding tax been imposed.

Any reference in this offering memorandum, the Indenture, the Notes or the Guarantee to principal, premium, interest or any other amount payable in respect of the Notes by the Issuer or the Guarantee by the Parent will be deemed also to refer to any additional amount that may be payable with respect to that amount under the obligations referred to in this "—Additional Amounts" section.

Maturity, Optional Redemption

The Notes will mature on , 20 (the "Stated Maturity Date"). In addition to as described below under "—Optional Redemption for Changes in Withholding Taxes," the Notes will be redeemable, in whole or in part, at the Issuer's option, at any time prior to the Par Call Date, at a redemption price equal to the greater of (x) 100% of the principal amount thereof to be redeemed or (y) the sum of the present values of the Remaining Scheduled Payments that would be due if the Notes to be redeemed matured on the Par Call Date, discounted to the Redemption Date, on a semi-annual basis (assuming a 360 day year consisting of twelve 30 day months), at the Treasury Rate plus basis points, plus, in either case, accrued and unpaid interest, if any, to, but not including, the Redemption Date on the principal amount of the Notes to be redeemed.

From and after the Par Call Date, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the Redemption Date.

Notice of any redemption will be mailed at least ten days but not more than 60 days before the Redemption Date to each registered holder of the Notes to be redeemed. Unless the Issuer defaults in the payment of the redemption price and accrued interest, on and after the Redemption Date, interest will cease to accrue on the Notes or any portion thereof called for redemption. On or before the Redemption Date, the Issuer will deposit with a Paying Agent, or the Trustee, sufficient funds to pay the redemption price of and accrued interest on the Notes to be redeemed on such date. If less than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate (and in accordance with the procedures of the Depository).

The notice of redemption that relates to any Note that is redeemed in part only will state the portion of the principal amount thereof to be redeemed. Any redemption of the Notes at the Issuer's option may, if so provided in the applicable redemption notice, be made subject to the satisfaction of one or more conditions precedent.

Optional Redemption for Changes in Withholding Taxes

If, as a result of (1) any amendment to, or change in, the laws (or any rules or regulations thereunder) of the Relevant Jurisdiction after the later of (i) the date the Notes are issued and (ii) the date such Relevant Jurisdiction became a Relevant Jurisdiction (such later date, the "Relevant Time") or (2) any amendment to or change in the official interpretation of applicable tax law by the Relevant Jurisdiction's tax authorities or application of such laws, rules or regulations after the Relevant Time, the Issuer or the Parent becomes obligated, or will become obligated, in each case after taking all commercially reasonable measures to avoid this requirement, to pay additional amounts as described in "—Additional Amounts," then, at the Issuer's option, all, but not less than all, of the Notes may be redeemed at any time at a redemption price equal to 100% of the outstanding principal amount of the Notes, plus accrued and unpaid interest and any such additional amounts due thereon up to, but not including, the Redemption Date; provided, however, that (1) no notice of redemption for tax reasons may be given earlier than 60 days prior to the earliest date on which the Issuer or the Parent would be obligated to pay these additional amounts if a payment on the Notes were then due and (2) at the time such notice of redemption is given such obligation to pay such additional amounts remains in effect. For the avoidance of doubt, commercially reasonable measures do not include changing the jurisdiction of incorporation of the Issuer or Parent.

Prior to the publication of any notice of redemption pursuant to this provision, the Issuer will deliver to the Trustee:

(1) a certificate signed by one of the Issuer's duly authorized representatives stating that the Issuer is entitled to effect the redemption and setting forth a statement of facts showing that the above listed conditions precedent have occurred; and

(2) an opinion of outside legal counsel of recognized standing qualified under the laws of the Relevant Jurisdiction to the effect that the Issuer or the Parent, as applicable, has or will become obligated to pay such additional amounts as a result of such change or amendment.

This notice, once delivered by the Issuer to the Trustee, will be irrevocable.

The Issuer will give notice of any redemption it proposes as described in this "—Optional Redemption for Changes in Withholding Taxes" section in the same manner as provided in the "—Maturity, Optional Redemption" section above.

Mandatory Redemption, Exchange and Purchase

Except as set forth below under "—Repurchase at the Option of Holders," the Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. The Issuer or the Parent may at any time and from time to time purchase Notes in the open market or otherwise at any price, subject to applicable law.

The Issuer or the Parent may at any time make offers to the holders to exchange their Notes for other notes issued by the Issuer, the Parent or by any other Person.

Repurchase at the Option of Holders

If a Change of Control accompanied by a Ratings Event (a "Change of Control Triggering Event") occurs at any time, unless the Issuer has exercised its right to redeem the Notes as described above under "—Optional Redemption," each holder of the Notes will have the right to require the Issuer to repurchase all or any part (in denominations of $200,000 or integral multiples of $1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control offer on the terms set forth in the Indenture at a repurchase price in cash equal to 101% of the aggregate principal amount of the Notes repurchased, plus accrued and unpaid interest, if any, to, but not including, the date of repurchase.

Within 30 days following the date upon which the Change of Control Triggering Event occurred, or, at the Issuer's option, prior to any Change of Control but after the public announcement of the Control of Control, unless the Issuer has otherwise exercised its right to redeem the Notes, it will deliver a notice to each holder describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Notes on the payment date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is sent (the "Change of Control Payment Date"), pursuant to the procedures required by the Indenture and described in such notice. The notice, if sent prior to the date of consummation of the Change of Control, will state that the Change of Control offer is conditioned on the Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date. Unless the Issuer defaults in such payment, all Notes accepted for payment pursuant to the Change of Control offer will cease to accrue interest after such payment date.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the provisions in the Indenture applicable to a Change of Control offer, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under such provisions by virtue of such compliance.

On the payment date in relation to a Change of Control offer the Issuer will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control offer;

(2) prior to 10:00 a.m. New York City time, deposit with the Paying Agent an amount equal to the aggregate purchase price in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent will promptly deliver to each holder of Notes properly tendered the purchase price for such Notes, and the Trustee will promptly authenticate and deliver (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each new Note will be in a principal amount of $200,000 or an integral multiple of $1,000 in excess thereof.

The Issuer will publicly announce the results of the Change of Control offer on or as soon as practicable after the Change of Control payment date.

The provisions described above that require the Issuer to make a Change of Control offer following a Change of Control Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a merger, takeover, recapitalization or any other transaction.

Notwithstanding anything to the contrary in the Indenture applicable to a Change of Control offer made by the Issuer, the Issuer will not be required to make a Change of Control offer upon a Change of Control Triggering Event if a third-party makes the Change of Control offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control offer or the Issuer has exercised its right to redeem the Notes as described above under "—Maturity, Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

If holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw the Notes in a Change of Control offer, and the Issuer, or any third-party making a Change of Control offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer will have the right, upon not less than 20 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to the Change of Control offer described above have passed at the time the notice is issued, to redeem all notes that remain outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the Redemption Date.

Notwithstanding anything to the contrary contained herein, a Change of Control offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control offer is made.

Certain Covenants

Limitations on Liens

Except as provided below, neither the Parent nor the Issuer will, nor will they permit any Subsidiary to, at any time pledge or otherwise subject to any Lien any of their or such Subsidiary's property, tangible or intangible, real or personal (hereinafter "property") securing Relevant Indebtedness, without thereby expressly securing the Notes (together, if the Parent or the Issuer so chooses, with any other securities entitled to the benefit of a similar covenant) equally and ratably with any and all other Relevant Indebtedness, including any guarantee, secured by such Lien, so long as any such other Relevant Indebtedness shall be so secured and the Parent and the Issuer covenant that if and when any such Lien is created, the Notes will be so secured thereby; provided, that, this restriction shall not apply to any Lien on any property existing as of the date of issuance of the Notes or to the following Liens securing Relevant Indebtedness, including any guarantee:

(1) any Lien on Aircraft Assets and Capital Stock in any Special Purpose Aircraft Financing Entity (a) existing at the time of acquisition of such property or the entity owning such property (including acquisition through merger or consolidation), or (b) given to secure the payment of all or any part

of the purchase, lease or acquisition thereof or the cost of construction, repair, refurbishment, modification or improvement of Aircraft Assets and Capital Stock in any Special Purpose Aircraft Financing Entity;

(2) a banker's lien or right of offset of the holder of such indebtedness in favor of any lender of moneys or holder of commercial paper of the Parent, the Issuer or any Subsidiary in the ordinary course of business on moneys of the Parent, the Issuer or such Subsidiary deposited with such lender or holder in the ordinary course of business; and

(3) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien existing on the Issue Date or referred to in the foregoing clauses, including in connection with the refinancing of indebtedness of the Parent, the Issuer and any Subsidiary secured by such Lien.

This covenant does not limit Liens that do not secure Relevant Indebtedness.

Any Lien that is granted to secure the Notes pursuant to the preceding two paragraphs will be automatically released and discharged at the same time as the release (other than through the exercise of remedies with respect thereto) of each Lien that gave rise to such obligation to secure the Notes under the preceding two paragraphs.

Limitation on the Conduct of Business of the Issuer

In addition to the other restrictions set forth in the Indenture, the Indenture provides that the Issuer may not become liable for any material obligations or engage in any significant business activities other than in connection with serving as an Issuer of the Notes or as an issuer or borrower in connection with financing activities (including financing activities with third parties and among the Parent and its Subsidiaries and providing credit support (including guarantees and Liens) to the extent otherwise permitted under the Indenture), together with activities reasonably related thereto. Except in accordance with "—Merger, Sale of Assets and Dissolution," the Parent will not sell or otherwise dispose of any shares of Capital Stock of the Issuer and will not permit the Issuer, directly or indirectly, to issue or sell or otherwise dispose of any shares of its Capital Stock or to otherwise cease to be a direct Wholly Owned Subsidiary of the Parent.

Reports

So long as the Notes remain outstanding:

(1) The Parent will furnish or cause to be furnished to the Trustee, or to any holder of the Notes upon the request of the holder, annual consolidated financial statements audited by the Parent's independent public accountants within 120 days after the end of the Parent's fiscal year, and unaudited quarterly consolidated financial statements (consisting of a statement of financial position and statement of comprehensive income for the fiscal quarter or quarters then ended and the corresponding fiscal quarter or quarters from the prior year) within 60 days after the end of each of the first three fiscal quarters of each fiscal year. The Parent will make such information available to the Trustee and holders of the Notes, and also to prospective investors in the Notes and market makers in the Notes affiliated with any Initial Purchaser, by (A) posting to the website of the Parent or on any password-protected online data system or (B) otherwise providing substantially comparable availability of such reports (as determined by the Parent in good faith) (it being understood that, without limitation, making such reports available on a private electronic information service shall constitute substantially comparable availability). For the avoidance of doubt, the Parent will furnish or cause to be furnished to any holder certain annual or quarterly consolidated financial statements requested by such holder. Such annual and quarterly financial statements will be prepared in accordance with IFRS-E.U. and be accompanied by a "management discussion and analysis" of the results of operations and liquidity and capital resources of the Parent and its Subsidiaries on a consolidated basis for the periods presented in a level of detail comparable

to the management discussion and analysis of the results of operations and liquidity and capital resources of the Parent and its Subsidiaries contained in this offering memorandum.

(2) the Parent will provide the Trustee copies of all public filings made by the Issuer or the Parent with any securities exchange or securities regulatory agency or authority within 30 business days of such filing (the Trustee shall have no responsibility to determine whether any such public filings have been made); and

(3) The Parent and the Issuer will furnish or cause to be furnished to any holder of a Note or to any prospective purchaser designated by such a holder, upon the request of the holder, the business and financial information called for under paragraph (d)(4) of Rule 144A of the Securities Act, so long as the Notes are not freely transferable under the Securities Act by Persons who are not "affiliates." Reports by the Parent and the Issuer delivered to the Trustee or made available by posting to the website of the Parent should be considered for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Merger, Sale of Assets and Dissolution

Neither the Issuer nor the Parent will consolidate or merge with or into or wind up into (whether or not the Parent or the Issuer is the surviving corporation), in one or more related transactions, any Person unless:

(1) the resulting or surviving Person (the "Successor Company") is the Issuer, the Parent, a Wholly Owned Subsidiary of the Parent or a Person organized and existing under the laws of a Permitted Jurisdiction;

(2) the Successor Company (if other than the Issuer or the Parent) expressly assumes all of the obligations of the Parent or the Issuer under the Notes or the Guarantee, as applicable, and the Indenture pursuant to a supplemental indenture;

(3) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(4) the Issuer and the Parent shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, winding up or disposition, and such supplemental indenture, if any, comply with the Indenture.

The Parent will not sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of the Parent's properties and assets, in one or more related transactions, to any Person unless:

(1) the Person receiving the sale, assignment, conveyance, transfer, lease or disposition is a Wholly Owned Subsidiary of the Parent or a Person organized and existing under the laws of a Permitted Jurisdiction;

(2) the Person receiving the sale, assignment, conveyance, transfer, lease or disposition expressly assumes all of the obligations of the Parent under the Guarantee and the Indenture pursuant to a supplemental indenture;

(3) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(4) the Parent shall have delivered to the Trustee an officers' certificate and an opinion of counsel, stating that such sale, assignment, conveyance, transfer, lease or disposition, and such supplemental indenture, if any, comply with the Indenture.

For the purpose of these covenants, Aircraft Asset leasing in the ordinary course of business of the Parent, the Issuer or any of the Parent's Subsidiaries shall not be considered the leasing of "all or substantially all" of the Parent's or the Issuer's consolidated assets.

Neither the Parent nor the Issuer will liquidate or dissolve other than in connection with a transaction permitted by this "—Merger, Sale of Assets and Dissolution" covenant.

Events of Default

The Indenture defines an Event of Default with respect to the Notes as being any one of the following occurrences:

(1) the failure to pay any installment of interest on the Notes when due and payable, and the continuation of its failure to pay for 30 days or more;

(2) the failure to pay all or any part of the principal of (or premium, if any, on) the Notes when due at maturity, when due upon redemption, or when due by declaration or otherwise;

(3) a default in the performance of or compliance with any of the covenants described above under "Repurchase at the Option of Holders" or "Merger, Sale of Assets and Dissolution;"

(4) a default in the performance of any other covenant contained in the Indenture or any Note continued for 90 days after written notice to the Issuer and the Parent by the Trustee, or written notice to each of the Issuer, the Parent and the Trustee by the holders of at least 25% in aggregate principal amount of the outstanding Notes;

(5) a default under any mortgage, indenture (including the Indenture) or instrument under which Indebtedness for borrowed money (other than any Indebtedness owed to any Subsidiary or that is, by its terms, recourse only to specific assets) of the Parent is issued or is secured or evidenced or the payment of which is guaranteed by the Parent, which default constitutes a failure by the Parent to pay principal of such Indebtedness in an amount exceeding $100 million at the final stated maturity date (other than as a result of acceleration), after expiration of any applicable grace periods or results in the Parent's Indebtedness for borrowed money (other than any Indebtedness owed to any Subsidiary or that is, by its terms, recourse only to specific assets) in the aggregate of $100 million or more being accelerated or becoming due and payable before the date on which it would otherwise become due and payable, and such acceleration is not rescinded or annulled or such Indebtedness for borrowed money is not discharged within 60 days after written notice to the Issuer and the Parent by the Trustee, or written notice to each of the Issuer, the Parent and the Trustee by the holders of at least 25% in principal amount of the outstanding Notes; or

(6) certain events in bankruptcy, insolvency, reorganization, receivership or liquidation, whether voluntary or involuntary with respect to the Parent; or

(7) the Guarantee ceases to be in full force and effect in any material respect (except as contemplated by this "Description of the Notes") or the Parent denies or disaffirms its obligations under the Indenture or the Guarantee.

If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the Notes to be due and payable immediately. However, the holders of a majority in principal amount of the outstanding Notes, by written notice to the Issuer, the Parent and the Trustee, may rescind and annul such declaration and its consequences if: (a) the Issuer or the Parent has paid or deposited with the Trustee a sum sufficient to pay all overdue interest on all Notes, all principal of (and premium, if any) on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal (and premium, if any) and (to the extent permitted by applicable law) all interest upon overdue interest in respect of the Notes, if any, and (b) all Events of Default with respect to the Notes, other than the nonpayment of amounts that have become due solely by reason of such declaration, have been cured, waived or otherwise remedied. No such rescission shall affect any subsequent default or impair any right consequent thereon.

The holder of any Note will not have any right to institute any proceeding with respect to the Indenture or remedies thereunder, unless:

(1) the holder previously gives the Trustee written notice of an Event of Default that is continuing with respect to the Notes held by such holder;

(2) the holders of not less than 25% in principal amount of the outstanding Notes have made written request to the Trustee and offered the Trustee indemnity satisfactory to it against the costs, losses, expenses or liabilities to institute such proceeding as Trustee; and

(3) the Trustee has failed to institute such proceeding for 60 days after its receipt of such notice and offer of indemnity and the Trustee has not been given inconsistent direction during such 60-day period by holders of a majority in principal amount of Notes at the time outstanding.

However, the right of any holder of any Note to institute suit for enforcement of any payment of principal (and premium, if any) and interest on such Note on or after the applicable due date may not be impaired or affected without such holder's consent.

The holders of a majority in principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or for exercising any trust or power conferred on the Trustee with respect to the Notes. However, the Trustee may refuse to follow any direction that conflicts with any rule of law or the Indenture. Before proceeding to exercise any right or power under the Indenture at the direction of such holders, the Trustee shall receive security or indemnity satisfactory to it from such holders against the costs, losses, expenses and liabilities which could be incurred in compliance with any such direction. The Trustee may withhold from holders of the Notes notice of any continuing default (except a default in payment of principal (or premium, if any) or interest) if it determines that withholding notice is in their interests.

The Issuer and the Parent are required to furnish to the Trustee within 120 days after the end of each fiscal year a certificate from the Parent's principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge that (a) no Event of Default or (b) no event that, with the giving of notice, the passage of time, or both, would constitute an Event of Default, has occurred and is continuing at such time. If an event specified in (a) or (b) has occurred, the certificate shall specify all such events and the nature and status thereof and what action the Issuer plans to take to cure such default or Event of Default.

Amendment, Supplement and Waiver of the Indenture and the Notes

The Issuer and the Parent, together with the Trustee, may amend or supplement the Indenture, the Notes and the Guarantee with respect to the series of securities that constitutes the Notes with the consent of the holders of a majority in principal amount of the outstanding Notes, voting as a single class. The holders of not less than a majority in principal amount of the outstanding Notes may, on behalf of the holders of such Notes, waive (i) compliance by the Issuer and the Parent with certain covenants or other provisions of the Indenture, the Notes and the Guarantee with respect to the series of securities that constitutes the Notes and (ii) any past default with respect to the series of securities that constitutes the Notes and the related consequences, except that a default in the payment of principal of (and premium, if any) or interest on any Note cannot be modified or amended without the consent of the holder of each affected outstanding Note. However, neither the Issuer nor the Parent may enter into any amendment, supplement or waiver without the consent of the holders of all affected Notes if the amendment, supplement or waiver would:

(1) change the Stated Maturity Date or any installment of principal or interest on any Note;

(2) reduce the principal amount payable of the rate of interest on, any additional amounts payable on or any premium payable upon the redemption of, any Note;

(3) adversely affect any right of repayment at the option of the holder of any Note, following the occurrence of a Change of Control Triggering Event with respect to such Change of Control Triggering Event;

(4) make any Note payable in a currency other than that stated in the Note;

(5) impair the right of any holder of any Note to institute suit for the enforcement of any payment with respect to such Note on or after the Stated Maturity Date thereof;

(6) reduce the percentage in principal amount of outstanding Notes whose holders must consent to any amendment, supplement or waiver; or

(7) amend, change or modify any provision of the Indenture that would cause the Notes or the Guarantee not to be pari passu in right of payment with the Issuer's or the Parent's existing unsecured and unsubordinated indebtedness in a manner adverse to the holders of such Notes.

The Notes will not be considered outstanding, and therefore not eligible to vote, if the Issuer has deposited or set aside in trust for you money for their payment or redemption including under circumstances where they have been defeased as described below in "—Legal Defeasance and Covenant Defeasance" or discharged as described below in "—Satisfaction and Discharge." The Issuer and the Parent, together with the Trustee, may, without the consent of any holder of Notes, amend or supplement the Indenture for purposes that include:

(1) to evidence the Issuer's or the Parent's succession by another Person and the assumption by any such successor of the covenants in the Indenture, the Notes and the Guarantee;

(2) to add covenants or any additional Event of Default for the benefit of the holders of the Notes (or any other series of securities under the Indenture);

(3) to surrender any right or power conferred upon the Issuer or the Parent;

(4) to change or eliminate any provision of the Indenture if such change or elimination is effective only when there are no Notes outstanding issued prior to such change or elimination and entitled to the benefit of such provision;

(5) to secure the Notes (or any other series of securities under the Indenture);

(6) to establish the form or terms of any other series of securities as permitted under the Indenture;

(7) to add to, delete from or revise the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of debt securities, other than the Notes;

(8) to evidence the appointment of a successor trustee with respect to the Notes (or any other series of notes) and to add to or change any of the provisions of the Indenture as may be necessary to provide for or facilitate the administration of the trusts thereunder by more than one trustee;

(9) to cure any ambiguity, omission or defect or to correct or supplement any provision of the Indenture, the Notes or the Guarantee that is inconsistent with other provisions;

(10) to make any provision which does not materially adversely affect the interests of the holders of the Notes; or

(11) to conform the text of the Indenture or the Notes to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim, or substantially verbatim, recitation of a provision of the Indenture, the Notes or the Guarantee (as provided for in an Officers Certificate to the Trustee).

Legal Defeasance and Covenant Defeasance

The Issuer may, at its option and at any time, elect to have discharged all of its and the Parent's obligations with respect to the outstanding Notes and the Guarantee ("Legal Defeasance"), other than:

(1) its obligation to register, transfer and exchange certificated Notes;

(2) its obligations with respect to mutilated, destroyed, lost or stolen certificated Notes;

(3) its obligations to maintain an office or agency in the place designated for payment of the Notes and with respect to the treatment of funds held by Paying Agents;

(4) its obligation to prepare and exchange definitive Notes for any temporary Notes issued, if any;

(5) its obligation to hold, or cause the Paying Agent to hold, money in trust for the payment of principal (and premium, if any) and interest due on outstanding Notes for the benefit of such holders;

(6) certain obligations to the Trustee; and

(7) certain obligations arising in connection with such discharge of obligations.

In addition, the Issuer may, at its option and at any time, elect to have its and the Parent's obligations released with respect to the Notes and the Guarantee with respect to certain covenants that are described in the Indenture, including the covenants described in this Description of the Notes under the headings "—Certain Covenants" or "—Repurchase at the Option of Holders" ("Covenant Defeasance"), and thereafter any omission to comply with such obligations shall not constitute an Event of Default or an event which, after notice or lapse of time or both, would become an Event of Default with respect to the Notes and the Guarantee. In the event Covenant Defeasance occurs, certain events (excluding the Issuer's or the Parent's failure to pay any amount with respect to the Notes or the Issuer's or the Parent's bankruptcy, insolvency, receivership, reorganization or insolvency) described under "Events of Default" will no longer constitute an Event of Default with respect to the Notes.

The conditions the Issuer must satisfy to exercise Legal Defeasance or Covenant Defeasance include the following:

(1) The Issuer or the Parent must have irrevocably deposited with the Trustee, in trust for the benefit of the holders of the Notes, cash in U.S. dollars or U.S. Government Obligations or a combination thereof, in an amount sufficient (without reinvestment) to pay at maturity or redemption the entire amount of principal (and premium, if any) and interest on the Notes, and to pay any mandatory sinking fund or analogous payments (provided that, in the case of a Redemption Date, if the amount of cash or U.S. Government Obligations that the Issuer or Parent must have irrevocably deposited cannot be definitively calculated, the Issuer or the Parent must have irrevocably deposited an amount of cash or U.S. Government Obligations that will generate enough cash to pay principal (and premium, if any) and interest in full, without discounting, to the Redemption Date, it being understood that any excess amounts will be returned to the Issuer or, at the Issuer's direction, the Parent, promptly following the Redemption Date).

(2) No Event of Default or event which with notice or lapse of time or both would become an Event of Default with respect to the Notes or the Guarantee shall have occurred and be continuing on the date the Issuer makes the deposit (other than an Event of Default arising in connection with the substantially contemporaneous borrowing of funds to fund such deposit and the granting of any security interest securing such borrowing, in each case, other than in contemplation of an event of the type described under clause (6) of "Events of Default") or, for certain purposes, during the period ending on the 91st day after the date of such deposit, or on the day after the expiration of any longer preference periods.

(3) The Legal Defeasance or Covenant Defeasance will not cause the Trustee to have a conflicting interest as referred to in the Indenture.

(4) The Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, the Indenture (other than an Event of Default arising in connection with the substantially contemporaneous borrowing of funds to fund such deposit and the granting of any security interest securing such borrowing, other than in contemplation of an event of the type described under clause (6) of "Events of Default") or other material agreements or instruments or cause the Notes, if listed on a national securities exchange, to be delisted.

In the case of Legal Defeasance, the Issuer is also required to deliver to the Trustee an opinion of counsel stating that the Issuer has received a direct ruling from the IRS, or such a public ruling has been published, or since the date of the Indenture there has been a change in the applicable federal income tax law, such that the beneficial owners of the outstanding Notes to be defeased will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance. The opinion must state that the beneficial owners of the outstanding Notes to be defeased will be subject to U.S. federal income tax on the same amounts, in the same manner, and at the same times as would have been the case if such Legal Defeasance had not occurred.

In the case of Covenant Defeasance, the Issuer is required to deliver to the Trustee an opinion of counsel to the effect that the beneficial owners of the outstanding Notes for which such Covenant Defeasance is proposed will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred.

In either case, the U.S. Government Obligations may not be callable or redeemable at the option of the issuer of such U.S. Government Obligations. The Issuer will deliver a depository receipt issued by a bank, as defined in Section 3(a)(2) of the Securities Act, as custodian with respect to such U.S. Government Obligation or a specific payment of principal of or interest on such U.S. Government Obligation held by the custodian for the account of the Trustee, as holder of such depository receipt. The custodian shall not be authorized to make any deduction from any amount payable to the holder of the depository receipt except as required by law.

Satisfaction and Discharge

The Indenture will cease to be of further effect with respect to the Notes and the Guarantee, and the Trustee, upon the Issuer's demand and at the Issuer's expense, will execute appropriate instruments acknowledging the satisfaction and discharge of the Indenture with respect to the Notes and the Guarantee upon compliance with certain conditions, including:

(1) the Issuer or the Parent having paid all sums payable by the Issuer or the Parent under the Indenture with respect to the Notes and the Guarantee, as and when the same shall be due and payable;

(2) the Issuer having delivered to the Trustee for cancellation all Notes theretofore authenticated under the Indenture; or

(3) all Notes outstanding under the Indenture not theretofore delivered to the Trustee for cancellation shall have become due and payable, whether on the Stated Maturity Date or on a Redemption Date, or are by their terms to become due and payable within one year, and the Issuer or the Parent shall have irrevocably deposited with the Trustee sufficient cash or U.S. Government Obligations that will generate enough cash to pay principal (and premium, if any) and interest, at the Stated Maturity Date or Redemption Date, as the case may be, of all Notes outstanding under the Indenture (provided that, in the case of a Redemption Date, if the amount of cash or U.S. Government Obligations that the Issuer or Parent must have irrevocably deposited cannot be definitively calculated, the Issuer or the Parent must have irrevocably deposited an amount of cash or U.S. Government Obligations that will generate enough cash to pay principal (and premium, if any) and interest in full, without

discounting, to the Redemption Date, it being understood that any excess amounts will be returned to the Issuer or, at the Issuer's direction, the Parent, promptly following the Redemption Date).

Limited Liability of Certain Persons

The Indenture provides that none of the Issuer's or the Parent's past, present or future incorporators, stockholders, directors, officers or employees, or of any successor corporation or any of the Issuer or the Parent's Affiliates, shall have any personal liability in respect of the Issuer's or the Parent's obligations under the Indenture, the Notes or the Guarantee by reason of his, her or its status as an incorporator, stockholder, director, officer or employee. Each holder of the Notes, by accepting a Note, waives and releases all such liability. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws, and it is the view of the U.S. Securities and Exchange Commission (the "Commission") that any such waiver is against public policy.

Notices

Notices to the holders of the Notes will be given by mail at the addresses of such holders as they appear in the registry of the Notes or in accordance with the depositary's procedures for notes held in book entry form.

The Trustee

Computershare Trust Company, National Association acts as the Trustee under the Indenture. The Indenture provides that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee will exercise such rights and powers vested in it by the Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Trustee may resign at any time upon 60 days prior written notice (or less if the Issuer and the Parent agree and a successor Trustee is appointed in accordance with the provisions of the Indenture). The Trustee may be removed by us under certain limited circumstances specified in the Indenture, including if the Trustee is insolvent or bankrupt. If the Trustee resigns, is removed or if a vacancy occurs in the office of the Trustee for any reason, a successor Trustee shall be appointed in accordance with the provisions of the Indenture.

In addition to the arrangements with the Trustee pursuant to the Indenture, the Notes and the Guarantee, the Issuer and the Parent may maintain bank accounts, borrow money and have other commercial banking, investment banking and other business relationships with the Trustee and/or its Affiliates in the course of the Issuer's or the Parent's business.

Governing Law

The Indenture is, and the Notes and the Guarantee will be, governed by and construed in accordance with the laws of the State of New York, without giving effect to applicable principles of conflicts of law to the extent that application of the law of another jurisdiction would be required thereby.

Additional Information

Anyone who receives this offering memorandum may obtain a copy of the executed Indenture following the closing date of this offering without charge by writing to SMBC Aviation Capital Limited, IFSC House, IFSC, Dublin 1, Ireland, Attention: Head of Funding and Corporate Tax Group.

Certain Definitions

Certain significant terms which will be defined in the Indenture are set forth below:

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an “Affiliate” is a reference to an Affiliate of the Parent.

“Aircraft Assets” means (x) aircraft, airframes, engines (including spare engines), propellers, parts and other operating assets and PDPs relating to any of the items in this clause (x) and (y) intermediate or operating leases relating to any of the items in the foregoing clause (x).

“Capital Lease” means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with IFRS-E.U.

“Capital Stock” of a Person means equity interests in such Person, including any ordinary shares, preference shares, common stock, preferred stock, limited liability or partnership interests (whether general or limited), and all warrants or options with respect to, or other rights to purchase, the foregoing, but excluding other indebtedness (other than preferred stock) convertible into equity.

“Change of Control” means the occurrence of any of the following:

(1) any event, transaction or series of related transactions whereby a “person” or “group” (as those terms are used in Section 13(d) of the Exchange Act), other than any of the Permitted Holders, becomes the direct “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of a majority in the aggregate of the total voting power of the Parent’s Voting Stock, whether as a result of the issuance of securities by the Parent, any merger, consolidation, liquidation or dissolution of the Parent, or any direct or indirect transfer of securities issued by the Issuer or the Parent by the then beneficial owners or otherwise (for purposes of this clause, the beneficial owners shall be deemed to beneficially own any Voting Stock of a Person held by any other Person so long as the beneficial owners beneficially own (as so defined), directly or indirectly, in the aggregate a majority of the voting power of the Voting Stock of the Parent);

(2) the adoption of a plan relating to the Parent’s liquidation or dissolution; or

(3) the Parent’s merger or consolidation with or into another Person or the merger of another Person with or into the Parent, or the sale of all or substantially all of the Parent’s assets (determined on a consolidated basis in accordance with IFRS-E.U.) to another Person, in each case, other than a transaction in which the survivor or transferee is a Person whose Voting Stock is at least majority beneficially owned by the Permitted Holders.

"Comparable Treasury Issue" means the U.S. Treasury security selected by one of the Reference Treasury Dealers appointed by the Parent as having a maturity comparable to the Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to the Par Call Date.

"Comparable Treasury Price" means, with respect to any Redemption Date for the Notes:

(1) the average of at least four Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of those Reference Treasury Dealer Quotations; or

(2) if the Issuer obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations obtained by the Issuer.

“ECA Indebtedness” means any indebtedness incurred in order to fund the deliveries of Aircraft Assets, which indebtedness is guaranteed by one or more Export Credit Agencies, including guarantees thereof by the Parent or any of its Subsidiaries.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Export Credit Agencies" means collectively, the export credit agencies or other governmental authorities that provide export financing of Aircraft Assets (including, but not limited to, the Brazilian Development Bank, Compagnie Francaise d'Assurance pour le Commerce Exterieur, His Britannic Majesty's Secretary of State acting by the Export Credits Guarantee Department, Euler-Hermes Kreditversicherungs AG, the Export-Import Bank of the United States, the Export Development Canada or any successor thereto).

"Fitch" means Fitch Rating Service, Inc., and its successors.

"Governmental Authority" means:

(1) the government of:

- the U.S. or any State or other political subdivision thereof, or
- any other jurisdiction in which the Parent or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any of the Parent's properties or any of the properties of any of the Parent's Subsidiaries, or

(2) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"IFRS-E.U." means International Financial Reporting Standards as adopted by the European Union, as applicable to the Parent as of the date hereof.

"Indebtedness" means, with respect to any Person, at any time, without duplication,

(1) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(2) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(3) all liabilities appearing on its balance sheet in accordance with IFRS-E.U. in respect of Capital Leases;

(4) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(5) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money); and

(6) any guarantee of such Person with respect to liabilities of a type described in any of clauses (1) through (5) hereof.

"Investment Grade Rating" means any of: (1) a rating equal to or higher than BBB− (or the equivalent) by S&P, (2) a rating equal to or higher than BBB− (or the equivalent) by Fitch or (3) a rating equivalent to an Investment Grade Rating, as that term is defined for each of S&P and Fitch, for any other Rating Agency that provides a rating of the Notes.

"IRS" means the Internal Revenue Service of the U.S., a bureau of the U.S. Department of Treasury.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Par Call Date" means , 20 (the date that is months prior to the Stated Maturity Date).

"Paying Agent" means Computershare Trust Company, National Association, and its successors and assigns, and/or any Person the Issuer appoints as Paying Agent.

"Permitted Holders" means any of Sumitomo Mitsui Financial Group, Sumitomo Corporation and their respective Subsidiaries, without regard to any person or group that may be a beneficial owner of Sumitomo Mitsui Financial Group or Sumitomo Corporation.

"Permitted Jurisdiction" means any of the United States, any state thereof, the District of Columbia, or any territory thereof, any member state of the Pre-Expansion European Union, Norway, Switzerland, Bermuda, the Cayman Islands, Japan and Singapore.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"Pre-Expansion European Union" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"Preferred Stock" means any class of Capital Stock of a Person that is preferred over any other class of Capital Stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

"Property" or "Properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Rating Agencies" means S&P, Fitch and, subsequent to the date of the Indenture, shall include any other credit rating agency that provides a rating of the Notes, so long as that credit rating agency is properly registered with, and recognized by, the Commission as a valid nationally recognized statistical rating organization pursuant to Section 15E of the Exchange Act at all times that such credit rating agency provides a rating of the Notes.

"Ratings Event" means that at any time within 60 days (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) from the date of the public notice of a Change of Control or of the Parent's intention or that of any Person to effect a Change of Control, the rating on the Notes is lowered, and the Notes are rated below an Investment Grade Rating, by (1) one Rating Agency if the Notes are rated by two or fewer Rating Agencies or (2) at least a majority of such Rating Agencies if the Notes are rated by three or more Rating Agencies; provided, that a Ratings Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Ratings Event for purposes of the definition of Change of Control Triggering Event hereunder) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the Parent and the Trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Ratings Event).

"Redemption Date" means the date specified as such in a notice given by the Issuer to the holders of the Notes.

"Reference Treasury Dealer" means each of Citigroup Global Markets Inc., Goldman Sachs International, J.P. Morgan Securities LLC, RBC Capital Markets, LLC, a Primary Treasury Dealer (as defined below) selected by Credit Agricole Securities (USA) Inc. and SMBC Nikko Securities America, Inc. and one or more Primary Treasury Dealers appointed by the Parent and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer (a "Primary Treasury Dealer"), the Parent will substitute therefor another nationally recognized Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Issuer, of the bid and asked prices of the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Redemption Date.

“Relevant Indebtedness” means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures or other similar securities that are for the time being quoted, listed or ordinarily dealt in on any securities exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such indebtedness. For the avoidance of doubt, any amounts owed in relation to ECA Indebtedness or otherwise guaranteed by one or more Export Credit Agencies will not constitute Relevant Indebtedness notwithstanding that such amounts are incurred or guaranteed directly or indirectly by the Issuer, the Parent or any Subsidiary.

“Remaining Scheduled Payments” means, with respect to each Note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related Redemption Date but for such redemption; provided, however, that, if such Redemption Date is not an Interest Payment Date with respect to such Note, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such Redemption Date.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. and its successors.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Special Purpose Aircraft Financing Entity” means any of the Parent’s Subsidiaries or other entities formed for the purpose of purchasing or financing Aircraft Assets, related moneys and deposits and other related assets incidental thereto.

“Subsidiary” means (x) any corporation, association or similar business entity (other than a partnership, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors or trustees thereof (or Persons performing similar functions) or (y) any partnership, limited liability company, trust or similar entity of which more than 50% of the capital accounts, distribution rights or total equity, as applicable, is, in the case of clauses (x) and (y), at the time owned, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Parent.

"Treasury Rate" means, with respect to any Redemption Date for the Notes, the rate per annum equal to the semi annual equivalent yield to maturity, as determined by a Reference Treasury Dealer appointed by the Parent, of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date. The Treasury Rate will be calculated on and as of the third business day preceding the Redemption Date.

“U.S.” means United States.

“U.S. Government Obligations” means securities that are:

(1) direct obligations of the U.S. for the payment of which its full faith and credit is pledged, or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the U.S., the payment of which is unconditionally guaranteed as a full faith and credit obligation by the U.S.

"Voting Stock" means, with respect to any Person, Capital Stock (including shares, interests, membership interests, participations or other equivalents, however designated, in the equity of such Person) of any class or kind having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"We" or "our" means the parent, SMBC Aviation Capital Limited

"Wholly Owned Subsidiary" means, with respect to any Subsidiary of a Person, that all of the shares of Capital Stock or other ownership interests of such Subsidiary (except director's qualifying shares and, in the case of any Subsidiary in a jurisdiction outside the U.S., shares not exceeding 5% of total shares) are at the time, directly or indirectly, owned by such Person.

BOOK-ENTRY, DELIVERY AND FORM

The certificates representing the notes will be issued in fully registered form without interest coupons. Notes sold in reliance on Rule 144A initially will be represented by permanent global notes in fully registered form without interest coupons (each a “Restricted Global Note”) and will be deposited with the Trustee as custodian for DTC, as depositary, and registered in the name of a nominee of such depositary.

Notes sold in offshore transactions in reliance on Regulation S initially will be represented by permanent global notes in fully registered form without interest coupons (each, a “Regulation S Global Note” and, together with the Restricted Global Notes, the “Global Notes”) and will be deposited with the Trustee as custodian for DTC, as depositary, and registered in the name of a nominee of such depositary. Prior to the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “distribution compliance period”), a beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Restricted Global Note only upon receipt by the Trustee of a written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A. Beneficial interests in a Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note whether before, on or after such time, only upon receipt by the Trustee of a written certification to the effect that such transfer is being made in accordance with Regulation S.

The Global Notes (and any notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the indenture and will bear the legend regarding such restrictions set forth therein, in the indenture and as set forth under the heading “Transfer Restrictions” herein. QIBs or non-U.S. purchasers may elect to take a Certificated Security (as defined below under “Certificated Securities”) instead of holding their interests through the Global Notes, which certificated notes will be ineligible to trade through DTC (collectively referred to herein as the “Non-Global Purchasers”) only in the limited circumstances described below. Upon the transfer to a QIB of any Certificated Security initially issued to a Non-Global Purchaser, such Certificated Security will, unless the transferee requests otherwise or the Global Notes have previously been exchanged in whole for Certificated Securities, be exchanged for an interest in the Global Notes. For a description of the restrictions on transfer of Certificated Securities and any interest in the Global Notes, see “Transfer Restrictions.”

The Global Notes

We expect that, pursuant to procedures established by DTC, (i) upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the principal amount at maturity of the individual beneficial interests represented by such Global Notes to the respective accounts of persons who have accounts with such depositary (“participants”) and (ii) ownership of beneficial interests in the Global Notes will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Such accounts initially will be designated by or on behalf of the Initial Purchasers and ownership of beneficial interests in the Global Notes will be limited to participants or persons who hold interests through participants. Holders may hold their interests in the Global Notes directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

So long as DTC or its nominee is the registered owner or holder of the notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Notes for all purposes under the indenture. No beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC’s procedures, in addition to those provided for under the indenture with respect to the notes.

Payments of the principal of, and premium (if any) and interest (including additional interest, if any) on, the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Issuer, the Parent, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

We expect that DTC or its nominee, upon receipt of any payment of principal of, and premium (if any) and interest (including additional interest, if any) on, the Global Notes, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way through DTC's same-day funds system in accordance with DTC rules and will be settled in same-day funds. If a holder requires physical delivery of a Certificated Security, such holder must transfer its interest in a Global Note, in accordance with the normal procedures of DTC and with the procedures set forth in the indenture.

DTC has advised us that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the indenture, DTC will exchange the Global Notes for Certificated Securities, which it will distribute to its participants and which will be legended as set forth under the heading "Transfer Restrictions."

DTC has advised us as follows: DTC is a limited-purpose trust company organized under New York banking law, a "banking organization" within the meaning of the New York banking law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity, corporate and municipal debt issues that participants deposit with DTC. DTC also facilitates the post-trade settlement among participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between participants' accounts. This eliminates the need for physical movement of securities certificates. Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to indirect participants such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Parent, the Trustee or any paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Securities

A Global Note is exchangeable for certificated notes in fully registered form without interest coupons ("Certificated Securities") only in the following limited circumstances:

- DTC notifies the Issuer and the Parent that it is unwilling or unable to continue as depositary for the Global Notes and the Issuer and the Parent fail to appoint a successor depositary within 90 days of such notice, or

- there shall have occurred and be continuing an event of default with respect to the notes under the indenture and DTC shall have requested the issuance of Certificated Securities.

Certificated Securities may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See "Transfer Restrictions."

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the notes will be limited to such extent.

Exchanges Between Regulation S Notes and Restricted Global Notes

Prior to the expiration of the distribution compliance period, beneficial interests in the Regulation S Global Notes may be exchanged for beneficial interests in the Restricted Global Notes only if:

(1) such exchange occurs in connection with a transfer of the notes pursuant to Rule 144A; and

(2) the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) to the effect that the notes are being transferred to a person:

(a) who the transferor reasonably believes to be a QIB within the meaning of Rule 144A;

(b) purchasing for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A; and

(c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, whether before or after the expiration of the distribution compliance period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the indenture) (and any other documentation requested by the Trustee) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the distribution compliance period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Restricted Global Notes will be effected by DTC by means of an instruction originated by the Trustee through the DTC deposit/withdrawal at custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Notes and a corresponding increase in the principal amount of the Restricted Global Notes or vice versa, as applicable. Any beneficial interest in one Global Note that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion based upon present law of certain U.S. federal income tax considerations for prospective purchasers of the notes. The discussion addresses only persons that purchase notes in the original offering at their issue price, hold the notes as capital assets (generally, assets held for investment), and, if they are U.S. Holders (as defined below), use the U.S. dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as financial institutions, insurance companies, regulated investment companies, tax exempt organizations, dealers, traders who elect to mark their investment to market, persons required to accelerate the recognition of any item of gross income as a result of such income being recognized on an "applicable financial statement," and persons holding the notes as part of a hedge, straddle, conversion, constructive sale or integrated transaction) are subject to special tax regimes. The discussion does not address any state, local or non-U.S. taxes, the Medicare tax on net investment income or the federal alternative minimum tax. Prospective investors should note that no rulings have been, or are expected to be, sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS or a court will not take contrary positions.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE STATE AND LOCAL LAWS OF THE UNITED STATES, THE LAWS OF IRELAND AND THE LAWS OF ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, "U.S. Holder" means the beneficial owner of a note that for U.S. federal income tax purposes is

- a citizen or individual resident of the United States,
- a corporation organized in or under the laws of the United States or any political subdivision thereof,
- a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or that has validly elected to be treated as a U.S. person, or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

"Non-U.S. Holder" means a person that is a beneficial owner of a note other than a U.S. Holder.

The treatment of partners in a partnership that owns notes may depend on the status of such partners and the status and activities of the partnership, and such partnerships should consult their own tax advisors about the consequences to their partners of an investment in the notes.

Characterization of the Notes

The Issuer intends to take the position that the notes are indebtedness for U.S. federal income tax purposes. No ruling regarding the notes has been sought or received by the IRS, however, and there can be no assurance that the IRS will agree with the foregoing treatment. Prospective purchasers should consult their tax advisors with respect to the proper tax treatment of the notes.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances the Issuer may be required to make payments on a note that would change the yield of the note. See "Description of the Notes—Repurchase at the Option of Holders" and "Description of the Notes—Maturity, Optional Redemption." This obligation may implicate the provisions of Treasury Regulations relating to contingent payment debt instruments ("CPDIs"). According to the applicable Treasury Regulations, certain contingencies will not cause a debt instrument to be treated as a CPDI if such contingencies, as of the date of issuance, are "remote or incidental" or certain other circumstances apply. The Issuer intends to take the position that the notes are not CPDIs. This determination, however, is not binding on the IRS and if the IRS were to challenge this determination, a holder may be required to accrue income on the notes that such holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such notes before the resolution of the contingency. If the notes are not CPDIs but such contingent payments are made, it would affect the amount and timing of the income that a U.S. Holder recognizes. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the notes of the CPDI rules and other rules above and the consequences thereof. The remainder of this discussion assumes that the notes will not be treated as CPDIs.

Interest

Stated interest paid to a U.S. Holder, and any additional amounts with respect to withholding tax on the notes (including the amount of tax withheld from payments of interest and additional amounts), will be includible in the U.S. Holder's gross income as ordinary interest income at the time interest and additional amounts are received or accrued in accordance with the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes. It is expected, and the remainder of this discussion assumes, that the notes will not be issued with original issue discount for U.S. federal income tax purposes.

Interest on the notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income tax withheld on interest payments on the notes to the extent that such withholding tax constitutes a "covered withholding tax" under Treasury Regulations. Alternatively, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes; provided that, in the case of any "covered withholding tax," the U.S. Holder has elected to deduct all foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex and Treasury Regulations have imposed additional requirements that must be met for a foreign tax to be creditable (including requirements that a "covered withholding tax" be imposed on nonresidents in lieu of a generally applicable tax that satisfies the regulatory definition of a "net income tax"). U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes paid under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including redemption) of a note, a U.S. Holder generally will recognize a taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid interest, which will be taxable as interest to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will be equal to the amount that the U.S. Holder paid for the note. Any such gain or loss generally will be a capital gain or loss and generally will be a long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

Non-U.S. Holders

Subject to the discussion of backup withholding and FATCA below, and of further discussion of FATCA in "Certain Irish Tax Considerations—FATCA Implementation in Ireland" below, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax on interest and additional amounts on, or any gain with respect to, the notes. A Non-U.S. Holder also generally will not be subject to U.S. federal income tax on a net basis with respect to interest and additional amounts received in respect of the notes or a gain realized on the sale, exchange or other taxable disposition (including redemption) of the notes, unless that interest or gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States or, in the case of a gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Information reporting generally will apply to payments of principal of, and interest on, notes (including additional amounts), and to proceeds from the sale, exchange or other taxable disposition (including redemption) of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding (currently at a 24% rate) may be required on reportable payments if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, information reporting and backup withholding. Non-U.S. Holders generally will be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting and backup withholding. Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

"Specified Foreign Financial Asset" Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 (and in some circumstances, a higher threshold), may be required to file an information statement with respect to such assets with their U.S. federal income tax returns, currently on IRS Form 8938. The notes generally are expected to constitute "specified foreign financial assets" unless they are held in accounts maintained by financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the notes.

FATCA Withholding

Pursuant to FATCA, a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made on or after the date that is two years after the date of publication of final regulations defining the term "foreign passthru payment" to the extent such payments are treated as attributable to certain U.S. source payments unless a Non U.S. Holder complies with applicable certification procedures to establish that they are not subject to FATCA withholding. In addition, obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining "foreign passthru payment" are filed generally will be "grandfathered" and exempt from withholding unless the obligations are materially modified after that date. Many non-U.S. governments, including the government of Ireland, have entered into agreements with the United States to implement FATCA in a manner that alters the rules described above. Holders should therefore consult their own tax advisors on how these rules may apply to their investment in the notes. In the event any withholding under FATCA is imposed with respect to any payments on the notes, no additional amounts will be paid to compensate for the withheld amount.

Prospective investors should consult their tax advisors about the potential application of FATCA.

For additional information regarding the implementation of FATCA into Irish law, see "Certain Irish Tax Considerations—FATCA Implementation in Ireland".

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CERTAIN IRISH TAX CONSIDERATIONS

The following is a summary of certain Irish tax consequences of the purchase, ownership and disposal of the notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. The summary relates only to the position of persons who are the absolute beneficial owners of the notes and may not apply to certain classes of persons such as dealers in securities.

The summary is based upon Irish tax laws and the practice of the Revenue Commissioners of Ireland at the date of this offering memorandum, which are subject to prospective or retroactive change. The summary does not constitute tax or legal advice and the comments below are of a general nature only.

Prospective investors in the notes should consult their own advisors as to the Irish or other tax consequences of the purchase, beneficial ownership and disposal of the notes including, in particular, the effect of any state or local tax laws.

Definitions

For the purposes of this Irish taxation section, terms have the meanings as set out below:

A “Relevant Territory” is:

(a) a member state of the E.U. other than Ireland;

(b) not being such a member state, a territory with which Ireland has a signed a double taxation agreement that is in effect; and

(c) not being a territory referred to at (a) or (b), a territory with which Ireland has signed a double taxation agreement that is not yet in effect but that will come into effect upon completion of the procedures set out in section 826(1) of the Taxes Consolidation Act 1997 of Ireland, as amended (the “TCA 1997”).

A “Return Agreement” is a Specified Agreement whereby payments due under the Specified Agreement are dependent on the results of the Issuer’s business or any part of the Issuer’s business.

A “Specified Agreement” means any agreement, arrangement or understanding that:

(a) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof; and

(b) transfers to a person who is a party to the agreement, arrangement or understanding or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in an asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

A “Specified Person” means

(a) a company which directly or indirectly controls the Issuer, is controlled by the Issuer, or is controlled by a third-party which also directly or indirectly controls the Issuer; or

(b) a person or connected persons from whom assets were acquired or to whom the Issuer has made loans or advances or to whom loans or advances held by the Issuer were made or with whom the Issuer has entered into Specified Agreements, where the aggregate value of such assets, loans, advances or agreements represents not less than 75% of the aggregate value of the qualifying assets of the Issuer.

(c) With regard to "control" as noted in (a) above, a person has control of a company where that person has:

(i) the power to secure:

(A) by means of the holding of shares or in the possession of voting power in or in relation to that or any other company, or

(B) by virtue of any powers conferred by the constitution, articles of association, or other document regulating that or any other company,

that the affairs of the company are concluded in accordance with the wishes of that person, or,

(ii) significant influence over the company and holds, directly or indirectly, more than:

(A) 20% of the issued share capital

(B) 20% of the principal value of any securities issued by the company which are profit participating notes, or

(C) the right to 20% of the interest or other distributions payable in respect of any securities issued by the company which are profit participating notes.

Taxation of the Issuer

Corporation Tax

In general, Irish companies must pay corporation tax on their income at the rate of 12.5 per cent in relation to trading income and at the rate of 25 per cent in relation to income that is not income from a trade. However, section 110 of the TCA 1997 provides for particular treatment in relation to qualifying companies. A qualifying company means a company:

(a) which is resident in Ireland;

(b) which either acquires qualifying assets from a person, holds, manages or both holds and manages, qualifying assets as a result of an arrangement with another person, or has entered into a legally enforceable arrangement with another person which itself constitutes a qualifying asset;

(c) which carries on in Ireland a business of holding qualifying assets or managing qualifying assets or both, including in the case of plant and machinery acquired by the qualifying company, a business of leasing that plant and machinery;

(d) which, apart from activities ancillary to that business, carries on no other activities;

(e) which has notified an authorized officer of the Revenue Commissioners of Ireland (the "Revenue Commissioners") in the prescribed format and within the relevant time limit that it intends to be such a qualifying company; and

(f) the market value of all qualifying assets held, managed, or both held and managed, by the company or the market value of qualifying assets in respect of which the company has entered into legally enforceable arrangements is not less than EUR 10,000,000 on the day on which the qualifying assets are first acquired, first held, or a legally enforceable arrangement in respect of the qualifying assets is entered into (which is itself a qualifying asset),

but a company shall not be a qualifying company if any transaction is carried out by it otherwise than by way of a bargain made at arm's length apart from in relation to certain interest payments.

For this purpose, qualifying assets include assets which consist of, or of an interest (including a partnership interest) in financial assets, commodities or plant and machinery. Therefore, the Issuer expects that its assets should be qualifying assets for the purposes of section 110 of the TCA 1997.

The Issuer is currently and is expected to remain a qualifying company for the purpose of section 110 of the TCA 1997. As a qualifying company for the purpose of section 110 of the TCA 1997, profits arising from the Issuer's activities are chargeable to corporation tax under Case III of Schedule D of the TCA 1997 (which is applicable to non-trading income) at a rate of 25 per cent. However, for that purpose those profits are computed in accordance with the provisions applicable to Case I of Schedule D of the TCA 1997 (which is applicable to trading income).

In connection with notes issued, the interest on the notes will not be deductible where:

(a) the interest represents more than a reasonable commercial return on the principal outstanding (to the extent that the interest is in excess of a reasonable commercial return) or is dependent on the results of the Issuer's business; and

(b)

(i) at the time the interest is paid on the notes, the Issuer is in possession, or aware, of information that can reasonably be taken to indicate that the payment is part of a scheme or arrangement the main benefit or one of the main benefits of which is the obtaining of a tax relief or the reduction of a tax liability the benefit of which would be expected to accrue to a person who, in relation to the Issuer, is a Specified Person; or

(ii) the interest is paid to a person that:

(A) is not resident in Ireland; and

(B) is not a pension fund, government body or other person resident in a Relevant Territory who, under the laws of that Relevant Territory, is exempted from tax which generally applies to profits, income or gains in that territory (except where the person is a Specified Person), and

that income is not subject, without any reduction computed by reference to the amount of such interest, to a tax under the laws of a Relevant Territory, which generally applies to profits, income or gains received in the Relevant Territory by persons from outside the Relevant Territory.

The provisions at (b)(ii) above, will not apply in respect of an interest payment in respect of a quoted Eurobond within the meaning of section 64 of the TCA 1997 ("Quoted Eurobond") or a wholesale debt instrument within the meaning of section 246A of the TCA 1997 ("Wholesale Debt Instrument"), except where the interest is paid to a Specified Person and at the time the Quoted Eurobond or Wholesale Debt Instrument was issued, the Issuer was in possession, or aware, of information, including information about any arrangement or understanding in relation to ownership of the Quoted Eurobond or the Wholesale Debt Instrument after that time, which could reasonably be taken to indicate that interest which would be payable in respect of that Quoted Eurobond or Wholesale Debt Instrument would not be subject, without any reduction computed by reference to the amount of such interest, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory.

For the purposes of the above, it is expected that the notes will be Quoted Eurobonds (see further details at "Taxation of Holders of Notes—Withholding Taxes") within the meaning of section 64 of the TCA 1997.

Where a payment is made out of the assets of the Issuer under a Return Agreement that is dependent on the results of the Issuer's business or any part of its business and that interest would not be deducted in computing the profits or gains of the Issuer if the payment was to be treated for the purposes of the TCA 1997 (other than section 246 thereof) as a payment of interest in respect of securities of the Issuer other than a Quoted Eurobond or a Wholesale Debt Instrument that was dependent on the results of the Issuer's business, that payment shall not be deducted.

Separately, subject to a number of exceptions, there are additional restrictions on the deductibility of interest paid by a qualifying company within the meaning of section 110 of the TCA that is profit dependent or exceeds a reasonable commercial return to the extent that interest is paid in connection with the holding or managing of certain assets by the qualifying company. As the Issuer will not be engaged in a "specified property business" (within the meaning of section 110 of the TCA), these rules should not apply to its business.

Irish Anti-Hybrid Legislation

Finance Act 2019 implemented the anti-hybrid measures in EU ATAD and EU ATAD 2 in Ireland with effect for payments made on or after January 1, 2020. Finance Act 2021 implemented the reverse hybrid rules in Ireland with effect for payments made on or after January 1, 2022.

It is not expected that the reverse hybrid rules as implemented into Irish law should be relevant to the taxation of the Issuer as the Issuer is a company subject to corporation tax in Ireland.

The anti-hybrid rules cover four (4) broad types of hybrid mismatch situations: hybrid mismatches that result from payments under a financial instrument; hybrid mismatches that are the consequence of differences in the allocation of payments made to a hybrid entity or permanent establishment (including as a result of payments to a disregarded permanent establishment); hybrid mismatches that result from payments made by a hybrid entity to its owner or deemed payments between the head office and permanent establishment or between two or more permanent establishments; lastly, double deduction outcomes resulting from payments made by a hybrid entity or permanent establishment. ATAD 2 also provides for measures to counteract imported mismatches, i.e. it provides for the disallowance of a deduction if the corresponding income from that payment is set off directly or indirectly, against a deduction that arises under a hybrid mismatch giving rise to a double deduction or a deduction without inclusion between third countries (i.e. non-EU member states).

The hybrid rules only apply to associated enterprises unless the transaction is considered a structured arrangement. In summary, associated enterprises are defined broadly as enterprises where:

(a) One enterprise has at least 25% of the share capital of the other, or if no share capital, 25% of the ownership rights in the other.

(b) One enterprise is entitled to exercise not less than 25% of the voting power of the other.

(c) One entity is entitled to receive at least 25% of the profits distributed, if a company, or 25% share of the profits, if an entity other than a company.

(d) Another enterprise is in relation to the two enterprises an associated enterprise under any of the above tests.

(e) Both enterprises are consolidated into a set of financial accounts (or would be consolidated if consolidated accounts were prepared under IAS) and are not entities that are fair valued or held for sale.

(f) One enterprise has significant influence in the management of the other enterprise. Significant influence under this test appears to point only towards the highest level of decision making, i.e., the board.

The 25% threshold is increased to 50% in respect of double deduction mismatches, hybrid entity mismatches, permanent establishment mismatches, and imported mismatches.

A structured arrangement involves a transaction or series of transactions whereby the mismatch outcome is priced into the arrangement or the arrangement was designed to give rise to a mismatch outcome. It is not expected that the current transaction should be considered a structured arrangement.

Provided that the ultimate holder of the notes does not consolidate the Issuer into its group financial statements (and would not do so if it prepared consolidated financial statements under IAS), then it is unlikely to be an associated enterprise on the basis that it holds no equity ownership interests, no voting rights, is not acting together with another enterprise with respect to voting rights, share ownership or similar ownership rights, has no influence over the decisions, appointments, resignations of the directors of the Issuer and its limited veto rights are unlikely to be considered voting power in the Issuer. Further consideration would need to be given as to whether the ultimate note holder would be considered to be associated with the Issuer via ownership of the note and whether it could be considered to exert significant influence over the management of the Issuer.

We would anticipate that the consequences of the implementation of these rules for the Issuer could be:

- The notes should be considered to be financial instruments. Even where the eventual holders of the notes were considered to be associated with the Issuer, there should be no deduction without inclusion outcome under the financial instrument mismatch provision provided the full amount of interest paid by the Issuer to the note holders is taxed in each investor's country of residence in a tax period commencing no more than 12 months after the end of the period in which the deduction was taken, or it would be reasonable to consider that it will be taxed in a tax period subsequent to that period and the terms applicable to the payment are those that would apply to a transaction made at arm's length.
- While it would generally be expected that there should be no imported mismatches, it may be required to assess the ultimate source of funds to conclude on this issue.
- Neither the Issuer nor any of its Irish tax resident group should be considered to be a hybrid entity.
- There should be no tax residency mismatches as the Issuer and its Irish tax resident group will only be tax resident in Ireland.
- There should be no hybrid transfers.

Irish Interest Limitation Legislation

Ireland's interest limitation rules were introduced into Irish legislation by Finance Act 2021 and are in effect for all Irish tax resident companies for accounting periods beginning on or after January 1, 2022.

The interest limitation rules operate to impose a restriction on the deductibility of "exceeding borrowing costs" (which is the excess of "deductible interest equivalent" over "taxable interest equivalent") to 30% of earnings before interest, tax, depreciation and amortisation (EBITDA). Importantly "EBITDA" in the context of the Irish interest limitation rules has a particular meaning as defined within the legislation.

However, there are a number of exemptions and carve-outs from the interest limitation rules which may limit the impact of the rules on companies. The exemptions provided under the Irish interest limitation rules include the following:

- For as long as the Irish taxpayer is not in an Irish Interest Group within the meaning of the rules (see below), where the Irish taxpayer's exceeding borrowing costs are less than €3 million on an annual basis, often referred to as the *de minimis exemption*. This is a "cliff edge" test in that once the exceeding borrowing costs exceed the de-minimis amount, the full amount of exceeding borrowing costs are within the scope of the rules. However, should the exceeding borrowing costs not exceed €3 million, the interest limitation rules should not apply to the company provided it is not in an Irish Interest Group. A company must make an election to be in an Irish Interest Group for Irish tax purposes.

- Where a company is a standalone company, being a company that has no associated enterprises (within the meaning of paragraphs (a) to (d) of the anti-hybrid legislation commentary above) or permanent establishments and is not consolidated for financial statements purposes with any other entity. In these circumstances, the standalone entity should not be subject to the interest limitation rules.

- Interest in respect of Long-Term Public Infrastructure Projects, being a project to provide, upgrade, operate or maintain a 'large-scale asset' (as defined for the purpose of the Irish interest limitation rules) in the general public interest, is not within the scope of the rules.

- Interest on legacy debt, broadly, debt the terms of which were agreed before June 17, 2016, is not within the scope of the rules.

In addition to the exemptions from Irish interest limitation rules, there are group provisions that provide relief from the rules. These include the following:

- Worldwide Group: This refers to a consolidated worldwide group for accounting purposes. The indebtedness of the overall Worldwide group may provide relief from the rules by virtue of the:

    - The equity ratio rule - This ratio considers the ratio of equity to total assets. Provided the taxpayer's equity to asset ratio is equal to, or no more than two percentage points greater or less than the equity to asset ratio of the consolidated worldwide group, the interest limitation rules will not apply to restrict the deductibility of interest for the individual taxpayer.
    - The group ratio rule - The group ratio rule considers the group's exceeding borrowing costs as a percentage of the consolidated EBITDA for the group. If the group's percentage is higher than 30%, the taxpayer may use the higher figure when applying the deductibility restriction to exceeding borrowing costs (i.e., the threshold for a restriction on deductibility to apply may be higher than 30%).

- Single Company Worldwide Group: A single worldwide group is defined as a company that is not:

    - A member of a worldwide group,
    - A member of an interest group, or
    - A standalone entity.

When a company is considered to be a single company worldwide group, the equity ratio rule and group ratio rule outlined above in respect of worldwide groups can be availed of subject to certain adjustments for transactions with associated enterprises (within the meaning of paragraphs (a) to (f) above) as prescribed in the legislation which, in broad terms may mean that, provided the company is not funded by such an associated enterprise, there may be no restriction.

- Irish Interest Group: Irish tax resident entities can form an Irish Interest Group and be viewed as a single taxpayer for interest limitation rules purposes. An Irish Interest Group is defined as comprising of companies that are within the charge to Irish corporation tax and are:
    - members of the same worldwide group, or
    - where not members of the same worldwide group, deemed to be members of the same group within the provision of S.411 TCA 1997, and
    - have elected to be members of the Irish Interest Group

The election to form an Irish Interest Group must be made on or before the corporation tax return due date for the accounting period to which the election is first made and the election shall apply for a period of at least three years from the beginning of the accounting period in which the election was made.

We would anticipate that the consequences of the implementation of these rules will impact the Issuer. However, it would be generally expected that the matching interest income and expense would give rise to minimal exceeding borrowing costs for the Issuer. The Issuer's group relationship with the Parent and the creation of an Irish Interest Group would likely impact the analysis.

Stamp Duty

If the Issuer is a qualifying company within the meaning of section 110 of the TCA 1997 (the Issuer is currently such a qualifying company and it is expected that the Issuer will continue to be such a qualifying company) no Irish stamp duty will be payable on either the issue or transfer of the notes, provided that the money raised by the issue of the notes is used in the course of the Issuer's business.

Taxation of Holders of Notes

Income Tax

In general, residents of Ireland are liable to Irish taxation on their world-wide income whereas, non-residents of Ireland are only liable to Irish taxation on their Irish source income, including income from the notes and in such circumstances, subject to the exemptions outlined below. All persons are under a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

Interest paid on the notes will have an Irish source and therefore interest earned on such notes will be regarded as Irish source income for the purpose of Irish tax. Accordingly, pursuant to general Irish tax rules and in the absence of any of the applicable exemptions applying, a non-Irish resident person in receipt of such income would be technically liable to Irish income tax (and, if received by an individual, to the universal social charge where their Irish source income exceeds (currently) €13,000 in the tax year). Non-Irish resident companies, where the income is not attributable to a branch or agency of the company in Ireland, are subject to income tax at the standard rate (which is currently 20 per cent). Therefore, any withholding tax suffered should be equal to and in satisfaction of the full income tax liability (as the current rate of interest withholding tax corresponds to the standard rate). Non-Irish resident companies operating in Ireland through a branch or agency of the company in Ireland to which the income is attributable would be subject to Irish corporation tax. Irish domiciled individuals who are neither resident nor ordinary tax resident in Ireland may be subject to the domicile levy as a consequence of owning the notes.

There is an exemption from Irish income tax under section 198 of the TCA 1997 in certain circumstances.

These circumstances include:

(a) where interest is paid by a qualifying company within the meaning of section 110 of the TCA 1997 to a person that is not a resident of Ireland and that person is a resident of a Relevant Territory;

(b) where interest is paid by a company in the ordinary course of its trade or business and the recipient of the interest is a company that is a resident of a Relevant Territory and, either

    (i) such Relevant Territory imposes a tax that applies generally to interest receivable in that territory by companies from sources outside that Relevant Territory; or

    (ii) the interest paid is exempted from the charge to Irish income tax under a double taxation treaty that is in effect, or if not yet in effect, that has been signed between Ireland and the territory of which the company is a resident for tax purposes; or

(c) where the interest is exempt from withholding tax because it is payable on a Quoted Eurobond (see "Withholding Taxes" below) and is paid by a company to:

(i) a person who is not a resident of Ireland and is a resident of a Relevant Territory; or

(ii) a company controlled, whether directly or indirectly, by persons resident in a Relevant Territory under the law of that Relevant Territory, and who are not under the control, whether directly or indirectly, of a person who is, or persons who are not so resident; or

(iii) a company the principal class of shares of which is substantially and regularly traded on a stock exchange in Ireland, on a recognized stock exchange in a Relevant Territory or on such other stock exchange as is approved by the Minister for Finance of Ireland.

For the purposes of section 198 of the TCA 1997, a person is a resident of a Relevant Territory if:

(a) unless specified otherwise, in the case where the Relevant Territory is a territory which has entered into a double taxation treaty with Ireland that has the force of law under the procedures set out in section 826(1) of the TCA 1997 or that will have the force of law on the completion of the procedures set out in section 826(1), the person is regarded as being a resident of that Relevant Territory under that double taxation treaty; and

(b) in any other case, the person is by virtue of the law of the Relevant Territory resident for the purposes of tax in that Relevant Territory.

Interest on the notes which does not fall within the above exemptions is within the charge to Irish income tax. However, it is understood that the Revenue Commissioners have, in the past, operated a practice (as a consequence of the absence of a collection mechanism rather than adopted policy) whereby no action will be taken to pursue any liability to such Irish tax in respect of persons who are regarded as not being resident in Ireland except where such persons:

(a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or

(b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or

(c) are chargeable to Irish corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Revenue Commissioners will apply this practice in the case of the holders of notes and, as mentioned above, there is a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

Withholding Taxes

In general, withholding tax (currently 20 per cent as noted above) must be deducted from payments of yearly Irish source interest made by the Issuer. However, Irish tax legislation provides a range of exemptions from this obligation to operate withholding tax.

Section 64 of the TCA 1997 ("Section 64") provides for the payment of interest on a Quoted Eurobond without deduction of tax in certain circumstances. A Quoted Eurobond is defined in Section 64 as a security which:

(a) is issued by a company;

(b) is quoted on a recognized stock exchange (the Cayman Islands Stock Exchange is a recognized stock exchange for this purpose); and

(c) carries a right to interest.

There is no obligation to withhold tax on Quoted Eurobonds where:

(a) the person by or through whom the payment is made is not in Ireland, or

(b) the payment is made by or through a person in Ireland, and

  (i) the Quoted Eurobond is held in a recognized clearing system (DTC is a recognized clearing system for this purpose); or

  (ii) the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate written declaration to this effect.

Notes which are quoted on the official list of the Cayman Islands Stock Exchange or another stock exchange recognized for Irish tax purposes and cleared through a recognized clearing system will qualify as Quoted Eurobonds and the payment of interest in respect of such notes should be capable of being made without withholding tax, regardless of where the holder of notes is resident. We also anticipate that interest payments on the notes will be made by the Trustee, a paying agent located outside of Ireland. Accordingly, as long as this is the case (i.e., the notes are cleared through a recognized clearing system or the Trustee is located outside of Ireland and the notes remain quoted on the official list of the Cayman Islands Stock Exchange or another stock exchange recognized for Irish tax purposes), the exemption from withholding tax on Quoted Eurobonds described above should apply to payments of interest on the notes, without the need for written declarations.

Separately, section 246 of the TCA 1997 ("Section 246") provides certain exemptions from this general obligation to withhold tax. Section 246 provides an exemption in respect of interest payments made by a qualifying company within the meaning of section 110 of the TCA 1997 to a person resident in a Relevant Territory except where that person is a company and the interest is paid to the company in connection with a trade or business carried on in Ireland by that company through a branch or agency. Section 246 also provides an exemption in respect of interest payments made by a company in the ordinary course of business carried on by it to a company resident in a Relevant Territory and either (i) such Relevant Territory imposes a tax which generally applies to interest receivable in that territory by companies from sources outside the Relevant Territory or (ii) the interest paid is exempted from the charge to Irish income tax under a double taxation treaty that is in effect, or, if not yet in effect, that has been signed between Ireland and the territory in which the company is resident for tax purposes except where the interest is paid to the company in connection with a trade or business carried on in Ireland by that company through a branch or agency.

To date, Ireland has signed a double tax treaty with each of Albania, Armenia, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia & Herzegovina, Botswana, Bulgaria, Canada, Chile, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Ethiopia, Finland, France, Georgia, Germany, Ghana (signed but not yet in effect), Greece, Hong Kong, Hungary, Iceland, India, Israel, Italy, Japan, Kazakhstan, Kenya (signed but not yet in effect), Korea (Rep. of), Kosovo, Kuwait, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, Montenegro, Morocco, the Netherlands, New Zealand, Norway, Pakistan, Panama, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Serbia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Vietnam and Zambia. Negotiations for new agreements with Oman and Uruguay have concluded.

Encashment Tax

Interest on any note which qualifies for exemption from withholding tax on interest as a Quoted Eurobond (see above) realized or collected by an agent in Ireland on behalf of a holder of notes will generally be subject to an encashment tax at a prescribed rate of 25%. This is unless the beneficial owner of the note that is entitled to the interest is not resident in Ireland and makes a declaration in the required form. This is provided that such interest is not deemed, under the provisions of Irish tax legislation, to be the income of another person that is resident in Ireland. In addition, an exemption applies where the payment is made to a company where that company is beneficially entitled to that income and is or will be within the charge to corporation tax in respect of that income.

Deposit Interest Retention Tax (DIRT)

Interest on the notes should not be liable to DIRT on the basis that the Issuer is not a 'Relevant Deposit Taker' as defined in section 256 of the TCA 1997.

Capital Gains Tax

A holder of notes will not be subject to Irish taxes on capital gains provided that such a holder of notes is neither resident nor ordinarily resident in Ireland and such a holder of notes does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the notes are attributable. In the case of a person who is either resident or ordinarily resident in Ireland, the disposal or redemption of the notes may be liable to Irish capital gains tax at a rate of 33 per cent (currently).

Capital Acquisitions Tax

Capital acquisitions tax ("CAT") comprises principally gift and inheritance tax. A gift or inheritance of the notes will come within the charge to CAT if either:

(i) the disponer or the beneficiary in relation to the gift or inheritance is resident or ordinarily resident in Ireland. For the purposes of CAT, under current legislation, a non-Irish domiciled person will not be treated as being resident or ordinarily resident in Ireland for CAT purposes except where that person has been resident in Ireland for the purposes of Irish tax for 5 consecutive years of assessment immediately preceding the year of assessment in which the date of the gift or inheritance falls; or

(ii) the notes are regarded as property situated in Ireland. For example, if the notes are registered then they will be regarded as Irish property if the principal register of proprietary interests is maintained in Ireland, or, if in bearer form, if the instrument of ownership is located in Ireland.

On the basis that the notes are registered then they will be regarded as property situated in Ireland if the principal register of proprietary interests is maintained in Ireland. Consequently, a transfer of the notes would be within the charge to CAT regardless of the residence position of the disponer and the beneficiary.

Gifts and inheritances from spouses are exempt from Irish CAT. The rate of CAT is currently 33% and is payable if the taxable value of the gift or inheritance exceeds certain tax-free thresholds. The appropriate tax-free threshold depends on (1) the relationship between the disponer and the beneficiary and (2) the aggregation of the values of previous gifts and inheritances received by the beneficiary from persons within the same group threshold.

The person who receives the gift or inheritance is generally accountable for any CAT due.

Automatic Exchange of Financial Account Information for Tax Purposes

The automatic exchange of information regime implemented under Council Directive 2011/16/E.U. on Administrative Cooperation in the Field of Taxation (as amended by Council Directive 2014/107/E.U.) ("DAC2") provides for the implementation among E.U. member states (and certain third countries that have entered into information exchange agreements) of the automatic exchange of information in respect of various categories of income and capital and broadly encompasses the regime known as the Common Reporting Standard ("CRS") proposed by the Organization for Economic Cooperation and Development as a new global standard for the automatic exchange of information between tax authorities in participating jurisdictions.

Under the CRS, governments of participating jurisdictions have committed to collect detailed information to be shared with other jurisdictions annually.

CRS is implemented in Ireland pursuant to the Returns of Certain Information by Reporting Financial Institutions Regulations 2015, S.I. 583 of 2015, made under section 891F of the TCA 1997.

DAC2 is implemented in Ireland pursuant to the Mandatory Automatic Exchange of Information in the Field of Taxation Regulations of 2015, S.I. No. 609 of 2015 made under section 891G of the TCA 1997.

Pursuant to these Regulations, reporting financial institutions are required to obtain and report to the Revenue Commissioners annually certain financial account and other information for all non-Irish and non-U.S. account holders in respect of their accounts/note holding. The returns for such reporting financial institutions must be submitted by June 30 annually. The information must include, among other things, details of the name, address, taxpayer identification number ("TIN"), place of residence and, in the case of accountholders who are individuals, the date and place of birth, together with details relating to payments made to accountholders and their holdings. This information may be shared with tax authorities in other E.U. member states (and in certain third countries subject to the terms of Information Exchange Agreements entered into with those countries) and jurisdictions which implement the CRS. The Issuer is not currently and does not, as a result of the issuance of the notes, expect to constitute a reporting financial institution.

Prospective investors should consult their tax advisors about the potential application of CRS and DAC2.

FATCA Implementation in Ireland

The obligations of Irish financial institutions under FATCA are covered by the provisions of the Ireland/US Intergovernmental Agreement ("IGA") (signed in December 2012) and the Financial Accounts Reporting (United States of America) Regulations 2014, as amended ("the Regulations"). Under the IGA and the Regulations, any Irish financial institutions as defined under the IGA are required to report annually to the Revenue Commissioners details on its US account holders including the name, address and taxpayer identification number ("TIN") and certain other details. Such institutions have been required to amend their account on-boarding procedures in order to easily identify US new account holders and report this information to the Revenue Commissioners. Based on current Irish Revenue guidance, the Issuer is not, and does not, as a result of the issuance of notes, expect to constitute a FFI.

CERTAIN ERISA CONSIDERATIONS

Section 406 of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), prohibit employee benefit plans subject to ERISA ("ERISA Plans"), as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, "Plans"), from engaging in certain transactions involving "plan assets" (within the meaning of ERISA) with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("Parties in Interest") with respect to Plans. Any of the Issuer, the Trustee, the Registrar, the Paying Agent, the Transfer Agent, SMBC Aviation Capital, the Initial Purchasers, or any of their respective affiliates (each, a "Transaction Party") may be a Party in Interest with respect to certain Plans. Where any of the Transaction Parties is a Party in Interest with respect to a Plan (either directly or by reason of our ownership of our subsidiaries), the purchase and holding of the notes by or on behalf of the Plan may be a prohibited transaction under Section 406 of ERISA and Section 4975 of the Code, unless exemptive relief were available under an applicable prohibited transaction exemption.

Accordingly, the notes (or any interest therein) may not be purchased or held by any Plan, any entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person investing "plan assets" of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under one or more Prohibited Transaction Class Exemptions ("PTCE"), including PTCE 96 23, 95 60, 91 38, 90 1 or 84 14, issued by the United States Department of Labor or another applicable prohibited transaction exemption or exception. Any purchaser or holder of the notes or any interest therein will be deemed to have represented by its purchase and holding thereof that (a) either (i) it is not (and for so long as it holds the notes or interest therein will not be) a Plan or a Plan Asset Entity and is not (and for so long as it holds the notes or interest therein will not be) purchasing the notes (or any interest therein) on behalf of or with "plan assets" of any Plan, or a governmental plan or church plan subject to any laws or rules that are similar to the prohibited transaction provisions of ERISA or the Code or (ii) its purchase and holding of the notes or any interest therein is eligible for the exemptive relief available under an applicable exemption or exception from the prohibitions under Section 406 of ERISA and Section 4975 of the Code (or, in the case of such a governmental or church plan, will not violate any such similar laws or rules) and (b) it will not sell or otherwise transfer the notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations and agreements with respect to its purchase and holding of the notes.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to these "prohibited transaction" rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or documents. Fiduciaries or other persons considering purchasing the notes on behalf of such a plan should consult with their counsel regarding these other applicable laws, rules or documents.

Due to the complexity of the applicable rules, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of a Plan, a Plan Asset Entity or with "plan assets" of any Plan consult with their counsel regarding the relevant provisions of ERISA and the Code and the availability of exemptive relief under PTCE 96 23, 95 60, 91 38, 90 1 or 84 14, or another applicable prohibited transaction exemption or exception.

None of the Transaction Parties is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any of the notes by any Plan or Plan Asset Entity.

Each Purchaser or transferee of any notes or (or any interest therein) that is a Plan or a Plan Asset Entity will be deemed to represent, warrant and agree that (i) none of the Transaction Parties or other persons that provide marketing services, nor any of their affiliates, has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan or Plan Asset Entity ("Plan Fiduciary"), has relied as a primary basis in connection with its decision to invest in the notes, and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan, Plan Asset Entity or the Plan Fiduciary in connection with the Plan's or Plan Asset Entity's acquisition of the notes; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the notes.

PLAN OF DISTRIBUTION

SMBC Nikko Securities America, Inc., Citigroup Global Markets Inc., Credit Agricole Securities (USA) Inc., Goldman Sachs International, J.P. Morgan Securities LLC and RBC Capital Markets, LLC are acting as joint book-running managers of the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser has severally and not jointly agreed to purchase, and the Issuer has agreed to sell to each Initial Purchaser, the principal amount of the notes set forth opposite the Initial Purchaser's name.

Initial Purchasers	Principal Amount of Notes
SMBC Nikko Securities America, Inc.	$
Citigroup Global Markets Inc.	
Credit Agricole Securities (USA) Inc.	
Goldman Sachs International	
J.P. Morgan Securities LLC	
RBC Capital Markets, LLC	
Total	$

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the notes if they purchase any of the notes.

The Initial Purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum within the United States to QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the notes are offered may be changed at any time without notice.

The notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In connection with sales outside the United States made in reliance on Regulation S, the Initial Purchasers have agreed that they will not offer, sell or deliver the notes to, or for the account or benefit of, U.S. persons (i) as part of the Initial Purchaser's distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the Issue Date. The Initial Purchasers will send to each dealer to whom they sells such notes during such 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer and the Parent have agreed that, on or prior to the closing date, neither the Issuer nor the Parent, without the prior written consent of the representatives, will offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by the Issuer or the Parent. The representatives, in their sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice.

The notes will constitute a new class of securities with no established trading market. We cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the notes.

In connection with the offering, the Initial Purchasers may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the Initial Purchasers of a greater number of notes than they are required to purchase in the offering.

- Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions.

- Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for its own accounts, may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Initial Purchasers are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. In addition, affiliates of some of the Initial Purchasers are lenders, and in some cases agents or managers for the lenders, under our Global Syndication Term Loan and Revolving Credit Facilities Agreement and 2015 Revolving Credit Agreement. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. A typical such hedging strategy would include the Initial Purchasers or their affiliates hedging such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In addition, one of our affiliates, SMBC Nikko Securities Americas, Inc., is an Initial Purchaser in this transaction.

The Issuer and the Parent have agreed to indemnify the Initial Purchasers under the purchase agreement against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

The offering of the notes by the Initial Purchasers is subject to receipt and acceptance of the notes and subject to the Initial Purchasers’ right to reject any order in whole or in part.

Notice to Prospective Investors in the European Economic Area

EU PRIIPs Regulation; Prohibition of Sales to EEA Retail Investors

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129, as may be amended from time to time (as amended, the "EU Prospectus Regulation"). This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the EEA will be made pursuant to an exemption under the EU Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EU retail investor in the European Economic Area (the "EEA"). For these purposes, (a) an EU retail investor means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/E.U. (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Article 2(e) of the EU Prospectus Regulation and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes. Consequently, no key information document required by Regulation (E.U.) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the notes or otherwise making them available to EU retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

This offering memorandum is for distribution only to, and is only directed at, persons who (i) are persons falling within the categories of "investment professionals" as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are persons described in article 48(2) of the Financial Promotion Order (being individuals who have certified their net worth in the form and as required by the Financial Promotion Order, or (iv) are persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. This offering memorandum may not be forwarded or distributed to any person in the UK which is not a relevant person.

This offering memorandum is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "UK Prospectus Regulation").

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (iii) not a qualified investor as defined in Article 2(e) of Regulation (EU) 2017/1129 (as amended) as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements*, *Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglaise seulement.

Notice to Prospective Investors in Ireland

No action may be taken with respect to the notes in Ireland otherwise than in conformity with the provisions of (a) the European Union (Markets in Financial Instruments) Regulations 2017 (as amended) of Ireland ("MiFID Regulations"), or any codes of conduct issued in connection therewith and the provisions of the Investor Compensation Act 1998 of Ireland (as amended), (b) the Companies Act 2014 of Ireland (as amended), the Central Bank Acts 1942 to 2023 of Ireland (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 of Ireland (as amended) and (c) Regulation (E.U) 2017/1129 of the European Parliament and of the Council of June 14, 2017 (as amended), the European Union (Prospectus) Regulations 2019, Regulation (E.U.) No. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (as amended), the European Union (Market Abuse) Regulations 2016 of Ireland (as amended) and any rules and guidance issued under Section 1363 or Section 1370 of Companies Act 2014 of Ireland by the Central Bank of Ireland.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the notes has been or may be issued or has been or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The notes offered in this offering memorandum have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended, the "FIEA") in reliance upon the exemption from the registration requirements by qualifying the private placement to qualified institutional investors only as provided for in "i" of Article 2, Paragraph 3, Item 2 of the FIEA. A transferor of the notes shall not transfer or resell them except where a transferee is a qualified institutional investor under Article 10 of the Cabinet Office Ordinance concerning Definitions provided in Article 2 of the Financial Instruments and Exchange Act of Japan (the Ministry of Finance Ordinance No. 14 of 1993, as amended). Otherwise, the notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except pursuant to any other exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "SFA") pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities;

securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or arises from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Switzerland

The offering of the notes is not a public offering in Switzerland. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland within the meaning of the Swiss Financial Services Act ("FinSA"). This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to the FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland. The notes offered hereby will not be listed on the SIX Swiss Exchange Ltd or on any other trading venue (exchange or multilateral trading facility) in Switzerland, and, therefore, the documents relating to the notes offered hereby, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the FinSA and the listing rules of the SIX Swiss Exchange Ltd and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd or any other Swiss trading venue.

Neither this offering memorandum nor any other offering or marketing material relating to the offering nor the notes have been or will be filed with or approved by any Swiss regulatory authority. The notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA (FINMA), and investors in the notes will not benefit from protection or supervision by such authority.

TRANSFER RESTRICTIONS

The notes are subject to restrictions on transfer as summarized below. By purchasing the notes, you will be deemed to have made the following acknowledgments, representations to and agreements with the Issuer, the Parent and the Initial Purchasers:

You acknowledge that:

- the notes have not been and will not be registered under the Securities Act or the securities laws of any jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and

- the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below.

You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Issuer or the Parent, that you are not acting on their behalf and that either:

- you are a QIB (as defined in Rule 144A under the Securities Act) and are purchasing the notes for your own account or for the account of another QIB, and you are aware that the Initial Purchasers are selling the notes to you in reliance on Rule 144A; or

- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing the notes in an offshore transaction in accordance with Regulation S.

You acknowledge that none of the Issuer, the Parent or the Initial Purchasers nor any person representing the Issuer, the Parent or the Initial Purchasers has made any representation to you with respect to the Issuer, the Parent or the offering or sale of the notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the notes. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers as to the accuracy or completeness of such materials and you agree that you have had access to such financial and other information concerning the Issuer, the Parent and the notes as you have deemed necessary in connection with your decision to purchase the notes, including an opportunity to ask questions of and request information from the Initial Purchasers, the Issuer and the Parent.

You represent that you are purchasing the notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the notes pursuant to Rule l44A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the notes, and each subsequent holder of the notes by its acceptance of the notes will agree, that until the end of the Resale Restriction Period (as defined below), the notes may be offered, sold or otherwise transferred only:

(a) to the Issuer or the Parent;

(b) under a registration statement that has been declared effective under the Securities Act;

(c) for so long as the notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a QIB that is purchasing for its own account or for the account of another QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales to non-U.S. persons in offshore transactions within the meaning of Regulation S under the Securities Act and in accordance with the laws applicable to it in the jurisdiction in which such purchase is made; or

(e) under any other available exemption from the registration requirements of the Securities Act.

Subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller's or account's control and, in each case, in compliance with the securities laws of any applicable U.S. state or any other applicable jurisdiction.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the closing date and the last date that the Issuer, the Parent or any of their affiliates were the owner of the notes or any predecessor of the notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends (except in the case of our affiliates);

- the Issuer, the Parent and the Trustee reserve the right to require in connection with any offer, sale or other transfer of the notes under clauses (d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer, the Parent and the Trustee; and

- each note will contain a legend substantially to the following effect:

THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR IN THE CASE OF RULE 144A NOTES, AND 40 DAYS IN THE CASE OF REGULATION S NOTES, AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER OR THE PARENT, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH PURCHASER IN THE JURISDICTION IN WHICH SUCH PURCHASE IS MADE OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

You agree that you will give to each person to whom you transfer notes notice of any restrictions on transfer of such notes.

You also acknowledge that (A) you either (i) are not (and for so long as the notes or any interest therein are held will not be) and are not acting on behalf of (and for so long as the notes or any interest therein are held will not be acting on behalf of) an "employee benefit plan" as defined in and subject to Title I of ERISA, a "plan" described in Section 4975(e)(1) and subject to Section 4975 of the Code, or a person investing "plan assets" (within the meaning of ERISA), any entity whose underlying assets are deemed for purposes of ERISA or the Code to include "plan assets" by reason of an employee benefit plan's or plan's investment in the entity or a governmental plan or church plan subject to any laws or rules that are similar to the prohibited transaction provisions of ERISA or the Code, or (ii) represent that your purchase and holding of the notes or any interest therein is eligible for the exemptive relief available under an applicable exemption or exception from the prohibitions under Section 406 of ERISA and Section 4975 of the Code (or, in the case of such a governmental or church plan, will not violate any such similar laws or rules) and (B) you will not sell or otherwise transfer the notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations and agreements with respect to its purchase and holding of the notes and any interest therein.

You acknowledge that each note will contain a legend substantially to the following effect:

EACH PURCHASER OR TRANSFEREE OF ANY NOTES (OR ANY INTEREST THEREIN) THAT IS A PLAN OR A PLAN ASSET ENTITY WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) NONE OF THE TRANSACTION PARTIES OR OTHER PERSONS THAT PROVIDE MARKETING SERVICES, NOR ANY OF THEIR AFFILIATES, HAS PROVIDED, AND NONE OF THEM WILL PROVIDE, ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE PLAN OR PLAN ASSET ENTITY ("PLAN FIDUCIARY"), HAS RELIED AS A PRIMARY BASIS IN CONNECTION WITH ITS DECISION TO INVEST IN THE NOTES, AND THEY ARE NOT OTHERWISE ACTING AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, TO THE PLAN, THE PLAN ASSET ENTITY OR THE PLAN FIDUCIARY IN CONNECTION WITH THE PLAN'S OR PLAN ASSET ENTITY'S ACQUISITION OF THE NOTES; AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THE NOTES.

You acknowledge that the Issuer, the Parent, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the notes is no longer accurate, you will promptly notify the Issuer, the Parent and the Initial Purchasers. If you are purchasing any of the notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

You confirm that none of the Issuer, the Parent or the Initial Purchasers, nor any person acting on the Issuer, the Parent or the Initial Purchasers' behalf, has offered to sell the notes by, and that it has not been made aware of the offering of the notes by, any form of general solicitation or general advertising.

You acknowledge that the Trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer, the Parent and the Trustee that the restrictions set forth in this section have been complied with.

LEGAL MATTERS

The validity of the notes offered hereby and certain legal matters in connection with this offering will be passed upon for us by Milbank LLP as to matters of U.S. Federal and New York law and McCann FitzGerald LLP as to matters of Irish law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Clifford Chance US LLP.

INDEPENDENT AUDITORS

The consolidated financial statements of SMBC Aviation Capital Limited as of March 31, 2023, 2022 and 2021 and for each of the years then ended, included in this offering memorandum, have been audited by KPMG Chartered Accountants, independent auditors, as stated in their reports appearing herein.

The non-statutory consolidated financial statements of SMBC Aviation Capital Management Limited as of and for the year ended December 31, 2021 and for each of the years then ended, included in this offering memorandum, have been audited by KPMG Chartered Accountants, independent auditors as stated in their reports appearing herein.

With respect to the unaudited interim financial information of SMBC Aviation Capital Limited as of and for the nine months ended December 31, 2022, included herein, KPMG Chartered Accountants, independent auditors, have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit, and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

With respect to the unaudited interim financial information of SMBC Aviation Capital Management Limited as of and for the nine months ended September 30, 2022, included herein, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit, and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

AVAILABLE INFORMATION

This offering memorandum summarizes documents that are not delivered herewith. Copies of certain documents are available at your request, without charge, for physical inspection from SMBC Aviation Capital Limited at IFSC House, IFSC, Dublin 1, Ireland, including, for as long as the notes shall be outstanding, the Certificate of Incorporation on Change of Name of the Parent, dated June 8, 2012 and the Certificate of Incorporation on Conversion to a Private Company Limited by Shares, dated September 14, 2016, the Constitution of the Parent, the Certificate of Incorporation of the Issuer, dated February 10, 2016, the Constitution of the Issuer, SMBC Aviation Capital's annual reports and the indenture governing the notes.

Neither the Issuer nor the Parent is subject to the information requirements of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). Each of the Issuer and the Parent agree that, for so long as it is not subject to the information requirements of the Exchange Act, upon the request of any holder of the notes, or by any holder of an interest in a global note representing the notes, it will furnish, or cause to be furnished, to such holder or to a prospective purchaser of such notes designated by such holder, the information specified in Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with resales of the notes.

You should rely only upon the information provided in this offering memorandum. The Issuer and the Parent have not authorized anyone to provide you with different information. You should not assume that the information in this offering memorandum is accurate as of any date other than the date of this offering memorandum.

INDEX TO FINANCIAL STATEMENTS

<u>SMBC AVIATION CAPITAL MANAGEMENT LIMITED</u>

Unaudited Consolidated Financial Statements as of and for the Nine Months Ended September 30, 2022

Audited Non-Statutory Consolidated Financial Statements as of and for the Year Ended December 31, 2021

INDEPENDENT AUDITOR'S REPORT FOR THE NINE MONTHS ENDED DECEMBER 31, 2022

Conclusion

We have been engaged by SMBC Aviation Capital Limited ("the Group") to review the Group's condensed set of consolidated interim financial statements in the interim financial report for the nine months ended 31 December 2022 which comprises condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated interim financial statements in the interim financial report for the nine months ended 31 December 2022 is not prepared, in all material respects in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as adopted by the EU.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (Ireland) 2410") issued for use in Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the interim financial report to identify material inconsistencies with the information in the condensed set of consolidated interim financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors.

The Directors are responsible for preparing the condensed set of consolidated interim financial statements included in the interim financial report in accordance with IAS 34 as adopted by the EU.

As disclosed in note 1, the annual financial statements of the Group for the year ended 31 March 2022 are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In preparing the condensed set of consolidated interim financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of consolidated interim financial statements in the interim financial report based on our review.

Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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

This report is made solely to the Group in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Group those matters we are required to state to it in this 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 Group for our review work, for this report, or for the conclusions we have reached.

KPMG 27 February 2023
Chartered Accountants
1 Harbourmaster Place,
IFSC,
Dublin 1

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 31 December 2022

	Note	Unaudited 9 months ended 31 December 2022 US $'000	Unaudited 9 months ended 31 December 2021 US $'000	Audited Year ended 31 March 2022 US $'000
CONTINUING OPERATIONS				
Income				
Lease revenue	3	884,241	906,142	1,371,721
Other revenue	3	6,874	8,769	10,833
Total revenues		891,115	914,911	1,382,554
Other operating income	4	26,575	32,351	124,276
Operating expenses		**917,690**	**947,262**	**1,506,830**
Depreciation	8	(273,434)	(382,921)	(484,213)
Asset impairment / write-off	8	(31,595)	(53,030)	(1,686,034)
Credit impairment (charge) / credit	13	(8,736)	14,390	35,364
Financial asset impairment	6	-	-	(16,592)
Operating expenses	5	(117,904)	(78,332)	(104,167)
PROFIT / (LOSS) FROM OPERATING ACTIVITIES		**486,021**	**447,369**	**(748,812)**
Finance income	6	174,158	80,143	108,155
Finance expense	6	(517,201)	(347,828)	(474,419)
Break gains / (losses)	6	124,283	(592)	(817)
Net trading gain	6	-	576	576
NET FINANCE COSTS		**(218,760)**	**(267,701)**	**(366,505)**
PROFIT / (LOSS) BEFORE TAXATION		**267,261**	**179,668**	**(1,115,317)**
Tax (expense) / credit	7	(33,434)	(22,173)	140,418
PROFIT / (LOSS) FROM CONTINUING OPERATIONS		**233,827**	**157,495**	**(974,899)**
OTHER COMPREHENSIVE INCOME				
Cash flow hedges - effective portion of changes in fair value		207,109	16,830	231,245
Cash flow hedges - reclassified to profit or loss		556	587	781
Tax on other comprehensive income		(25,958)	(2,177)	(29,003)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD / YEAR, NET OF TAX		**181,707**	**15,240**	**203,023**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD / YEAR		**415,534**	**172,735**	**(771,876)**

The notes on pages 11 to 30 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Note	Unaudited 31 December 2022 US $'000	Audited 31 March 2022 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	21,944,464	13,729,560
Intangible assets		2,300	3,601
Advances to OEMs	10	25,216	44,771
Finance lease and loan receivables	11	574,047	586,982
Lease incentive assets	14	141,942	68,383
Derivative financial instruments		152,421	24,851
		22,840,390	14,458,148
CURRENT ASSETS			
Advances to OEMs	10	19,686	563,585
Assets held for sale	15	104,148	34,787
Finance lease and loan receivables	11	41,708	46,021
Trade and other receivables	13	287,288	212,299
Cash and cash equivalents	12	1,394,226	994,274
Lease incentive assets	14	41,036	19,769
		1,888,092	1,870,735
TOTAL ASSETS		24,728,482	16,328,883
EQUITY			
Share capital	19	2,249,513	887,513
Other components of equity	20	578,444	396,737
Retained earnings		1,284,599	1,050,772
TOTAL EQUITY		4,112,556	2,335,022
NON-CURRENT LIABILITIES			
Trade and other payables	16	1,003,217	464,224
Borrowings	17	15,507,274	11,301,193
Deferred tax liabilities		342,338	242,472
Derivative financial instruments		27,403	106,737
Subordinated liabilities	18	300,000	300,000
		17,180,232	12,414,626
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	15	2,000	2,773
Trade and other payables	16	824,254	421,778
Borrowings	17	2,609,440	1,154,478
Derivative financial instruments		-	206
		3,435,694	1,579,235
TOTAL LIABILITIES		20,615,926	13,993,861
TOTAL EQUITY AND LIABILITIES		24,728,482	16,328,883

The notes on pages 11 to 30 are an integral part of these unaudited condensed consolidated interim financial statements.

Director   Director

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2022

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Retained earnings US $'000	Total Equity US $'000
BALANCE AT 1 APRIL 2021		887,513	470,555	(276,841)	2,025,671	3,106,898
Total comprehensive income						
Profit for the period		-	-	-	157,495	157,495
Other comprehensive income for the period..		-	-	15,240	-	15,240
		-	-	15,240	157,495	172,735
BALANCE AT 31 DECEMBER 2021		887,513	470,555	(261,601)	2,183,166	3,279,633
Total comprehensive income........................						
Loss for the period..		-	-	-	(1,132,394)	(1,132,394)
Other comprehensive income for the period		-	-	187,783	-	187,783
		-	-	187,783	(1,132,394)	(944,611)
BALANCE AT 31 MARCH 2022................	19 / 20	887,513	470,555	(73,818)	1,050,772	2,335,022
Issue of preference shares		1,362,000	-	-	-	1,362,000
Total comprehensive income						
Profit for the period		-	-	-	233,827	233,827
Other comprehensive income for the period..		-	-	181,707	-	181,707
		-	-	181,707	233,827	415,534
BALANCE AT 31 DECEMBER 2022	19 / 20	2,249,513	470,555	107,889	1,284,599	4,112,556

The notes on pages 11 to 30 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine months ended 31 December 2022

	Note	Unaudited 9 months ended 31 December 2022 US $'000	Unaudited 9 months ended 31 December 2021 US $'000	Audited Year ended 31 March 2022 US $'000
PROFIT / (LOSS) BEFORE TAX		267,261	179,668	(1,115,317)
Adjustments for:				
Depreciation of property, plant and equipment	8	273,434	382,921	484,213
Impairment / write-off charge of property, plant and equipment	8	31,595	53,030	1,686,034
Amortisation of computer software intangible assets		1,137	617	857
Lease incentive asset amortisation	3	28,746	10,544	18,760
Credit impairment charge / (credit) on trade debtors		8,736	(14,390)	(35,364)
Financial asset impairment		-	-	16,592
Net interest expense		219,092	267,629	366,489
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		-	(576)	(576)
Profit on disposal of assets held under operating leases	4	(8,644)	(21,337)	(69,327)
		821,357	858,106	1,352,361
Decrease in receivables		8,118	35,913	28,750
Increase / (decrease) increase in payables		53,420	(77,930)	(187,884)
CASH GENERATED BY OPERATIONS		882,895	816,089	1,193,227
Income taxes paid		(2,335)	(560)	(586)
Interest paid		(190,739)	(300,447)	(380,128)
NET CASH FROM OPERATING ACTIVITIES		689,821	515,082	812,513
INVESTING ACTIVITIES				
Proceeds on disposal of property, plant and equipment		804,800	363,741	965,918
Purchases of property, plant and equipment		(2,167,226)	(2,477,850)	(3,140,904)
Purchases of intangible assets		(1,544)	(984)	(1,376)
Net investment in business combination	2	(1,310,208)	-	-
NET CASH USED IN INVESTING ACTIVITIES		(2,674,178)	(2,115,093)	(2,176,362)
FINANCING ACTIVITIES				
Proceeds from issuance of share capital		1,362,000	-	-
Receipts (to) / from restricted cash accounts		(112,084)	196,200	361,700
Repayment of obligations under finance leases		-	(2,498)	(5,752)
Proceeds from indebtedness		3,366,832	2,559,269	2,947,802
Repayments of indebtedness		(2,342,932)	(1,312,803)	(1,399,635)
NET CASH FROM FINANCING ACTIVITIES		2,273,816	1,440,168	1,904,115
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(1,591)	(614)	(1,347)
NET INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		287,868	(160,457)	538,919
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD / YEAR		994,274	455,355	455,355
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD / YEAR	12	1,282,142	294,898	994,274
Unrestricted cash and cash equivalents as above	12	1,282,142	294,898	994,274
Restricted cash as reported	12	112,084	165,500	-
Total cash and cash equivalents	12	1,394,226	460,398	994,274

The notes on pages 11 to 30 are an integral part of these unaudited condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Significant Accounting Policies

SMBC Aviation Capital (the "Company") is a company incorporated and domiciled in Ireland. The address of its registered office is IFSC House, International Financial Services Centre, Dublin 1, Ireland.

The Unaudited Condensed Consolidated Interim Financial Statements have been 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 in accordance with IAS 34.

The accounting policies and presentation applied by the Group in the preparation of these Unaudited Condensed Consolidated Interim Financial Statements are consistent with those set out on pages 17 to 24 of the Group's Consolidated Financial Statements for the year ended 31 March 2022.

a. Basis of preparation

The Unaudited Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments. Highlights of the principal accounting policies are set out below, the full listing of which can be found in the Group's Consolidated Financial Statements for the year ended 31 March 2022 as noted above.

The Unaudited Condensed Consolidated Interim Financial Statements for the nine months ended 31 December 2022 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as issued by the International Accounting Standards Board and as adopted by the European Union. They do not include all the information and disclosures necessary for a complete set of IFRS compliant financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Group financial position and performance since the last annual consolidated financial statements as at and the year ended 31 March 2022.

These financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS Interpretations Committee ("IFRIC") interpretations as adopted by the European Union ("EU") and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

These Unaudited Condensed Consolidated Interim Financial Statements do not comprise statutory accounts within the meaning of the Companies Act 2014. The statutory accounts for the year ended 31 March 2022 were approved by the Board of Directors on 30 June 2022, and contained an unqualified audit report.

The Company's functional currency is the US Dollar, being the currency of the airline industry in which the Group operates. All financial information presented in US Dollar has been rounded to the nearest US Dollar unless otherwise stated.

These financial statements, which should be read in conjunction with the Management Review, have been prepared on a going concern basis and in accordance with IFRS as adopted by the European Union.

b. Estimates and judgements

The preparation of Unaudited Condensed Consolidated Interim Financial Statements requires the Group to make estimates and judgements that impact the reported amounts of assets and liabilities, income and expense.

During the period, the Group applied the following assumptions involved in the Group's accounting policies:

Note 2 – Business Combinations:

In order to account for the acquisition of Goshawk on 21 December 2022, the Group measured the assets acquired and liabilities assumed at fair value in accordance with the guidance issued under IFRS 3, 'Business Combinations'. The most significant assets acquired relate to aircraft held for lease which are recognised at fair value based on the maintenance adjusted current market values obtained from independent appraisers.

Note 8 - 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 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

Note 13 – Trade and Other Receivables:

The Group recognises an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables, loan receivables and finance lease receivables include the estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

There have been no other significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 March 2022, as set out on page 18 of the Group's Consolidated Financial Statements for the year ended 31 March 2022.

c. **Basis of consolidation**

The Unaudited Condensed Consolidated Interim Financial Statements include the interim Financial Statements of the Company and all of its subsidiaries, for the period ended and as at 31 December 2022. The Group does not have investments in associates or joint ventures as defined in IFRS.

d. **Business combinations**

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

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

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

e. **Lease component assets and liabilities**

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

f. **New standards adoption and amendments to IFRS**

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

- IFRS 3 Business Combinations: Reference to the Conceptual Framework (amendment) (IFRS 3)
- IAS 16 Property, plant and equipment: Proceeds before Intended Use (amendment) (IAS 16)
- IAS 37 Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract (amendment) (IAS 37)
- Annual Improvements 2018 – 2020

These standards had no impact on the Group. The Group has not adopted any other new or amended accounting pronouncements which have impacted the Unaudited Condensed Consolidated Interim Financial Statements.

The following amended standards and interpretations approved by the IASB will be relevant to the Group and Company, but were not effective at 31 December 2022, and have not been applied in preparing these financial statements:

- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current and Disclosure of Accounting policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)
- The impact of these amended standards and interpretations is not expected to be material.

g. **Financial risk factors**

The Group's activities expose it to a variety of financial risks: asset risk, foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Unaudited Condensed Consolidated Interim Financial Statements do not include all financial risk information and disclosures required in annual financial statements; they should be read in conjunction with the Group's Consolidated Financial Statements as at 31 March 2022. There have been no changes in the risk management department or in any risk management policies since the year end.

9. Business Combinations

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

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

The total consideration paid in cash was $1.67 billion, funded from the issuance of additional preference shares (note 19) and shareholder funding (note 17). The Company has assessed the fair value of the assets acquired and liabilities assumed in the acquisition which resulted in no material goodwill.

The following table summarises management's preliminary assessment of the fair value of the material assets acquired and liabilities assumed at the acquisition date, based on current provisional accounting for the business combination:

	21 December 2022 US $'000
Property, plant and equipment of which:	
Aircraft for hire under operating leases	6,246,061
Other property, plant and equipment	251,269
Trade and other receivables	53,696
Cash and cash equivalents	356,159
Other assets	14,851
Total assets	6,922,036
Loan amounts due to third party undertakings	(1,798,082)
Maintenance reserve	(358,770)
Lessor contributions	(82,926)
Security deposits	(51,989)
Deferred tax	(42,588)
Other creditors and deferred income	(84,978)
Total liabilities	(2,419,333)
Fair value of net assets	4,502,703
Funding provided to settle existing debt	(2,836,336)
Consideration paid	(1,666,367)
Goodwill	-

Revenue and profit contribution

Revenue included in the statement of comprehensive income contributed by the acquired business since 21 December 2022 was $19.9 million. The acquired business also contributed net income of $3.1 million for the period.

Acquisition related costs

Costs related to the acquisition and integration of Goshawk of $21.7 million are included in general and administrative expenses (note 5) in the consolidated statement of comprehensive income and in operating cash flows in the statement of cash flows.

10. Revenue

	9 months ended 31 December 2022 US $'000	9 months ended 31 December 2021 US $'000	Year ended 31 March 2022 US $'000
Operating lease revenue			
Rentals receivable	905,057	852,220	1,157,170
Lease incentive amortisation (see note 14)	(28,746)	(10,544)	(18,760)
Maintenance income	7,930	64,466	233,311
Lease revenue	884,241	906,142	1,371,721
Fee income			
Aircraft management fees	6,874	8,769	10,833
Other revenue	6,874	8,769	10,833
	891,115	914,911	1,382,554

Maintenance income above include $1.9 million recognised in respect of letters of credit which were drawn down and received as part of the termination of leasing with Russian airlines. Maintenance income for the year ended 31 March 2022 includes $149.3 million recognised following the termination of leasing with Russian airlines in relation to the release of maintenance reserves, including $76.3 million received by the Group in respect of letters of credit which were drawn down and received as part of this termination. Separately, the release of other related balances during the year ended 31 March 2022 resulted in operating lease revenue of $12.3 million, consisting of prepaid rentals receivable of $9.0 million and maintenance income from the release of lessor contributions of $6.3 million, offset by accelerated lease incentive amortisation of $3.0 million.

11. Other Operating Income

	9 months ended 31 December 2022 US $'000	9 months ended 31 December 2021 US $'000	Year ended 31 March 2022 US $'000
Profit on disposal of property, plant and equipment	8,644	21,337	69,327
Other operating income..	17,931	11,014	54,949
	26,575	32,351	124,276

Other operating income in the current period includes $3.3 million received by the Group in respect of letters of credit which were drawn down and received as part of the termination of leasing with Russian airlines, as well as insurance proceeds received by the Group as reimbursement for damage to an aircraft which was previously on lease to an airline customer where the lease was terminated and aircraft returned to the Group. Other operating income in the current and prior periods includes partial recovery amounts related to the sale of the Group's interest in the pre-petition claims against some its lessees by way of sub-participation. Other operating income for the year ended 31 March 2022 includes $20.3 million recognised following the termination of leasing with Russian airlines in relation to the release of security deposits and other related balances. This amount also includes $17.4 million received by the Group in respect of letters of credit which were drawn down and received as part of this termination in this period.

12. Operating Expenses

	9 months ended 31 December 2022 US $'000	9 months ended 31 December 2021 US $'000	Year ended 31 March 2022 US $'000
Administration expenses	(95,067)	(77,715)	(103,310)
Transaction related expenses......................................	(21,700)	-	-
Amortisation of intangible assets	(1,137)	(617)	(857)
	(117,904)	(78,332)	(104,167)

13. Net Finance Costs

	9 months ended 31 December 2022 US $'000	9 months ended 31 December 2021 US $'000	Year ended 31 March 2022 US $'000
Finance income:			
Interest income on swaps	126,395	57,983	77,780
Interest income on finance lease and loan receivables	33,628	21,825	29,871
Interest income on deposits	14,135	335	504
Total interest income	174,158	80,143	108,155
Finance costs:			
Interest payable on swaps	(140,558)	(125,881)	(169,629)
Interest payable on borrowings	(374,310)	(223,591)	(305,102)
Interest payable on security deposits	(141)	-	-
Less: Interest capitalised to the cost of aircraft (see note 17)	15,789	18,847	23,688
Bank charges, guarantee & other fees on borrowings	(17,981)	(17,203)	(23,376)
Total interest payable and related charges	(517,201)	(347,828)	(474,419)
Net interest payable	(343,043)	(267,685)	(366,264)
Break gains / (losses) related to derivatives and liability management	124,283	(592)	(817)
Net trading income:			
Fair value movement on interest rate swaps in qualifying hedging relationships	-	(1,373)	(1,373)
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	-	1,949	1,949
Net gain from financial instruments at fair value (note 17)	-	576	576

The portion of the net income from financial instruments carried at fair value relating to the ineffective portion of the fair value hedges at 31 December 2022 is nil (year ended 31 March 2022 and 9 months ended 31 December 2021: net gain of $0.6 million).

Financial asset impairment	-	-	(16,592)

Financial assets were recognised to reflect the fair value of certain sale and leaseback transactions with Russian airlines, which were written-off during the year ended 31 March 2022 following the termination of leasing with Russian airlines.

14. Taxation

a. Analysis of Tax Charge for the Period

	9 months ended 31 December 2022 US $'000	9 months ended 31 December 2021 US $'000	Year ended 31 March 2022 US $'000
Current tax charge:			
- Current period	2,121	1,524	1,952
Deferred tax - origination and reversal of temporary differences:			
- Current period	31,313	20,649	(142,370)
Tax charge / (credit)	33,434	22,173	(140,418)

b. Factors Affecting the Tax Charge / (Credit) for the Period

Profit before tax subject to tax at 12.5% (2021: 12.5%)	260,997	174,690	(1,126,941)
Profit before tax subject to tax at 28% (2021: 28%)	61	45	80
Profit before tax subject to tax at 25% (2021: 25%)	1,748	994	1,353
Profit before tax subject to tax at 16.5% (2021: 16.5%)	1,061	296	439
Profit before tax subject to tax at 8.25% (2021: 8.25%)	3,394	3,643	9,752
	267,261	179,668	(1,115,317)
Tax on profit at the rate of 12.5% (2021: 12.5%)	32,625	21,836	(140,868)
Tax on profit at the rate of 28% (2021: 28%)	17	13	22
Tax on profit at the rate of 25% (2021: 25%)	437	249	338
Tax on profit at the rate of 16.5% (2021: 16.5%)	175	49	72
Tax on profit at the rate of 8.25% (2021: 8.25%)	280	301	805
Other differences	(28)	(30)	(25)
Adjustment to assessed loss brought forward	-	-	(16)
Permanent difference - non-taxable income	(117)	(160)	(748)
Permanent difference - disallowed expenses	45	(85)	2
Tax charge / (credit)	33,434	22,173	(140,418)

15. Property, Plant and Equipment

	Aircraft for hire under operating leases US $'000	Pre- Delivery Payments US $'000	Office equipment and fixtures & fittings US $'000	Right-of-use assets US $'000	Total US $'000
COST					
At 1 April 2021	14,613,989	974,258	12,669	12,055	15,612,971
Additions	2,798,632	403,879	369	685	3,203,565
Transfers	543,214	(543,214)	-	-	-
Disposals	(1,054,428)	-	-	-	(1,054,428)
Transfer to assets held for sale (see note 15)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,860,129	834,923	13,038	12,740	17,720,830
Additions	2,658,522	148,988	412	76,796	2,884,718
Transfers	258,578	(258,578)	-	-	-
Acquired as part of business combination (see note 2)	6,246,061	245,552	19	5,698	6,497,330
Disposals	(994,299)	-	-	-	(994,299)
Transfer to assets held for sale (see note 15)	(129,729)	-	-	-	(129,729)
At 31 December 2022	24,899,262	970,885	13,469	95,234	25,978,850
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2021	1,958,100	-	11,340	5,509	1,974,949
Charge for the period	480,980	-	460	2,773	484,213
Impairment and write-off charges for the period	1,686,034	-	-	-	1,686,034
Disposals	(147,435)	-	-	-	(147,435)
Transfer to assets held for sale (see note 15)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,971,188	-	11,800	8,282	3,991,270
Charge for the period	270,852	-	394	2,188	273,434
Impairment for the period	31,595	-	-	-	31,595
Disposals	(236,332)	-	-	-	(236,332)
Transfer to assets held for sale (see note 15)	(25,581)	-	-	-	(25,581)
At 31 December 2022	4,011,722	-	12,194	10,470	4,034,386
CARRYING AMOUNT					
Net Book Value at 31 December 2022	20,887,540	970,885	1,275	84,764	21,944,464
Net Book Value at 31 March 2022	12,888,941	834,923	1,238	4,458	13,729,560

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

The value of lease and maintenance component assets included in above is $1.87 billion (31 March 2022: $109.2 million). These lease and maintenance component assets arose from the purchase of second hand aircraft and are accounted for in accordance with our policy as set out in note 1(d) of these financial statements and note 1(l) of the Group's Consolidated Financial Statements for the year ended 31 March 2022.

During the period, assets in the Group with a carrying value of $715.0 million (year ended 31 March 2022: $1.45 billion) and average age of 8.9 years (year ended 31 March 2022: 6.8 years) were subject to impairment partly due to lower realisable values and an assessment of the value of the cash flows of the leases attached discounted at a rate of 5% (year ended 31 March 2022: 5%) as well as anticipated losses on disposal of specific aircraft at 31 December 2022.

The carrying amount before impairment of these aircraft of $746.6 million (year ended 31 March 2022: $1.52 billion) was determined to be higher than the value in use, maintenance adjusted current market value or fair value less costs to sell of $715.0 million (year ended 31 March 2022: $1.45 billion) and an impairment loss of $31.6 million (year ended 31 March 2022: $69.5 million) was recognised during the period. The prior year charge related to lessees who were in default or undergoing restructuring processes due to the Covid pandemic and aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value as set out below.

Value in use includes cash flow projections of contracted and estimated lease rentals in line with market participant expectations, including reduced lease rentals for airlines that have entered restructuring proceedings. In certain instances these cash flow projections may also include potential cash outflows in respect of near-term scheduled maintenance events. Cash flow assumptions applied for these lease restructurings, and for customers with ongoing restructuring negotiations, have been assessed and the highly probable outcomes have been included in line with the customer specific circumstances. Residual values are projected based on management's view of expected return conditions of the aircraft which is based on current or expected lease redelivery conditions, or in the case of potential repossessions on an 'as is' physical condition. The impairment loss recognised takes account of both the value in use, the maintenance adjusted current market value and the fair value less costs to sell of the relevant aircraft.

The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid. There was no impairment on PDPs in the current or prior period.

On 31 December 2022, the Group classified qualifying assets with a carrying value of $104.1 million (year ended 31 March 2022: $34.8 million) as assets held for sale as they met the relevant criteria (see note 15).

In addition, the Group's 34 aircraft which remain in Russia, continue to be flown by Russian airlines despite the leasing being terminated and the requested return of such aircraft by the Group. The Group continue to be deprived of the possession and control of these aircraft. While the Group retain legal title to the aircraft, it was determined that the Group no longer had control of the aircraft which remain Russia. Consequently, the Group recognised a write off of $1.62 billion in the prior period ended 31 March 2022, representing 100% of the carrying value of the 34 aircraft in Russia.

16. Financial Instruments

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

31 December 2022	Carrying Value US $'000	Fair Value US $'000
Financial assets at fair value through profit or loss:		
Derivative financial instruments	152,421	152,421
Financial assets measured at amortised cost:		
Advances to OEMs	44,902	42,183
Finance lease and loan receivables	615,755	607,103
Trade and other receivables	287,288	287,288
Cash and cash equivalents	1,394,226	1,394,226
Financial assets	2,494,592	2,483,221
Financial liabilities at fair value through profit or loss:		
Derivative financial instruments	27,403	27,403
Financial liabilities measured at amortised cost:		
Trade and other payables	1,829,471	1,829,471
Borrowings	18,116,714	19,143,913
Subordinated liabilities	300,000	278,861
Financial liabilities	20,273,588	21,279,648

31 March 2022	Carrying Value US $'000	Fair Value US $'000
Financial assets at fair value through profit or loss:		
Derivative financial instruments	24,851	24,851
Financial assets measured at amortised cost:		
Advances to OEMs	608,356	604,046
Finance lease and loan receivables	633,003	634,982
Trade and other receivables	212,299	212,299
Cash and cash equivalents	994,274	994,274
Financial assets	2,472,783	2,470,452
Financial liabilities at fair value through profit or loss:		

31 March 2022	Carrying Value US $'000	Fair Value US $'000
Derivative financial instruments	106,943	106,943
Financial liabilities measured at amortised cost:		
Trade and other payables	888,775	888,775
Borrowings	12,455,671	13,376,441
Subordinated liabilities	300,000	332,138
Financial liabilities	13,751,389	14,704,297

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

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

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

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

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

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

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

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

17. Advances to OEMS

	31 December 2022 US $'000	31 March 2022 US $'000
Advances to Boeing		
Current	19,686	563,585
Non-current	25,216	44,771
	44,902	608,356

During 2020, various amounts of previously paid PDPs were reclassified as an advance to Boeing (note 8) due to the deferral and cancellation of a number of existing orders (note 22). These amounts are available as a credit against the purchase of other Boeing aircraft, goods or services or ultimately against the purchase of the deferred aircraft, earns interest and any unused balances relating to these agreements become repayable between 2023 - 2024. Credits totalling $563.4 million were applied against direct order and sale and leaseback deliveries during the current period and prior years.

In accordance with the requirements of IFRS 9 and the approach outlined in Note 1(v) of the Group's Consolidated Financial Statements for the year ended 31 March 2022, the Group performed a review of future estimated cashflows related to the advances to OEMs. Based on this review a remeasurement of $0.2 million has been recognised. This remeasurement is for accounting purposes only and on a legal basis the amount outstanding at period-end is $45.1 million.

18. Finance Leases and Loan Receivables

	31 December 2022 US $'000	31 March 2022 US $'000
Current		
Fixed rate receivables		
Finance leases	13,798	18,889
Floating rate receivables		
Loan receivables	27,910	27,132
	41,708	46,021
Non-current		
Fixed rate receivables		
Finance leases	42,807	34,781
Floating rate receivables	531,240	552,201
Loan receivables	574,047	586,982
Total finance lease and loan receivables	615,755	633,003
The maturity analysis of lease receivables, including the undiscounted lease payments to be received are as follows:		
Less than 1 year	21,381	22,665
1-2 years	6,225	4,667
2-3 years	6,225	4,667
3-4 years	33,336	4,667
4-5 years	390	30,611
Total undiscounted lease payments receivable	67,557	67,277
Unearned finance income	(10,952)	(13,607)
Net investment in finance leases	56,605	53,670

Finance lease receivables

The Group has entered into lease arrangements as a lessor that are considered to be a finance leases. The Group leases three aircraft for which substantially all of the risks and rewards of ownership have transferred, resulting in the classification of this arrangement as a finance lease.

Loan receivables

The Group held 10 aircraft during the current period and prior period on lease with airline customers. These leases do not meet the definition of a lease under IFRS 16 and therefore the amounts are classified as a loan receivables.

Finance income in the period on the net investment in finance leases and loan receivables totalled $33.6 million (9 months ended 31 December 2021: $21.8m; see note 6).

19. Cash and Cash Equivalents

	31 December 2022 US $'000	31 March 2022 US $'000
Bank account	296,835	19,654
Bank account with parent group undertakings	12,156	76,859
Short-term deposits with parent group undertakings	973,151	897,761
	1,282,142	994,274
Restricted cash	112,084	-
Cash and cash equivalents net of restricted cash	1,394,226	994,274

Included in the table above is restricted cash, when applicable, relating to a collateral call account for derivatives and secured debt facilities.

20. Trade and Other Receivables

	31 December 2022 US $'000	31 March 2022 US $'000
Trade debtors	143,269	115,582
Deferred lease receivables	68,659	61,352
Credit impairment provisions	(43,989)	(35,253)
Net lease receivables	167,939	141,681
Amounts due from parent group undertakings	-	13,028
Prepayments	53,809	37,037
Other debtors	65,540	20,553
	287,288	212,299
Age analysis of trade debtors		
Less than one month	14,198	14,255
One to two months	11,849	12,014
More than two months	117,222	89,313
	143,269	115,582

Analysis of exposure to credit risk and credit impairment provisions for trade debtors as at:

	Expected credit loss provision %		31 December 2022		31 March 2022	
	31 December 2022 %	31 March 2022 %	Gross carrying amount US $'000	Impairment loss US $'000	Gross carrying amount US $'000	Impairment loss US $'000
Category 1	0.2%	0.2%	6,713	-	440	-
Category 2	1.1%	1.1%	12,001	1	351	-
Category 3	7.2%	8.4%	17,059	446	70,373	4,298
Category 4	33% - 100%	33% - 100%	107,496	43,542	44,418	30,955
			143,269	43,989	115,582	35,253

Despite most airline customers continuing to have improved payment performance, net lease receivables have increased mainly due to the acquisition of Goshawk, which included trade receivables of $51.0 million. In addition, some airlines continue to have reduced operations and, in some cases, continue to have grounded of aircraft. Separately, one of our airline customers also entered into bankruptcy proceedings during the nine months ended 31 December 2022. The credit impairment charge in the current period of $8.7 million (year ended 31 March 2022: reversal of $35.4 million) was impacted by an increase in overall lease receivables during the period under review driven by some airlines continuing to have reduced operations and one customer entering into bankruptcy proceedings during the nine months ended 31 December 2022. The credit impairment charge is determined by classifying lessees into four categories with an appropriate provision percentage ascribed to each category depending on payment performance.

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, 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. As at 31 December 2022, the Group held letters of credit in relation to lease rentals and maintenance exposures of $465.7 million (31 March 2022: $283.9 million) in addition to $830.8 million of cash security deposits and maintenance reserves (31 March 2022: $383.4 million; see note 16).

21. Lease Incentive Assets

	31 December 2022 US $'000	31 March 2022 US $'000
Lease incentive assets	88,152	21,952
Amortised during the period / year	(28,746)	(18,760)
Additions of lease incentive assets	135,659	84,960
Sold during the period / year	(12,087)	-
	182,978	88,152
Analysed as:		
Current lease incentive assets (amortising within 12 months)	41,036	19,769
Non-current lease incentive assets (amortising after 12 months)	141,942	68,383
	182,978	88,152

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

22. Assets held for Sale and Liabilities Associated with Assets held for Sale

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

	31 December 2022 US $'000	31 March 2022 US $'000
Assets held for sale		
Property, plant and equipment – aircraft	104,148	34,787
	104,148	34,787
Liabilities associated with assets held for sale		
Security deposits	2,000	-
Maintenance reserve	-	2,773
	2,000	2,773
	102,148	32,014

At 31 December 2022, the Group classified 3 aircraft (31 March 2022: 1 aircraft) as held-for-sale as the Group had agreements for the sale of these aircraft in place which met the requirement to be classified as held-for-sale. The Group generally continues to recognise lease rental income on all aircraft in this classification, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

23. Trade and Other Payables

	31 December 2022 US $'000	31 March 2022 US $'000
Security deposits	157,805	104,831
Maintenance reserve	670,976	283,052
Lessor contributions	298,280	108,486
Prepaid lease rentals and fee income received	132,527	106,895
Trade creditors	43,100	16,876
Accrued interest - third party undertakings	61,667	39,831
Amounts due to parent group undertakings	118,316	128,121
Collateral cash received	139,600	-
Other creditors	205,200	97,910
	1,827,471	886,002
Analysed as:		
Non-current trade and other payables (payable after 12 months)	1,003,217	464,224
Current trade and other payables (payable within 12 months)	824,254	421,778
	1,827,471	886,002

As described in note 1(s) of the Group's Consolidated Financial Statements for the year ended 31 March 2022, the Group enters into derivative transactions with counterparties, which may be subject to bilateral collateral agreements. The Group monitors the fair value of its derivative transactions on a daily basis, with additional collateral paid or received as necessary. At 31 December 2022, the Group held $139.6 million of collateral cash received in relation to such derivative transactions.

Analysis of Group trade and other payables:

As at 31 December 2022	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	8,783	149,022	157,805
Maintenance reserve	171,342	499,634	670,976
Lessor contributions	35,312	262,968	298,280
Prepaid lease rentals and fee income received	131,907	620	132,527
Trade creditors	43,100	-	43,100
Accrued interest - third party undertakings	61,667	-	61,667
Amounts due to parent group undertakings	114,566	3,750	118,316
Collateral cash received	139,600	-	139,600
Other creditors	117,977	87,223	205,200
	824,254	1,003,217	1,827,471

As at 31 March 2022	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	420	104,411	104,831
Maintenance reserve	42,366	240,686	283,052
Lessor contributions	24,213	84,273	108,486
Prepaid lease rentals and fee income received	103,892	3,003	106,895
Trade creditors	16,876	-	16,876
Accrued interest - third party undertakings	39,831	-	39,831
Amounts due to parent group undertakings	124,371	3,750	128,121
Other creditors	69,810	28,100	97,910
	421,779	464,223	886,002

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.

24. Borrowings

	31 December 2022 US $'000	31 March 2022 US $'000
Loan amounts due to third party undertakings	6,406,764	3,453,766
Loan amounts due to parent group undertakings	9,716,352	6,510,365
Other debt securities issued	1,993,598	2,491,540
	18,116,714	12,455,671
The borrowings are repayable as follows:		
On demand or within one year	2,609,440	1,154,478
In the second year	887,211	1,043,481
In the third to fifth year inclusive	6,131,338	4,283,386
After five years	8,488,725	5,974,326
	18,116,714	12,455,671
Less: Amounts due for settlement within 12 months	(2,609,440)	(1,154,478)
Amounts due for settlement after 12 months	15,507,274	11,301,193

As at 31 December 2022, the Group had $7.8 billion of available capacity in place through a combination of undrawn shareholder funding ($5.1 billion), third party availability ($1.4 billion) and unrestricted cash balances. The Group has short-term debt repayment obligations (due within 12 months) totalling $2.61 billion and other current liabilities of $826.3 million. The short-term debt obligations include shareholder funding repayments of $1.34 billion, which will become available as additional capacity on repayment.

The Group closed the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018, the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. These debt securities were not designated into a qualifying hedge relationship at inception.

At 31 December 2022, the Group had $471.6 million of secured, interest-bearing borrowings, which were fully settled in January 2023. All other 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 $15.8 million (year ended 31 March 2022: $23.7 million; 9 months ended 31 December 2021: $18.8 million; note 8). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

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

			Non-cash changes		
	As at 1 April 2022 US $'000	Cash flows in the period US $'000	Fair value change US $'000	Amortisation of issuing costs US $'000	As at 31 December 2022 US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings	2,890,000	2,481,250	-	-	5,371,250
Loan amount due to parent group undertakings	2,527,759	117,519	-	-	2,645,278
	5,417,759	2,598,769	-	-	8,016,528
Fixed rate borrowings					
Loan amount due to parent group undertakings	3,982,606	3,088,468	-	-	7,071,074
Loan amounts due to third party undertakings	563,766	471,566	-	182	1,035,514
Other debt securities issued	2,491,540	(500,000)	-	2,058	1,993,598
	12,455,671	5,658,803	-	2,240	18,116,714

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

As at 31 December 2022	Average interest rate %	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	5.64	2023-2029	300,000	5,071,250	5,371,250
Loan amount due to parent group undertakings	6.31	2023-2033	1,180,871	1,464,407	2,645,278
			1,480,871	6,535,657	8,016,528
Fixed rate borrowings					
Loan amount due to parent group undertakings	5.01	2023-2034	157,335	6,913,739	7,071,074
Loan amounts due to third party undertakings	3.38	2023-2031	471,566	563,948	1,035,514
Other debt securities issued	2.97	2023-2028	499,668	1,493,930	1,993,598
			2,609,440	15,507,274	18,116,714

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

25. Subordinated Liabilities

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

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan has since been extended to February 2039 and can be extended further with the agreement of both parties.

26. Share Capital

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

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

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

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

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

27. Other Components of Equity

	31 December 2022 US $'000	31 March 2022 US $'000
Share premium	261,102	261,102
	261,102	261,102
Capital contribution	207,486	207,486
Other reserve	1,967	1,967
Cash flow hedge reserve	107,889	(73,818)
Total other reserves	578,444	396,737

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 shareholder.

As described in note 1(c) of the Group's Consolidated Financial Statements for the year ended 31 March 2022, for newly acquired subsidiaries, the Group adjusts the carrying value of assets and liabilities to reflect the Group's accounting policies. At 31 March 2013, the Group acquired a new subsidiary (SMBC Aviation Capital Aircraft Holdings B.V.; now liquidated) as part of a common control transaction. The impact of harmonising the Group's accounting policies was that the maintenance reserves of SMBC Aviation Capital Aircraft Holdings B.V. were reduced by $2.633 million at 31 March 2013, with a related increase in deferred tax liabilities of $0.658 million. The difference, a net amount of $1.967 million being a transaction with shareholder, was reflected in the other reserve.

28. Related Parties

The Group's ultimate parent companies are Sumitomo Mitsui Financial Group (66%) and Sumitomo Corporation (34%). All transactions with related parties continue to be made on terms equivalent to those that prevail in arm's length transactions. There has been no significant change in related party relationships during the period under review.

29. Capital Commitments

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consisted of 110 A320neo aircraft (of which 20 have subsequently been converted to A321neos) and 5 A321ceo aircraft, while the Boeing order consisted of 90 Boeing 737 MAX 8 aircraft. 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 and other capital commitments totalling $0.1 billion (31 March 2022: $0.8 billion).

The combined remaining purchase commitment for orders total $8.4 billion and delivery dates are currently scheduled between 2022 and 2027 of which $1.2 billion relates to expected delivery dates within the next twelve months. These delivery dates continue to be impacted by the knock-on effect of the Covid-19 pandemic, which have impacted on certain assembly and supplier facilities.

The scheduled delivery dates also reflect an agreement concluded in May 2020 with Boeing to defer the delivery of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 and an agreement concluded in December 2020 with Boeing to cancel the delivery of 21 aircraft, with existing PDPs already paid for these aircraft reclassified as an advance to Boeing (note 9). Furthermore, an agreement was concluded with Airbus in July 2020 to defer the delivery of 23 aircraft from their original delivery dates in 2021 - 2022 to 2021 - 2026, with an additional agreement concluded with Airbus in March 2021 to defer the delivery of 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. Lastly, an additional agreement was concluded in May 2021 with Boeing for the purchase of a further 14 aircraft. All commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

In addition, the combined remaining purchase commitment for orders also includes the existing order book with Boeing and Airbus of 20 aircraft each acquired as part of the Group's acquisition of Goshawk in December 2022.

30. Contingent Liabilities

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

31. Subsequent Events

No significant events affecting the Group have occurred since 31 December 2022, which require adjustment to or disclosure in the Unaudited Condensed Consolidated Interim Financial Statements.

32. Approval of Unaudited Condensed Consolidated Interim Financial Statements

The Directors approved these Unaudited Condensed Consolidated Interim Financial Statements on 27 February 2023.

SMBC Aviation Capital Limited

Audited consolidated financial statements
as of and for the year ended March 31, 2023

DIRECTORS AND OTHER INFORMATION

DIRECTORS

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

SECRETARY

C A Ennis

REGISTERED OFFICE

IFSC House
IFSC
Dublin 1
Ireland

INDEPENDENT AUDITOR

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
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Ireland

SOLICITORS

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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 2023. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union and with those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

Principal Activities

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

The Group and Company's activities and those of the aircraft industry are undertaken predominantly in US Dollars and this is the functional currency of the Company. The consolidated financial statements are presented in US Dollars. The Group and Company is a member of the Japanese consortium of Sumitomo Mitsui Financial Group ("SMFG") and Sumitomo Corporation ("SC") (the "Consortium"). The annual reports of these entities can be obtained at: Sumitomo Corporation – http://www. sumitomocorp.com/en/jp/ir Sumitomo Mitsui Financial Group - http://www.smfg.co.jp/english/investor/financial/latest_statement.html.

Goshawk Acquisition

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

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

Performance and Strategy

The Group and Company's strategy is to work closely and build strong relationships with its airline and investor customers to meet their specific requirements, while owning and leasing the most modern, fuel efficient and desirable aircraft. The Group and Company continues to actively manage the profile of its aircraft portfolio and, as a result, has maintained a young fleet with a weighted average age of 5.1 years as at 31 March 2023 (31 March 2022: 4.1 years).

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

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

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

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

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

Russian Sanctions

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

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

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

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

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

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

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

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

Principal Risks and Uncertainties

The airline industry is cyclical and highly competitive. The Group's aircraft are under operating leases where the cost of the aircraft is expected to be substantially recovered over the term of the leases. The oversupply of a specific type of aircraft in the market could depress aircraft lease rates and values, which would affect re-lease rates.

The supply and demand of aircraft is affected by various cyclical factors including:

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

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

While global air passenger traffic continued to improve to near pre-pandemic levels during the current financial year, pressures remain on airline liquidity with additional risks highlighted by the outbreak as follows:

- reduced demand for aircraft and negative impact on lease rates
- increased lease rent deferrals
- increased lessee defaults / bankruptcy
- further delay in aircraft deliveries

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

Financing

The Group continues to benefit from its ownership structure noted above, which combines one of the world's largest financial institutions with one of the world's largest trading companies. This brings substantial financial strength and scale to the Group's offering, which we were able to leverage during the current year. The Group's financial strength is also reflected in the Group's credit rating of A- and BBB+ from Standard & Poor's and Fitch Ratings respectively (31 March 2022: Fitch Ratings: A-; Standard & Poor's: A-), positioning the business well to execute on its growth plans in the coming years.

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

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

The Group has short-term debt repayment obligations (due within 12 months) totalling $784.4 million and other current liabilities of $738.0 million. The short-term debt obligations include shareholder funding repayments of $84.6 million, which will become available as additional undrawn credit capacity on repayment. Other current liabilities include prepaid lease rentals and fee income of $148.1 million and amounts payable to direct affiliates and other parent group undertakings of $145.0 million. Maintenance reserves and lessor contributions totalling $128.8 million are also included and fall due during the remaining term of each respective lease based on the timing of expected maintenance events. These events may occur later than expected due to the high level of grounding of lessee aircraft following the Covid-19 pandemic.

Operational

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

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

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

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

Going Concern

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position are set out above, along with the financial position of the Group and Company. In addition, also as noted above, note 23 to the financial statements includes: the objectives, policies and processes for managing capital; the financial risk management objectives; details of financial instruments and hedging activities; and the exposures to credit risk and liquidity risk, to the extent that these were in place at 31 March 2023 and the preceding year.

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

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

The Group has eight aircraft off-lease at year-end and 21 aircraft on lease which are scheduled to complete their lease term within the next twelve months.

The Directors consider the cash position and resources available to the Group from its shareholders and third parties as highlighted in the Financing section as key, which, along with related forecasts, provide comfort over the sustainability of the Group and Company given the strong financial position.

Based on these factors, the Directors have a reasonable expectation that the Group has adequate liquidity and financial resources to continue in operation for at least the next twelve months and that the going concern basis of preparation remains appropriate.

People

The Group continues to develop our team to service the increased activity within our expanding aircraft operating lease base, resulting in an average number of people in the organisation during the year of 230 (2022: average of 203), consisting of both direct employees and representatives. The quality and commitment of staff in the Group, at all levels of the organisation, has been a key driving factor behind its ongoing growth and success.

Directors' Compliance Statement

The Directors of the Company acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in the Companies Act 2014 (the "2014 Act")) and, as required by section 225 of the 2014 Act, the Directors confirm that:

- 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;

- arrangements and structures have been put in place that they consider sufficient to secure material compliance with the Company's relevant obligations; and

- a review of the arrangements and structures has been conducted during the financial year to which this Directors' report relates.

Directors and Secretary

The present Directors and Secretary are listed on page 2. The following changes took place during the year and up to the date of approval:

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

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

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

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

Accounting Records

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

Political Donations

The Company did not make any political donations in the year ended 31 March 2023 (2022: $nil).

Audit Committee

The Board of Directors has considered the establishment of an audit committee and decided that it is not warranted as the Board fulfils the function by performing the duties as required by Section 167 of the Companies Act 2014. The duties performed by the Board include the oversight of:

- the integrity of the financial statements of the Group,
- compliance by the Group with legal and regulatory requirements,
- the independent auditor's qualification and independence, and
- the performance of the Group's independent auditor

Independent Auditor

KPMG, Chartered Accountants, have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Relevant Audit Information

The Directors in office at the date of this report have each confirmed that as far as they are aware, there is no relevant audit information of which the Group's auditor is unaware; and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post Balance Sheet Events

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

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

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

Approved by the Board of Directors and signed on behalf of the Board by:

P Barrett	A Kenny
Director	Director
Date: 23 May 2023	Date: 23 May 2023

Company Registration No: 270775

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

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

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

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

In preparing the Group and Company financial statements, the Directors are required to:

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

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

On behalf of the Board:

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

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

Report on the audit of the financial statements

(1) Opinion

We have audited the financial statements of SMBC Aviation Capital Limited ("the Company") and its consolidated undertakings (together "the Group") for the year ended 31 March 2023 set out on pages 10 to 61, which comprise the Consolidated statement of profit or loss and comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and related notes, including the summary of significant accounting policies set out in note 1.

The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 March 2023 and of the Group's profit for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;

- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and

- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

(2) 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.

(3) Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

(4) Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

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

(5) Opinions on other matters prescribed by the Companies Act 2014

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

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

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

(6) 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.

(7) Respective responsibilities and restrictions on use

(8) Responsibilities of Directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

(9) 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%2D9b 8f%2Da98202dc9c3a/Descriptionofauditorsresponsiblitiesfora udit.pdf

(10) 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
for and on behalf of KPMG
Chartered Accountants, Statutory
Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

23 May 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 31 March 2023

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

All income relates to continuing operations. All profits and total comprehensive income for the current and preceding financial year are attributable to the owners of the company. The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

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

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

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

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

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

P Barrett
Director
Date: 23 May 2023

A Kenny
Director
Date: 23 May 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 March 2023

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

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

COMPANY STATEMENT OF CHANGES IN EQUITY

as at 31 March 2023

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

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

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

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	Year ended 31 March 2023 US $'000	Year ended 31 March 2022 US $'000
PROFIT / (LOSS) BEFORE TAX		320,900	(1,138,884)
Adjustments for:			
Depreciation of property, plant and equipment	10	350,078	481,705
Impairment and write-off of property, plant and equipment	10	70,260	1,686,034
Amortisation of computer software intangible assets		1,158	857
Lease incentive asset amortisation	19	40,574	18,760
Credit impairment charge / (credit) on trade debtors	17	23,586	(35,364)
Financial asset impairment		-	16,592
Net interest expense		291,655	366,772
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		-	(576)
Profit on disposal of assets held under operating leases		(30,005)	(70,910)
		1,068,206	1,324,986
(Increase) / decrease in receivables		(1,218,772)	188,666
Decrease in payables		(548,117)	(250,783)
CASH GENERATED BY OPERATIONS		(698,683)	1,262,869
Income taxes paid		(1)	-
Interest paid		(274,417)	(382,361)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES		(973,101)	880,508
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		1,231,074	857,623
Purchases of property, plant and equipment		3,557,888	(3,042,161)
Purchases of intangible assets		(1,479)	(1,376)
Investment in subsidiary		(672,003)	-
Net investment in business combination		(1,310,327)	-
Loans provided to subsidiaries		(4,935,836)	(173,401)
NET CASH USED IN INVESTING ACTIVITIES:		(2,130,683)	(2,359,315)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		1,362,000	-
Receipts from restricted cash accounts		-	361,700
Repayment of obligations under finance leases		-	(5,752)
Proceeds from indebtedness		4,713,955	2,992,097
Repayments of indebtedness		(3,293,926)	(1,338,294)
NET CASH FROM FINANCING ACTIVITIES		2,782,029	2,009,751
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(343)	(686)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(322,098)	530,258
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		980,451	450,193
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	658,353	980,451
Unrestricted cash and cash equivalents as above	18	658,353	980,451
Restricted cash as reported	18	-	-
Total cash and cash equivalents	18	658,353	980,451

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Significant Accounting Policies

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

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

a. Basis of preparation

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

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

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

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

The Group's activities are capital intensive by their nature, and have been funded with a combination of equity and debt capital provided by its shareholders and third party debt financing. The ability of the Group to continue to operate is dependent upon (among other matters) its ability to meet (i) its debt repayment obligations under the respective loan agreements as set out in note 22 'Borrowings' and (ii) its future aircraft purchases as set out in note 30 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 23 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 28 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of sanctions on Russia (see note 10 'Property, plant and equipment') and ongoing developments in the Covid-19 situation on the Group and its customers. The Directors have considered the cash position, existing equity and resources available to the Group, which, along with related forecasts, provide comfort over the sustainability of the Group and Company. If the effects of either the Russian situation or the Covid-19 outbreak are deeper or more prolonged than currently expected, there would be a likely impact on future reporting periods. The Directors continue to keep the situation and the impact on the Group under review, with the support of the key service providers.

b. Estimates and judgements

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

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

Note 2 – Business Combinations:

In order to account for the acquisition of Goshawk on 21 December 2022, the Group measured the assets acquired and liabilities assumed at fair value in accordance with the guidance issued under IFRS 3, 'Business Combinations'. The most significant assets acquired relate to aircraft held for lease which are recognised at fair value based on the maintenance adjusted current market values obtained from independent appraisers.

Note 10 - Property, Plant and Equipment:

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

Note 17 – Credit impairment provisions

The Group recognises an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables, loan receivables and finance lease receivables include the estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

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

c. **Basis of consolidation**

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries, drawn up to 31 March 2023. The Group does not have investments in associates or joint ventures as defined in IFRS.

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

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

(a) 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.

(b) Common control transactions

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

d. **Business combinations**

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

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

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

e. **Investment in subsidiaries**

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

f. **Income under finance and operating leases**

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

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

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

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

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

g. **Lease component assets and liabilities**

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

h. **Fee income**

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

i. Borrowing costs

Borrowing costs attributable to the acquisition of aircraft not yet delivered are capitalised as part of aircraft cost, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. All other borrowing costs are recognised as an expense in the period in which they are incurred.

j. Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside the income statement which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the period arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the reporting date.

k. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

i. As a lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Group and Company's net investment outstanding in respect of the leases.

ii. As a lessee

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

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

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

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

l. **Foreign currency**

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the profit or loss for the period.

m. **Property, plant and equipment**

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

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

Aircraft for hire under operating leases

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

Office equipment and fixtures & fittings

– 3 to 10 years from date when brought into use

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

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

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

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

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

n. **Maintenance component assets**

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

o. **Inventory**

Inventory consists primarily of engines and airframes which are valued at the lower of cost or market value. Cost is primarily determined using the specific identification method for individual part purchases and on an allocated basis for engines and airframes. Costs are allocated using the relationship of the cost of the engine or airframe to estimated retail sales value at the time of purchase.

p. **Intangible assets**

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

q. **Impairment of non-financial assets**

Long-term tangible and intangible assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value in use includes cash flow projections of contracted and estimated lease rentals, with probabilities assigned to such cash flows where expected outcomes may vary. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

r. **Pre-delivery payments**

Pre-delivery payments ("PDPs") are recorded in the Consolidated Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. As aircraft which are subject to PDPs are delivered, all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment. The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid.

s. **Non-current assets and liabilities held for sale**

Non-current assets (or disposals groups comprising assets and liabilities) that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale. Assets classified as held for sale must be available for immediate sale in its present condition and the sale must be highly probable. An asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

t. **Financial instruments**

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

Financial assets at fair value through other comprehensive income include investments in equity instruments which are not held for trading. All other financial assets are classified as measured at fair value through profit or loss (“FVTPL”).

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

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

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates (‘IBORs’) has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group has recognised the hedging instruments set out note 14 at fair value, which are exposed to the impact of LIBOR. The Group also has certain floating rate liabilities where the reference rate is linked to LIBOR. The Group has established a transition plan to ensure a smooth transition to alternative reference rates and has engaged with counterparties to include appropriate fallback provisions in its floating rate liabilities and hedging derivatives. New standard guidance (namely “Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16”) became effective for annual periods on or after 1 January 2021 and the Group believes that the impact for future accounting periods will not be material.

u. **Derivatives and hedge accounting**

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

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

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

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

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

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

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

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

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

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

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

v. **Provisions**

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

w. **Amounts receivable under finance leases**

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

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

x. **Loans receivable and advances to OEMs**

Loan receivables and advances to OEMs are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

y. **Cash and cash equivalents**

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

z. **Restricted cash**

Restricted cash includes cash held by the Group and Company which is ring-fenced or used as security for specific financing arrangements and to which the Group and Company does not have unfettered access.

aa. **Lease incentive accounting**

A lessor contribution liability is established at the commencement of the lease representing the best estimate of the contractually obligated contribution. In addition, a lease incentive asset is recognised for this amount, and it is amortised over the life of the associated lease as a charge against maintenance income.

Lessor contributions represent contractual obligations on the part of the Group and Company to contribute to the lessee's cost of the next planned major maintenance events, expected to occur during the lease.

bb. **Obligations under finance leases**

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

cc. **Maintenance reserves**

All cash maintenance reserves collected under the lease agreements are recognised on the Consolidated Statement of Financial Position. At the end of the lease any excess is taken to revenue. Excess supplemental income from maintenance reserve is only recognised as revenue in the income statement when the Group and Company settles the full obligation in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

dd. **Lease component assets and liabilities**

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

ee. **Pensions**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss as the related service is received from the employee.

ff. **Short term employee benefits**

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

gg. **Profit from operating activities**

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

hh. **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

ii. **New standards adoption and amendments to IFRS**

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

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

(c) Other standards, amendments to standards and interpretations not yet effective

The following amended standards and interpretations approved by the IASB will be relevant to the Group and Company, but were not effective at 31 March 2023, and have not been applied in preparing these financial statements:

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

These are all effective for annual periods beginning on or after 1 January 2023 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

34. BUSINESS COMBINATIONS

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

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

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

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

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

(d) Revenue and profit contribution

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

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

(e) Acquisition related costs

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

(11) Application of acquisition method of accounting

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

(a) Aircraft for hire under operating leases

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

(b) Other property, plant and equipment

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

Cash and cash equivalents

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

(c) Loan amounts due to third party undertakings

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

(d) Maintenance reserves

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

35. Revenue

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

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

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

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

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

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

36. Other Operating Income

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

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

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

37. Other Operating Expenses

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

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

38. Profit / Loss from Operating Activities

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

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

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

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

39. Staff Costs

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

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

40. Net Finance Costs

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

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

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

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

The portion of the net income from financial instruments carried at fair value relating to the ineffective portion of the fair value hedges at 31 March 2023 is $nil (year ended 31 March 2022: $0.58 million).

Financial asset impairment	-	(16,592)

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

41. Taxation

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

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

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

42. Property, Plant And Equipment

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

	Group Aircraft for hire under operating leases	Group Pre-Delivery Payments	Group Office equipment and fixtures & fittings	Group Right-of-use assets	Group Total
	US $'000	US $'000	US $'000	US $'000	US $'000
Impairment and write-off charges for the year	70,260	-	-	-	70,260
Disposals	(291,836)	-	-	(2,606)	(294,442)
Transfer to assets held for sale (see note 20)	(89,441)	-	-	-	(89,441)
At 31 March 2023	4,069,131	-	12,305	9,844	4,091,280
CARRYING AMOUNT					
Net Book Value at 31 March 2023	20,681,483	982,062	1,271	82,775	21,747,591
Net Book Value at 31 March 2022	12,888,941	834,923	1,238	4,458	13,729,560

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

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

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

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

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated time on the ground, estimated residual values, economic conditions, technology and airline demand for particular aircraft variants. These estimated cashflows were discounted at 6% (year ended 31 March 2022: 5%) per annum.

A sensitivity analysis was performed to determine the potential impact of the below movements in the various risk variables:

– 0.5% increase in the discount rate used

– 5% decrease in the future lease rental cashflows of each aircraft

– 5% decrease in the residual value of aircraft at end of its useful economic life

– 3 month increase in the estimated time on the ground between leases

None of the above movements in risk variables would have resulted in a material impact on the impairment charge for property, plant and equipment for the current or prior year.

The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid. There was no impairment on PDPs in the current or prior period.

The value of lease and maintenance component assets included in above is $558.66 million (31 March 2022: $109.19 million). These lease and maintenance component assets arose from the purchase of second hand aircraft and the Goshawk acquisition and are accounted for in accordance with our policy as set out in note 1(n). There were no assets subject to obligations under finance leases at 31 March 2023 or 31 March 2022.

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

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

	Company Aircraft for hire under operating leases	**Company Pre-Delivery Payments**	**Company Office equipment and fixtures & fittings**	**Company Right-of-use assets**	**Company Total**
	US $'000	**US $'000**	**US $'000**	**US $'000**	**US $'000**
COST					
At 1 April 2021	14,451,732	974,258	12,652	9,093	15,447,735
Additions	2,798,632	403,879	368	685	3,203,564
Transfers	543,214	(543,214)	-	-	-
Disposals	(941,254)	-	-	-	(941,254)
Transfer from assets held for sale (see note 20)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,811,046	834,923	13,020	9,778	17,668,767
Additions	3,093,039	214,138	538	76,796	3,384,511
Transfers	312,551	(312,551)	-	-	-
Acquired as part of business combination (see note	-	245,552	-	-	245,552
Disposals	(1,471,968)	-	-	-	(1,471,968)
Transfer to assets held for sale (see note 20)	(318,673)	-	-	-	(318,673)
At 31 March 2023	18,425,995	982,062	13,558	86,574	19,508,189

	Company Aircraft for hire under operating leases	Company Pre-Delivery Payments	Company Office equipment and fixtures & fittings	Company Right-of-use assets	Company Total
	US $'000	US $'000	US $'000	US $'000	US $'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2021	1,957,069	-	11,328	3,321	1,971,718
Charge for the year	479,153	-	457	2,095	481,705
Impairment charge for the year	1,686,034	-	-	-	1,686,034
Disposals	(144,810)	-	-	-	(144,810)
Transfer from assets held for sale (see note 20)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,970,955	-	11,785	5,416	3,988,156
Charge for the year	345,707	-	504	3,867	350,078
Impairment charge for the year	70,260	-	-	-	70,260
Disposals	(291,836)	-	-	-	(291,836)
Transfer to assets held for sale (see note 20)	(89,441)	-	-	-	(89,441)
At 31 March 2023	4,005,645	-	12,289	9,283	4,027,217
CARRYING AMOUNT					
Net Book Value at 31 March 2023	14,420,350	982,062	1,269	77,291	15,480,972
Net Book Value at 31 March 2022	12,840,091	834,923	1,235	4,362	13,680,611

43. Investment in Subsidiaries – Company

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

The Company's significant subsidiary undertakings, the capital of which consists of ordinary shares, are shown below. All share capital is wholly owned.

Owned by the Company:	Nature of business:	Country of incorporation:
SMBC Aviation Capital Ireland Leasing 3 Limited (1)	Leasing	Ireland
SMBC Aviation Capital Finance Designated Activity Company (1)	Debt issuance	Ireland
SMBC Aviation Capital Management Limited (2)	Leasing	Ireland
SMBC Aviation Capital Netherlands B.V. (3)	Leasing	Netherlands
SMBC Aviation Capital Hong Kong Limited (4)	Leasing	China
SMBC Aviation Capital Hong Kong 3 Limited (4)	Leasing	China

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

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

1) IFSC House, IFSC, Dublin 1, Ireland

2) 32 Molesworth Street, Dublin 2, Ireland

3) Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands

4) 31 & 32/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong

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

44. Financial Instruments

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

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

At 31 March 2022	Group Carrying Value US $'000	Group Fair Value US $'000	Company Carrying Value US $'000	Company Fair Value US $'000
Financial assets at fair value through profit or loss Derivative financial instruments	24,851	24,851	24,851	24,851
Financial assets measured at amortised cost				
Advances to OEMs	608,356	604,046	608,356	604,046
Finance lease and loan receivables	633,003	634,982	684,031	784,808
Trade and other receivables	212,299	212,299	214,698	214,698

Cash and cash equivalents	994,274	994,274	980,451	980,451
Financial assets	2,472,783	2,470,452	2,512,387	2,608,854
Financial liabilities at fair value through profit or loss Derivative financial instruments	106,943	106,943	106,943	106,943
Financial liabilities measured at amortised cost:				
Trade and other payables	888,775	888,775	908,714	908,714
Borrowings	12,455,671	13,376,441	12,549,967	13,805,906
Subordinated liabilities	300,000	332,138	300,000	332,138
Financial liabilities	13,751,389	14,704,297	13,865,624	15,153,701

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 Unobservable inputs for the asset or liability

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

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

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

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

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

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

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

45. Derivatives at Fair Value

All derivatives held at the reporting date are with Sumitomo Mitsui Banking Corporation Capital Markets Inc., and are in US Dollars only. All derivatives entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IAS39 hedge accounting criteria are held for economic hedging purposes. The value of derivatives designated as cash flow hedge relationships is $31.22 million (2022: $82.09 million). The value of derivative assets designated as fair value hedge relationships is $nil (2022: $nil). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2022: $nil) in respect of certain ineffective cashflow hedges and a $nil (2022: $0.58 million gain) in respect of certain ineffective fair values hedges.

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

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

46. 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:

(e) Group

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

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

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

During the financial year ended 31 March 2023, $113.3 million (2022: $231.2 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedges. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income (2022: $nil).

(f) Company

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

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

At 31 March 2022	Less than 1 year US $'000	In the 2nd year US $'000	3 to 5 years US $'000	Over 5 years US $'000
Cash inflows	230,246	172,423	320,977	34,980
Cash outflows	(172,537)	(158,016)	(379,748)	(36,589)

During the financial year ended 31 March 2023, $113.3 million (2022: $231.2 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedge. There was no amount recognised as hedge ineffectiveness in the Statement of Profit or Loss and Other Comprehensive Income (2022: $nil).

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

47. Advances to OEMS

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

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

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

48. Finance Leases and Loan Receivables

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

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

Less than 1 year	6,329	22,665	-	-
1-2 years	6,225	4,667	-	-
2-3 years	6,225	4,667	-	-
3-4 years	32,170	4,667	-	-
4-5 years	-	30,611	-	-
Total undiscounted lease payments receivable	50,949	67,277		

Unearned finance income	(10,079)	(13,607)	-	-
Net investment in finance leases	40,870	53,670	-	-

Finance lease receivables

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

Loan receivables - Group:

The Group acquired ten aircraft in recent years, which were placed with airline customers. These leases do not meet the definition of a lease under IFRS 16 and therefore the amounts are classified as loan receivables.

Loan receivables - Company:

Loans receivable by the Company consist of funding provided to its subsidiary undertakings in the normal course of their leasing activities.

The expected credit loss of the Group's finance lease and loan receivables is assessed based on historic loss rates and the carrying value of the finance lease receivable net of collateral held. No material expected credit loss has been recognised on the Group's finance lease and loan receivables.

49. Trade and Other Receivables

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

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

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

50. Cash and Cash Equivalents

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

51. Lease Incentive Assets

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

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

52. Assets and Liabilities Held For Sale

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

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

	26,824	2,773	26,824	2,773
	218,456	32,014	218,456	32,014

At 31 March 2023, the Group classified seven aircraft (31 March 2022: one) as held-for-sale as the Group had agreements for the sale of these aircraft which met the requirement to be classified as held-for-sale. The Group generally continues to recognise lease rental income on all aircraft in this classification, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

53. Trade and Other Payables

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

Analysis of Group trade and other payables:

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

	Due < 12 months	Due > 12 months	Total
At 31 March 2022	**US $'000**	**US $'000**	**US $'000**
Security deposits	420	104,411	104,831
Maintenance reserve	42,366	240,686	283,052
Lessor contributions	24,213	84,273	108,486

Prepaid lease rentals and fee income received	103,892	3,003	106,895
Trade creditors	16,876	-	16,876
Accrued interest - third party undertakings	39,831	-	39,831
Amounts due to parent group undertakings	124,370	3,750	128,120
Other creditors	69,810	28,100	97,910
	421,778	464,223	886,001

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

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

54. Borrowings

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

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

The Group closed the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018, the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. These debt securities were not designated into a qualifying hedge relationship at inception.

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

The amount of borrowing costs that were capitalised to the cost of aircraft in the period in the Group was $23.0 million (year ended 31 March 2022: $23.7 million; note 10). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

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

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

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

At 31 March 2023	Average interest rate %	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	5.97	2024-2029	200,000	4,640,000	4,840,000
Loan amount due to parent group undertakings................	7.62	2029-2033	28,678	707,804	736,482
			228,678	5,347,804	5,576,482
Fixed rate borrowings					
Loan amount due to parent group undertakings................	4.94	2023-2035	55,929	8,996,683	9,052,612
Loan amounts due to third party undertakings	2.92	2025-2031	-	662,868	662,868
Other debt securities issued........	2.97	2023-2028	499,834	1,494,398	1,994,232
			784,441	16,501,753	17,286,194
Floating rate borrowings					
Loan amounts due to third party undertakings	1.20	2022-2029	460,000	2,430,000	2,890,000
Loan amount due to parent group undertakings................	2.86	2023-2033	59,730	2,468,029	2,527,759
			519,730	4,898,029	5,417,759
Fixed rate borrowings					
Loan amount due to parent group undertakings................	4.10	2022-2034	134,911	3,847,695	3,982,606
Loan amounts due to third party undertakings	2.61	2025-2031	-	563,766	563,766
Other debt securities issued........	2.98	2022-2028	499,837	1,991,703	2,491,540
			1,154,478	11,301,193	12,455,671

55. Financial Risk Management

Risk Management Framework

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

a. Currency Risk

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

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. There was no material change in the currency risk of the Group and Company during the period.

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

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

At 31 March 2023, if the foreign currency, on the balances disclosed above, weakened/strengthened against the US dollar by 5% with all other variables held constant, the underlying post-tax profit for the Group for the year would have been $3.5 million lower / higher, and for the Company would have been $3.4 million lower / higher, mainly as a result of foreign exchange gains/losses on retranslation of Euro denominated cash balances, payables and other receivables.

b. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company's policy is to seek to minimise cash flow interest rate risk when entering into leasing transactions by the use of appropriate matched funding, including the use of derivative financial instruments. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. There was no material change in the interest rate risk of the Group and Company during the period.

At the end of the reporting period the interest rate profile of the Group and Company's interest-bearing financial instruments was as follows:

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

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

c. **Liquidity Risk**

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

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

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

	Group Less than 1	Group 1 to 2 years	Group 3 to 5	Group Over 5

	year US $'000	years US $'000	years US $'000	years US $'000
At 31 March 2023				
Non-derivative financial instruments				
Liabilities associated with assets held for sale ..	(26,824)	-	-	-
Trade and other payables	(563,123)	(148,646)	(355,344)	(608,154)
Borrowings	(2,450,177)	(1,926,950)	(7,335,200)	(10,175,493)
Subordinated liabilities	(28,027)	(25,204)	(66,797)	(558,347)
Total non-derivative financial instruments outflows	(3,068,151)	(2,100,800)	(7,757,341)	(11,341,994)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	57,709	14,406	-	-
Net Settled – outflow	-	-	(58,771)	(1,609)
Total Outflows	(3,010,442)	(2,086,394)	(7,816,112)	(11,343,603)

	Group Less than 1 year US $'000	Group 1 to 2 years years US $'000	Group 3 to 5 years US $'000	Group Over 5 years US $'000
At 31 March 2022				
Non-derivative financial instruments				
Trade and other payables	(2,773)	-	-	-
Obligations under finance leases	(317,886)	(72,115)	(164,893)	(224,215)
Borrowings	(1,542,195)	(1,483,877)	(5,301,941)	(6,424,810)
Subordinated liabilities	(15,078)	(21,238)	(60,652)	(500,019)
Total non-derivative financial instruments outflows	(1,877,932)	(1,577,230)	(5,527,486)	(7,149,044)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	10,903	-	-
Net Settled – outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows	(1,926,962)	(1,566,327)	(5,550,964)	(7,195,383)

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

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

	Company Less than 1 year US $'000	Company 1 to 2 years years US $'000	Company 3 to 5 years US $'000	Company Over 5 years US $'000

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

	Company Less than 1 year US $'000	**Company 1 to 2 years years US $'000**	**Company 3 to 5 years US $'000**	**Company Over 5 years US $'000**
At 31 March 2022				
Non-derivative Financial Instruments				
Trade and other payables..................................	(2,773)	-	-	-
Obligations under finance leases.......................	(353,300)	(72,115)	(164,893)	(210,960)
Borrowings...	(1,632,671)	(1,483,877)	(5,302,438)	(6,403,175)
Subordinated liabilities.....................................	(15,078)	(21,238)	(60,652)	(500,019)
Total Non-derivative Financial Instruments Outflows...	(2,003,822)	(1,577,230)	(5,527,983)	(7,114,154)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	10,903	-	-
Net Settled – outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows..	(2,052,852)	(1,566,327)	(5,551,461)	(7,160,493)

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

d. **Credit Risk**

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

– Approval of credit exposure must be granted prior to any advance or extension of credit.

– An appropriate credit risk assessment of the customer and related credit facilities must be undertaken prior to approval of credit exposure. This must include an assessment of, amongst others, the purpose of the credit and sources of repayment, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.

– Credit risk authority must be specifically granted in writing to all individuals involved in the granting of credit approval, whether this is exercised personally or collectively as part of a credit committee. These individuals must act independently and with balanced commercial judgement in exercising credit authority.

– Where credit authority is exercised personally, the individual must not have any responsibility or accountability for business revenue origination.

– All credit exposures, once approved, must be effectively monitored and managed and reviewed periodically against approved guidelines. Review occurs at least annually, with lower quality exposures being subject to a greater frequency of analysis and assessment.

– Customers with emerging credit problems must be identified early and classified accordingly. Remedial actions must be implemented promptly to minimise the potential loss to the Company and consideration given whether to transfer customers with credit problems to a specialised problem management or recovery unit.

– Portfolio analysis and reporting must be used to identify and manage credit risk concentrations and credit risk quality.

The Group's principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables ($281.5 million of which $146.3 million relate to lease receivables) resulting from its leasing activities, advances to OEMs ($44.8 million; note 15) and cash and cash equivalents (bank accounts totalling $738.2 million; including $654.5 million with group companies). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

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

At 31 March 2023, the Group's significant cash and deposit counterparties were:

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

The Group's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Group to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2023, the Group was exposed to trade debtors of $159.7 million (2022: $115.6 million) and held a provision for expected credit losses against these for $66.9 million (2022: $35.3 million). As at 31 March 2023, the Group held letters of credit in relation to lease rentals and maintenance exposures of $488.3 million (31 March 2022: $283.9 million) in addition to $854.4 million of cash security deposits and maintenance reserves (31 March 2022: $390.6 million; see note 21).

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

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

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

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

The Group and Company classifies financial assets and calculate respective expected credit losses by reference to the categories noted above, with Category 1 being the lowest risk and Category 4 the highest risk. Classification is determined by a combination of previous default rates and estimated future losses based on credit grading, current economic situation and the increasing level of receivables of each lessee. Category 4 for the Group includes gross trade receivables of $20.0 million, $63.1 million and $56.7 million with applicable credit loss provision rates of 33%, 50% and 100% respectively.

The Group and Company continues to monitor the economic environment of its customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) during the Covid pandemic, those who have subsequently exited such lease restructurings, as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances.

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

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

Impairment Losses	Group US $'000	Company US $'000
The movement in the provision for expected credit losses in respect of financial assets is as follows:		
Balance at 1 April 2021	152,937	152,937
Credit impairment credit on financial assets	(35,364)	(35,364)

Trade debtors written off	(82,320)	(82,320)
Balance at 31 March 2022	35,253	35,253
Credit impairment charge on financial assets	31,693	23,586
Trade debtors written off	(1)	-
Balance at 31 March 2023	66,945	58,839

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

e. **Concentration Risk**

Concentration risk is the risk that a high percentage of aircraft are on lease to a single lessee or region resulting in the returns on aircraft being less diverse and more correlated. The largest exposure to a single lessee based on net book value of delivered aircraft is 4.9%.

f. **Technical, Maintenance and Environmental Risk**

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

g. **Asset Value Risk**

Asset value risk is the risk that internal and external factors may adversely affect the inherent value of any asset held. Material judgements also apply in respect of property, plant and equipment and include the identification and subsequent measurement of impairment, which relies on a measurement of estimated of cash flows and residual values. A decrease in estimated future cash flows or residual values may result in additional impairment of related assets.

h. **Capital Management**

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

56. Deferred Tax

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

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

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

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

The Group has estimated tax losses of $7.77 billion (31 March 2022: $3.22 billion) which are available for set-off against future taxable income. These tax losses have arisen from the Group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities.

57. Subordinated Liabilities

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

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan has since been extended to February 2039 and can be extended further with the agreement of both parties.

58. Share capital

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

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

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

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

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

59. Other Components of Equity

	Group 31 March 2023 US $'000	**Group 31 March 2022 US $'000**	**Company 31 March 2023 US $'000**	**Company 31 March 2022 US $'000**
Share premium	261,102	261,102	261,102	261,102
	261,102	261,102	261,102	261,102
Capital contribution	207,486	207,486	207,486	207,486
Other reserve	1,967	1,967	-	-
Fair value through other comprehensive income	(1,356)	-	(978)	-
Cash flow hedge reserve	25,979	(73,818)	25,979	(73,818)
Total other reserves	495,178	396,737	493,589	394,770

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

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of $207.5 million in the form of a capital contribution. The contribution was made absolutely and the Company's then ultimate parent company, Royal Bank of Scotland Group plc, retained no rights, titles or interest whatsoever in the contribution other than the rights it held as the shareholder.

As described in note 1 c, for newly acquired subsidiaries, the Group adjusts the carrying value of assets and liabilities to reflect the Group's accounting policies. At 31 March 2013, the Group acquired a new subsidiary (SMBC Aviation Capital Aircraft Holdings B.V.; now liquidated) as part of a common control transaction. The impact of harmonising the Group's accounting policies was that the maintenance reserves of SMBC Aviation Capital Aircraft Holdings B.V. were reduced by $2.633 million at 31 March 2013, with a related increase in deferred tax liabilities of $0.658 million. The difference, a net amount of $1.967 million being a transaction with shareholder, was reflected in the other reserve.

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

60. Operating Lease Arrangements as Lessor

The future minimum lease payments receivable under non-cancellable operating leases, which include variable lease payments based on rent as at the reporting date, are as follows:

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

61. Related Parties

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

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

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Transactions with parent companies:				
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	4,055	132	4,055	132
Interest expense	25,455	-	25,455	-
Operating expenses	4,928	4,537	4,928	4,537
Balances at period end:				
Borrowings	2,487,109	-	2,487,109	-
Sundry creditors	(11,018)	(4,107)	(11,018)	(4,107)
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	2,392	2,351	2,385	2,197
Balances at period end:				
Sundry debtors	-	-	-	-
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	14,269	14,343	14,269	14,343
Fee income	1,189	1,362	1,189	1,362
Balances at period end:				

Amounts due to group undertakings	102,719	64,007	102,719	64,007
SMBC Capital Markets Inc.				
Transactions during the period:				
Gain on derivative fair value	-	1,373	-	1,373
Interest expense	2,928	92,433	2,928	92,433
Balances at period end:				
Cash held on behalf of	(41,800)	-	(41,800)	-
Derivative Financial Instruments	(45,045)	98,864	(45,045)	98,864

	Group 31 March 2023 US $'000	**Group 31 March 2022 US $'000**	**Company 31 March 2023 US $'000**	**Company 31 March 2022 US $'000**
SMBC Trust Bank				
Transactions during the period:				
Interest expense	147,335	97,745	147,335	97,745
Balances at period end:				
Borrowings	2,873,660	3,293,670	2,873,660	3,293,670
Amounts due to group undertakings	18,916	13,227	18,916	13,227
SMBC Bank International plc				
Transactions during the period:				
Fee income	-	1,500	-	1,500
Interest income	12,053	-	12,053	-
Operating expense	(40)	(52)	(40)	(52)
Balances at period end:				
Cash	6,039	12,190	6,038	12,189
Sundry debtors	-	1,500	-	1,500
SMBC (Japan)				
Transactions during the period:				
Operating expenses	10,504	12,281	10,504	12,281
Balances at period end:				
Amounts due to group undertakings	5,500	5,497	5,500	5,497
SMBC (New York)				
Transactions during the period:				
Interest expense	46,423	133,768	46,423	133,768
Balances at period end:				
Borrowings	4,715,433	3,516,694	4,715,433	3,516,694
Cash	648,487	962,429	648,487	962,429
Amounts due to group undertakings	25,043	15,961	25,043	15,961
SMBC (Paris)				
Transactions during the period:				
Interest expense	-	273	-	273
Balances at period end:				
Obligations under Finance Leases	-	-	-	-
Non-current liabilities	-	-	-	-
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	583	613	583	613
Balances at period end:				
Other Creditors	133	117	133	117

	Group 31 March 2023 US $'000	Group 31 March 2022 US $'000	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	513	942	513	942
Balances at period end:				
Other Creditors	126	104	126	104
Shanghai General SMFL Co., Ltd.				
Transactions during the period:				
Operating expenses	656	795	656	795
Balances at period end:				
Other Creditors	162	173	162	173
SMBC Leasing and Finance, Inc.				
Transactions during the period:				
Operating expenses	3,950	4,350	3,950	4,350
Balances at period end:				
Other Creditors	1,265	1,171	1,265	1,171
SMBC Bank EU AG				
Transactions during the period:				
Operating income	95	60	95	60

	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
Transactions with subsidiaries		
SMBC Aviation Capital Management Limited		
Transactions during the period:		
Fee income	8,991	-
Interest income	88,990	-
Balances at period end:		
Amounts due from group undertakings	5,033,410	-
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Fee income	2,004	1,435
Interest income	31,888	16,569
Balances at period end:		
Amounts due from group undertakings	557,090	617,076
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee expense	4,482	3,658
Interest expense	3,641	2,840
Balances at period end:		
Amounts due to group undertakings	62,432	200,060

	Company 31 March 2023 US $'000	Company 31 March 2022 US $'000
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	1,150	1,184

Balances at period end:		
Amounts due to group undertakings	(197)	(338)
SMBC Aviation Capital Hong Kong Limited		
Transactions during the period:		
Fee expense	3,518	891
Balances at period end:		
Amounts due from group undertakings	3,727	3,903
SMBC Aviation Capital Hong Kong 2 Limited		
Transactions during the period:		
Interest expense	23,674	2,573
Fee expense	2,766	2,050
Balances at period end:		
Amounts due to group undertakings	917,202	198,780
SMBC Aviation Capital Hong Kong 3 Limited		
Transactions during the period:		
Interest income	1,253	3,440
Balances at period end:		
Amounts due from group undertakings	25,436	29,088
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	16	13
Interest expense	66,908	73,670
Balances at period end:		
Amounts due to group undertakings	2,014,793	2,515,244

The Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 on 19 July 2016, the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. All issuances are fully and unconditionally guaranteed by SMBC Aviation Capital Limited. The impact on borrowings is set out in note 22, with the notes due in 2021 and 2022 settled on maturity.

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

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

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

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

Total	15,445	8,700

62. Capital Commitments

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consisted of 110 A320neo aircraft (of which 20 have subsequently been converted to A321neos) and 5 A321ceo aircraft, while the Boeing order consisted of 90 Boeing 737 MAX 8 aircraft. The Group also placed further direct orders for a mix of 56 Airbus A320neos and 15 Airbus A321neos during 2018 and have existing sale-leaseback capital commitments totalling $nil (31 March 2022: $0.8 billion).

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

The combined remaining purchase commitment for orders total $9.8 billion and delivery dates are currently scheduled between 2023 and 2027 of which $2.0 billion relates to expected delivery dates within the next twelve months. These delivery dates continue to be impacted by delays that built up during the Covid-19 pandemic, which have impacted on certain assembly and supplier facilities.

The scheduled delivery dates also reflect an agreement concluded in May 2020 with Boeing to defer the delivery of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 and an agreement concluded in December 2020 with Boeing to cancel the delivery of 21 aircraft, with existing PDPs already paid for these aircraft reclassified as an advance to Boeing (note 15). Furthermore, an agreement was concluded with Airbus in July 2020 to defer the delivery of 23 aircraft from their original delivery dates in 2021 - 2022 to 2021 - 2026, with an additional agreement concluded with Airbus in March 2021 to defer the delivery of 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. Lastly, an additional agreement was concluded in May 2021 with Boeing for the purchase of a further 14 aircraft. All commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

63. Contingent Liabilities

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

64. Subsequent Events

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

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

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

65. APPROVAL OF FINANCIAL STATEMENTS

The Directors approved these Financial Statements on 23 May 2023.

SMBC Aviation Capital Limited

Audited consolidated financial statements
as of and for the year ended March 31, 2022

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
Goshawk	Goshawk Aviation
Group	SMBC Aviation Capital Limited and its subsidiaries
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
IFSC	International Financial Services Centre
ISA	International Standard on Auditing
IT	Information technology
JOLCO	Japanese operating lease with call option
Managed entity	SMBC Aviation Capital (UK) Limited
MSN	Manufacturers Serial Number
neo	New engine option
OCI	Other comprehensive income
OEM	Original equipment manufacturer
PDP	Pre-delivery payment
ROU	Right of use
Russia	Russian Federation
S&P	Standard & Poor’s
SC	Sumitomo Corporation
SMBC	Sumitomo Mitsui Banking Corporation
SMFG	Sumitomo Mitsui Financial Group
SMFL	Sumitomo Mitsui Finance and Leasing Company, Ltd.
Structured entity	PDP financing company
TBPD	Transportation Business Planning Department
UEL	Useful economic life
UK	United Kingdom
USA	United States of America

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2022

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SMBC Aviation Capital Limited ("the Company") and its consolidated undertakings (together "the Group") for the year ended 31 March 2022 set out on pages 10 to 59, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

– the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 March 2022 and of the Group's loss for the year then ended;

– the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;

– the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and

– the 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

– we have not identified material misstatements in the directors' report;

– in our opinion, the information given in the directors' report is consistent with the financial statements;

– in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Opinions on other matters prescribed by the Companies Act 2014

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

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%2D9b
8f%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
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

30 June 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

CONTINUING OPERATIONS	Note	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Income			
Lease revenue	2	1,371,721	1,130,832
Other revenue	2	10,833	13,721
Total revenues	2	1,382,554	1,144,553
Other operating income	3	124,276	22,697
		1,506,830	**1,167,250**
Operating expenses			
Depreciation	9	(484,213)	(442,094)
Operating lease asset impairment and write-off charge	9	(1,686,034)	(176,439)
Credit impairment credit / (charge)	16	35,364	(153,872)
Financial asset impairment	7	(16,592)	-
Operating expenses	4	(104,167)	(85,941)
		(748,812)	**308,904**
PROFIT FROM OPERATING ACTIVITIES			
Finance income	7	108,155	95,208
Finance expense	7	(474,419)	(388,489)
Break losses	7	(817)	(836)
Net trading gain	7	576	442
NET FINANCE COSTS		**(366,505)**	**(293,675)**
(LOSS) / PROFIT BEFORE TAXATION		**(1,115,317)**	**15,229**
Tax credit / (charge)	8	140,418	(1,674)
(LOSS) / PROFIT FROM CONTINUING OPERATIONS		**(974,899)**	**13,555**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges - effective portion of changes in fair value	13	231,245	275,269
Cash flow hedges - reclassified to profit or loss		781	820
Movement in fair value of available for sale assets		-	(1,260)
Tax on other comprehensive income		(29,003)	(34,512)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**203,023**	**240,317**
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(771,876)**	**253,872**

All income relates to continuing operations. All profits and total comprehensive income for the current and preceding financial year are attributable to the owners of the company. The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 30 June 2022

A Kenny
Director
Date: 30 June 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	31 March 2022 US $'000	31 March 2021 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,729,560	13,638,022
Intangible assets		3,601	3,081
Advances to OEMs	14	44,771	364,577
Finance lease and loan receivables	15	586,982	475,532
Lease incentive assets	18	68,383	13,604
Derivative financial instruments	12	24,851	-
		14,458,148	14,494,816
CURRENT ASSETS			
Advances to OEMs	14	563,585	376,602
Assets held for sale	19	34,787	-
Finance lease and loan receivables	15	46,021	26,040
Trade and other receivables	16	212,299	242,029
Cash and cash equivalents	17	994,274	817,055
Lease incentive assets	18	19,769	8,348
Derivative financial instruments	12	-	1,373
		1,870,735	1,471,447
TOTAL ASSETS		16,328,883	15,966,263
EQUITY			
Share capital	25	887,513	887,513
Other components of equity	26	396,737	193,714
Retained earnings		1,050,772	2,025,671
TOTAL EQUITY		2,335,022	3,106,898
NON-CURRENT LIABILITIES			
Trade and other payables	20	464,224	597,805
Obligations under finance leases		-	2,389
Borrowings	21	11,301,193	9,602,958
Deferred tax liabilities	23	242,472	355,840
Derivative financial instruments	12	106,737	312,393
Subordinated liabilities	24	300,000	300,000
		12,414,626	11,171,385
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	19	2,773	-
Trade and other payables	20	421,778	380,297
Obligations under finance leases		-	3,171
Borrowings	21	1,154,478	1,303,567
Derivative financial instruments	12	206	945
		1,579,235	1,687,980
TOTAL LIABILITIES		13,993,861	12,859,365
TOTAL EQUITY AND LIABILITIES		16,328,883	15,966,263

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

P Barrett
Director
Date: 30 June 2022

A Kenny
Director
Date: 30 June 2022

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	31 March 2022 US $'000	31 March 2021 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,680,611	13,476,017
Intangible assets		3,601	3,081
Advances to OEMs	14	44,771	364,577
Loan receivables	15	636,720	603,005
Investment in subsidiaries	10	56,697	56,697
Lease incentive assets	18	68,383	13,604
Derivative financial instruments	12	24,851	-
		14,515,634	14,516,981
CURRENT ASSETS			
Advances to OEMs	14	563,585	376,602
Assets held for sale	19	34,787	-
Loan receivables	15	47,311	32,626
Trade and other receivables	16	214,698	238,811
Cash and cash equivalents	17	980,451	811,893
Lease incentive assets	18	19,769	8,348
Derivative financial instruments	12	-	1,373
		1,860,601	1,469,653
TOTAL ASSETS		16,376,235	15,986,634
EQUITY			
Share capital	25	887,513	887,513
Other components of equity	26	394,770	191,747
Profit or loss account		985,855	1,982,363
TOTAL EQUITY		2,268,138	3,061,623
NON-CURRENT LIABILITIES			
Trade and other payables	20	450,972	588,620
Obligations under finance leases		-	2,389
Borrowings	21	11,395,489	9,652,957
Deferred tax liabilities	23	242,473	355,848
Derivative financial instruments	12	106,737	312,393
Subordinated liabilities	24	300,000	300,000
		12,495,671	11,212,207
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	19	2,773	-
Trade and other payables	20	454,969	410,433
Obligations under finance leases		-	3,171
Borrowings	21	1,154,478	1,298,255
Derivative financial instruments	12	206	945
		1,612,426	1,712,804
TOTAL LIABILITIES		14,108,097	12,925,011
TOTAL EQUITY AND LIABILITIES		16,376,235	15,986,634

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

P Barrett
Director
Date: 30 June 2022

A Kenny
Director
Date: 30 June 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 March 2022

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Retained Earnings US $'000	Total Equity US $'000
BALANCE AT 31 MARCH 2020		887,513	470,555	(518,418)	2,013,376	2,853,026
Total comprehensive income						
Profit for the year		-	-	-	13,555	13,555
Other comprehensive income for the year	26	-	-	241,577	(1,260)	240,317
		-	-	241,577	12,295	253,872
BALANCE AT 31 MARCH 2021		887,513	470,555	(276,841)	2,025,671	3,106,898
Total comprehensive income						
Loss for the year		-	-	-	(974,899)	(974,899)
Other comprehensive income for the year	26	-	-	203,023	-	203,023
		-	-	203,023	(974,899)	(771,876)
BALANCE AT 31 MARCH 2022		887,513	470,555	(73,818)	1,050,772	2,335,022

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

COMPANY STATEMENT OF CHANGES IN EQUITY

as at 31 March 2022

	Note	Share Capital US $'000	Other Reserves (incl. Share Premium) US $'000	Cash Flow Hedge Reserve US $'000	Retained Earnings US $'000	Total Equity US $'000
BALANCE AT 31 MARCH 2020		887,513	468,588	(518,418)	1,973,306	2,810,989
Total comprehensive income						
Profit for the year		-	-	-	10,317	10,317
Other comprehensive income for the year	26	-	-	241,577	(1,260)	240,317
		-	-	241,577	9,057	250,634
BALANCE AT 31 MARCH 2021		887,513	468,588	(276,841)	1,982,363	3,061,623
Total comprehensive income						
Loss for the year		-	-	-	(996,508)	(996,508)
Other comprehensive income for the year	26	-	-	203,023	-	203,023
		-	-	203,023	(996,508)	(793,485)
BALANCE AT 31 MARCH 2022		887,513	468,588	(73,818)	985,855	2,268,138

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
(LOSS) / PROFIT BEFORE TAX		(1,115,317)	15,229
Adjustments for:			
Depreciation of property, plant and equipment	9	484,212	442,094
Impairment and write-off of property, plant and equipment	9	1,686,034	176,439
Amortisation of computer software intangible assets	10	857	755
Lease incentive asset amortisation	18	18,761	15,924
Credit impairment (credit) / charge	16	(35,364)	153,872
Financial asset impairment		16,592	-
Net interest expense		366,489	293,656
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(576)	(442)
Profit on disposal of assets held under operating leases	3	(69,327)	(1,857)
		1,352,361	1,095,670
Decrease / (increase) in receivables		28,750	(247,632)
Decrease in payables		(187,884)	(40,145)
CASH GENERATED BY OPERATIONS		1,193,227	807,893
Income taxes paid		(586)	(400)
Interest paid		(380,128)	(357,148)
NET CASH FROM OPERATING ACTIVITIES		812,513	450,345
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		965,918	90,802
Purchases of property, plant and equipment		(3,140,904)	(2,851,456)
Purchases of intangible assets		(1,376)	(2,543)
NET CASH USED IN INVESTING ACTIVITIES:		(2,176,362)	(2,763,197)
FINANCING ACTIVITIES			
Receipts from restricted cash accounts		361,700	240,100
Repayment of obligations under finance leases		(5,752)	(7,703)
Proceeds from indebtedness		2,947,802	2,595,900
Repayments of indebtedness		(1,399,635)	(701,568)
NET CASH FROM FINANCING ACTIVITIES		1,904,115	2,126,729
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(1,347)	922
NET INCREASE / (DECREASE) IN UNRESTRICTED CASH AND CASH EQUIVALENTS		538,919	(185,201)
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		455,355	640,556
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17	994,274	455,355
Unrestricted cash and cash equivalents as above	17	994,274	455,355
Restricted cash as reported	17	-	361,700
Total cash and cash equivalents	17	994,274	817,055

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

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
(LOSS) / PROFIT BEFORE TAX		(1,138,884)	11,618
Adjustments for:			
Depreciation of property, plant and equipment		481,699	439,962
Impairment of property, plant and equipment		1,686,034	176,439
Amortisation of computer software intangible assets		857	755
Impairment of investment in subsidiary		-	12
Lease incentive asset amortization		18,761	15,924
Credit impairment charge		(35,364)	153,872
Financial asset impairment		16,592	-
Net interest expense		366,777	292,851
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(576)	(442)
Profit on disposal of assets held under operating leases		(70,910)	(1,748)
		1,324,986	1,089,243
Decrease / (increase) in receivables		188,666	(360,610)
Decrease in payables		(250,783)	(17,032)
CASH GENERATED BY OPERATIONS		1,262,869	711,601
Income taxes paid		-	57
Interest paid		(382,361)	(350,768)
NET CASH FROM OPERATING ACTIVITIES		880,508	360,890
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		857,623	90,693
Purchases of property, plant and equipment		(3,042,161)	(2,202,113)
Purchases of intangible assets		(1,376)	(2,543)
Investment in subsidiary		-	(41,200)
Loans provided to subsidiaries		(173,401)	(510,632)
NET CASH USED IN INVESTING ACTIVITIES:		(2,359,315)	(2,665,795)
FINANCING ACTIVITIES			
Receipts from restricted cash accounts		361,700	240,100
Repayment of obligations under finance leases		(5,752)	(7,703)
Proceeds from indebtedness		2,992,097	2,640,588
Repayments of indebtedness		(1,338,294)	(759,020)
NET CASH FROM FINANCING ACTIVITIES		2,009,751	2,113,965
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		(686)	932
NET INCREASE / (DECREASE) IN UNRESTRICTED CASH AND CASH EQUIVALENTS		530,258	(190,008)
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		450,193	640,201
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17	980,451	450,193
Unrestricted cash and cash equivalents as above	17	980,451	450,193
Restricted cash as reported	17	-	361,700
Total cash and cash equivalents	17	980,451	811,893

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

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

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

a. Basis of preparation

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

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

The Company's functional currency is the US Dollar, being the currency of the primary economic environment in which the Company operates. The presentation currency for the Group and Company is US Dollar. All financial information presented in US Dollar has been rounded to the nearest 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 23 'Borrowings' and (ii) its future aircraft purchases as set out in note 31 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 24 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 29 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of sanctions on Russia (see note 9 "Property, plant and equipment's") and ongoing developments in the Covid-19 situation on the Group and its customers. The Directors have considered the cash position, existing equity and resources available to the Group, which, along with related forecasts, provide comfort over the sustainability of the Group and Company. If the effects of either the Russian situation or the Covid-19 outbreak are deeper or more prolonged than currently expected, there would be a likely impact on future reporting periods. The Directors continue to keep the situation and the impact on the Group under review, with the support of the key service providers.

b. Estimates and judgements

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

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

Note 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 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.

Note 17 – Credit impairment provisions

The Group recognises an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables, loan receivables and finance lease receivables include the estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

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

c. **Basis of consolidation**

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries, drawn up to 31 March 2022. The Group does not have investments in associates or joint ventures as defined in IFRS.

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

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

Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are substantive are taken into account. All subsidiaries have coterminous financial year ends.

The accounting policies of all subsidiaries are consistent with the policies adopted by the Group. Intragroup transactions, intragroup balances and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements. All of the Company's subsidiaries are wholly owned by the Company and, as such, there are no non- controlling interests to present separately in the Consolidated Financial Statements.

Common control transactions

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

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, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. All other borrowing costs are recognised as an expense in the period in which they are incurred.

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. **Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

i. As a lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Group and Company's net investment outstanding in respect of the leases.

ii. As a lessee

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

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

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

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

j. **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.

k. **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.

l. **Maintenance component assets**

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

m. **Inventory**

Inventory consists primarily of engines and airframes which are valued at the lower of cost or market value. Cost is primarily determined using the specific identification method for individual part purchases and on an allocated basis for engines and airframes. Costs are allocated using the relationship of the cost of the engine or airframe to estimated retail sales value at the time of purchase.

n. **Intangible assets**

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

o. **Impairment of non-financial assets**

Long-term tangible and intangible assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value in use includes cash flow projections of contracted and estimated lease rentals, with probabilities assigned to such cash flows where expected outcomes may vary.

When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

p. **Pre-delivery payments**

Pre-delivery payments ("PDPs") are recorded in the Consolidated Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. As aircraft which are subject to PDPs are delivered, all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment. The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid.

q. **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.

r. **Financial instruments**

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

Financial assets at fair value through other comprehensive income include investments in equity instruments which are not held for trading. All other financial assets are classified as measured at fair value through profit or loss ("FVTPL").

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

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

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group has recognised the hedging instruments set out note 13 at fair value, which are exposed to the impact of LIBOR. The Group also has certain floating rate liabilities where the reference rate is linked to LIBOR. The Group has established a transition plan to ensure a smooth transition to alternative reference rates and has engaged with counterparties to include appropriate fall- back provisions in its floating rate liabilities and hedging derivatives. New standard guidance (namely "Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16") became effective for annual periods on or after 1 January 2021 and the Group believes that the impact for future accounting periods will not be material.

s. **Derivatives and hedge accounting**

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

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

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

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

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

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

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

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

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

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

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

t. **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.

u. **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.

v. **Loans receivable and advances to OEMs**

Loan receivables and advances to OEMs are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

w. **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.

x. **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.

y. **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.

z. **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. Subject 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.

aa. **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.

bb. **Lease component assets and liabilities**

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

cc. **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.

dd. **Short term employee benefits**

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

ee. **Profit from operating activities**

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

ff. **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.

gg. **New standards adoption and amendments to IFRS**

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

IFRS 3 Business Combinations: Reference to the Conceptual Framework (amendment) (IFRS 3)

This amendment updates the reference to the revised Conceptual Framework for Financial Reporting and for specific requirements for transactions and other events within the scope of IAS 37 and IFRIC 21.

IAS 16 Property, plant and equipment: Proceeds before Intended Use (amendment) (IAS 16)

This amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

IAS 37 Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract (amendment) (IAS 37)

This amendment specifies which costs a company includes when assessing whether a contract will be loss-making.

Annual Improvements 2018 – 2020

These amendments update IFRS 1 First-time adoption of IFRS for voluntary exemption for subsidiaries regarding cumulative translation differences, IFRS 9 Financial Instruments for clarification of fees to include in the ten percent test for derecognition of financial liabilities, IAS 41 Agriculture to exclude cash flows for taxation when measuring fair value and Illustrative Examples to IFRS 16 Leases.

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 2022, and have not been applied in preparing these financial statements:

IFRS 17 *Insurance* Contracts

- Classification of Liabilities as Current and Disclosure of Accounting policies (Amendments to IAS 1)

- Definition of Accounting Estimates (Amendments to IAS 8)

- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)

These are all effective for annual periods beginning on or after 1 January 2023 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

2. Revenue

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Operating lease revenue		
Rentals receivable	1,157,170	1,084,454
Lease incentive amortisation (note 18)	(18,760)	(15,924)
Maintenance income	233,311	62,302
Lease revenue	1,371,721	1,130,832
Fee income		
Aircraft management fees	10,833	13,721
Other revenue	10,833	13,721
	1,382,554	1,144,553

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

Included in operating lease revenue above are the following amounts:		
Contingent rentals	48,545	12,431

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

	Year ended 31 March 2022 US $'000	Year ended 31 March 2022 %	Year ended 31 March 2021 US $'000	Year ended 31 March 2021 %
Total rentals receivable distribution by geographical region:				
Emerging Asia	306,650	26.5	357,871	33.0
South America	208,291	18.0	213,637	19.7
Developed Europe	218,705	18.9	195,202	18.0
Emerging Europe	153,904	13.3	108,445	10.0
Asia	97,202	8.4	86,756	8.0
Middle East & Africa	70,587	6.1	62,898	5.8
North America	101,831	8.8	59,645	5.5
	1,157,170	100.0	1,084,454	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 2022 US $'000	Year ended 31 March 2021 US $'000
Profit on disposal of property, plant and equipment	69,327	1,857
Other operating income	54,949	20,840
	124,276	22,697

Profit on disposal of property, plant and equipment increased in the current year due to increased aircraft trading activity. Other operating income in the current and prior year include partial recovery amounts related to the sale of the Group's interest in the pre-petition claims against some its lessees by way of sub-participation.

Other operating income for the period include $20.3 million recognised following the termination of leasing with Russian airlines in relation to the release of security deposits and other related balances. This amount also includes

$17.4 million received by the Group in respect of letters of credit which were drawn down and received as part of this termination.

4. Other Operating Expenses

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Administration expenses	(103,310)	(85,186)
Amortisation of computer software intangible assets	(857)	(755)
	(104,167)	(85,941)

Operating expenses increased during the year due to higher staff (note 6) costs as well as legal and other professional fees incurred.

5. Loss / Profit from Operating Activities

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Operating loss / profit has been arrived at after charging:		
Depreciation	484,213	442,094
Asset impairment charge	1,686,034	176,439
Credit impairment (credit) / charge	(35,364)	153,872
Financial asset impairment	16,592	-
Group service fee	13,042	15,690
Auditors remuneration	1,216	1,148
Staff costs (note 6)	65,710	57,742
Other operating expenses	33,725	23,332
Foreign exchange loss	591	460

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

Auditors remuneration:		
Audit of the Group financial statements	570	577
Audit of the Subsidiary financial statements	71	98
Other assurance services	142	136
Other non-audit services	-	-
Tax advisory services	433	337
	1,216	1,148
Of which related to the Company	989	885

6. Staff Costs

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Staff costs	55,315	48,156
Social security costs	6,195	5,442
Other pension costs	4,200	4,144
	65,710	57,742

Staff costs increased due to higher staff numbers as well as discretionary costs, while no staff costs were capitalised during the year (year ended 31 March 2021: $0.34 million). The average number of people in the organisation during the financial year was 203 (2021: 201), consisting of both direct employees and representatives, of which 45 staff members were dedicated to commercial & strategy functions (2021: 44), 84 to operational (2021: 79) and the remainder to finance, compliance and other support functions.

7. Net Finance Costs

Finance income:	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Interest income on swaps	77,780	92,857
Interest income on finance lease and loan receivables	29,871	1,642
Interest income on deposits	504	709
Total interest income	108,155	95,208

Finance expense:	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
Interest payable on swaps	(169,629)	(160,302)
Interest payable on borrowings	(305,102)	(253,886)
Less: Interest capitalised to the cost of aircraft (see note 21)	23,688	49,576
Bank charges, guarantee & other fees on borrowings	(23,376)	(23,877)
Total interest payable and related charges	(474,419)	(388,489)
Net interest payable	(366,264)	(293,281)

Interest payable on borrowings is shown net of interest income on advances to OEMs, in excess of associated funding costs, of $8.9 million (year ended 31 March 2021: $25.3 million), which resulted from the restructuring of PDPs during the previous year (note 14).

Break losses related to derivatives and liability management	(817)	(836)

Net trading income:		
Fair value movement on interest rate swaps in qualifying hedging relationships	(1,373)	(1,441)
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	1,949	1,883
Net gain from financial instruments at fair value (note 23)	576	442

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 2022 is a gain of $0.58 million (year ended 31 March 2021: $0.44 million).

Financial asset impairment	(16,592)	

Financial assets were recognised to reflect the fair value of certain sale and leaseback transactions with Russian airlines, which have now been impaired following the termination of leasing with Russian airlines.

8. Taxation

		Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
a	ANALYSIS OF TAX CHARGE FOR THE YEAR		
	Current tax charge:		
	- Current year	1,952	315
	Deferred tax - origination and reversal of temporary differences:		
	- Current year	(142,370)	1,359
	Tax (credit) / charge	(140,418)	1,674
b	FACTORS AFFECTING THE TAX (CREDIT)/CHARGE FOR THE YEAR		
	(Loss) / profit before tax subject to tax at 12.5% (2021: 12.5%)	(1,126,941)	11,886
	Profit before tax subject to tax at 28% (2021: 28%)	80	76
	Profit before tax subject to tax at 25% (2021: 25%)	1,353	1,117
	Profit before tax subject to tax at 16.5% (2021: 16.5%)	439	1,042
	Profit before tax subject to tax at 8.25% (2021: 8.25%)	9,752	1,108

	Year ended 31 March 2022 US $'000	Year ended 31 March 2021 US $'000
	(1,115,317)	15,229
Tax on (loss) / profit at the rate of 12.5% (2021: 12.5%)	(140,868)	1,486
Tax on profit at the rate of 28% (2021: 28%)	22	21
Tax on profit at the rate of 25% (2021: 25%)	338	279
Tax on profit at the rate of 16.5% (2021: 16.5%)	72	172
Tax on profit at the rate of 8.25% (2021: 8.25%)	805	91
Other differences	(25)	(21)
Adjustment to assessed loss brought forward	(16)	(177)
Permanent difference - non-taxable income	(748)	(212)
Permanent difference - disallowed expenses	2	35
Tax (credit) / charge	(140,417)	1,674

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 2020	11,738,358	2,073,330	12,146	9,677	13,833,511
Additions	2,475,880	363,186	523	2,378	2,841,967
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 14)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 19)	131,974	-	-	-	131,974
At 31 March 2021	14,613,989	974,258	12,669	12,055	15,612,971
Additions	2,798,632	403,879	369	685	3,203,565
Transfers	543,214	(543,214)	-	-	-
Disposals	(1,054,428)	-	-	-	(1,054,428)
Transfer to assets held for sale (see note 19)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,860,129	834,923	13,038	12,740	17,720,830
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2020	1,333,596	-	10,516	2,489	1,346,601
Charge for the year	438,250	-	824	3,020	442,094
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,464)	-	-	-	(5,464)
Transfer from assets held for sale (see note 19)	15,279	-	-	-	15,279
At 31 March 2021	1,958,100	-	11,340	5,509	1,974,949
Charge for the year	480,980	-	460	2,773	484,213
Impairment and write-off charges for the year	1,686,034	-	-	-	1,686,034
Disposals	(147,435)	-	-	-	(147,435)
Transfer to assets held for sale (see note 19)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,971,188	-	11,800	8,282	3,991,270
CARRYING AMOUNT					
Net Book Value at 31 March 2022	12,888,941	834,923	1,238	4,458	13,729,560
Net Book Value at 31 March 2021	12,655,889	974,258	1,329	6,546	13,638,022

As noted, the Group's 34 aircraft which remain in Russia, continue to be flown by Russian airlines despite the leasing being terminated and the requested return of such aircraft by the Group. The Group has determined that it is likely that these aircraft will continue to suffer deterioration in maintenance condition due to inadequate maintenance and lack of components, with a significant risk that the aircraft may never be retrieved. While the Group and Company retain title to the aircraft, it has been determined that the Group and Company no longer have control of the aircraft which remain Russia. Consequently, the Group have recognised a write off of $1.62 billion, representing 100% of the carrying value of the 34 aircraft in Russia which have not been redelivered by 31 March 2022.

Separately, during the year, assets in the Group with a carrying value of $1.45 billion (year ended 31 March 2021: $1.58 billion) and average age of 6.8 years (year ended 31 March 2021: 7.4 years) were assessed for impairment as evidence existed that suggested the economic performance of the aircraft is or will be worse than expected. Impairment was measured by determining the recoverable amount for each aircraft, being the higher of its (i) fair value less costs to sell and (ii) value in use, being the present values of cashflows from the leases attached to the aircraft (including as restructured lease cash flows related to aircraft where lessees were in default or restructuring processes) and the expected residual values from the realisation of the aircraft at lease-end when discounted at a rate of 5% (year ended 31 March 2021: 5%).

The carrying amount before impairment of these aircraft of $1.52 billion (year ended 31 March 2021: $1.76 billion) was determined to be higher than the combination of the value in use or maintenance adjusted current market value of $1.45 billion (year ended 31 March 2021: $1.58 billion) and an impairment loss of $69.5 million (year ended 31 March 2021: $176.4 million) was recognised during the year. The prior year charge included a charge of $157.1 million related to lessees who were in default or undergoing restructuring processes due to the Covid pandemic. The balance of the charge relates to aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value as set out below.

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

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated time on the ground, estimated residual values, economic conditions, technology and airline demand for particular aircraft variants. These estimated cashflows were discounted at 5% (year ended 31 March 2021: 5%) per annum.

A sensitivity analysis was performed to determine the potential impact of the below movements in the various risk variables:

- 0.5% increase in the discount rate used
- 5% decrease in the future lease rental cashflows of each aircraft
- 5% decrease in the residual value of aircraft at end of its useful economic life
- 3 month increase in the estimated time on the ground between leases

None of the above movements in risk variables would have resulted in a material impact on the impairment charge for property, plant and equipment for the current or prior year.

The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid. There was no impairment on PDPs in the current or prior period.

The value of lease and maintenance component assets included in above is $109.19 million (31 March 2021: $3.86 million). These lease and maintenance component assets arose from the purchase of second hand aircraft and are accounted for in accordance with our policy as set out in note 1(l). There were no assets subject to obligations under finance leases at 31 March 2022 (31 March 2021: assets with carrying value of $24.12 million).

At 31 March 2022 the Group owned 343 aircraft, including aircraft classified as finance lease and loan receivables. The Group has 22 aircraft off-lease at year-end and 11 aircraft on lease which are scheduled to complete their lease term within the next twelve months. As noted above, the Group also has 34 aircraft in Russia, which have not been redelivered yet despite the termination of leasing during February 2022. There was one aircraft held for sale at 31 March 2022 (31 March 2021: none).

	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 2020	11,738,358	2,073,330	12,129	6,983	13,830,800
Additions	2,313,623	363,186	523	2,110	2,679,442
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 14)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 19)	131,974	-	-	-	131,974
At 31 March 2021	14,451,732	974,258	12,652	9,093	15,447,735
Additions	2,798,632	403,879	368	685	3,203,564
Transfers	543,214	(543,214)	-	-	-
Disposals	(941,254)	-	-	-	(941,254)
Transfer to assets held for sale (see note 19)	(41,278)	-	-	-	(41,278)
At 31 March 2022	16,811,046	834,923	13,020	9,778	17,668,767
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2020	1,333,596	-	10,505	1,397	1,345,498
Charge for the year	437,217	-	823	1,924	439,964
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,462)	-	-	-	(5,462)
Transfer from assets held for sale (see note 19)	15,279	-	-	-	15,279
At 31 March 2021	1,957,069	-	11,328	3,321	1,971,718
Charge for the year	479,153	-	457	2,095	481,705
Impairment charge for the year	1,686,034	-	-	-	1,686,034
Disposals	(144,810)	-	-	-	(144,810)
Transfer to assets held for sale (see note 19)	(6,491)	-	-	-	(6,491)
At 31 March 2022	3,970,955	-	11,785	5,416	3,988,156
CARRYING AMOUNT					
Net Book Value at 31 March 2022	12,840,091	834,923	1,235	4,362	13,680,611
Net Book Value at 31 March 2021	12,494,663	974,258	1,324	5,772	13,476,017

10. Investment in Subsidiaries - Company

	31 March 2022 US $'000	**31 March 2021 US $'000**
At cost	56,697	56,697

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

Owned by the Company:	**Nature of business:**	**Country of incorporation:**
SMBC Aviation Capital Ireland Leasing 3 Limited (1)	Leasing	Ireland
SMBC Aviation Capital Ireland Leasing 5 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 Hong Kong 3 Limited (4)	Leasing	China

A new subsidiary, SMBC Aviation Capital Ireland Leasing 5 Limited, was incorporated on 2 February 2022.

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

1) IFSC House, IFSC, Dublin 1, Ireland

2) Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands

3) 3-5, rue Saint-Georges, 75009 Paris, France

4) 31 & 32/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong

Movements during the year:	US $'000
At 1 April 2020	15,509
Addition during the year	41,200
Subsidiaries liquidated during the year	(12)
At 31 March 2021	56,697
Addition during the year	0
At 31 March 2022	56,697

11. Financial Instruments

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

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

At 31 March 2021	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	1,373	1,373	1,373	1,373
Financial assets measured at amortised cost				
Advances to OEMs	741,179	742,114	741,179	742,114
Finance lease and loan receivables	501,572	501,661	635,631	702,651
Trade and other receivables	242,029	242,029	238,811	238,811
Cash and cash equivalents	817,055	817,055	811,893	811,893
Financial assets	2,303,208	2,304,232	2,428,887	2,496,842
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	313,338	313,338	313,338	313,338
Borrowings (held for qualifying hedging relationships)	501,738	501,738	501,738	501,738
Financial liabilities measured at amortised cost:				
Obligations under finance leases	5,560	5,889	5,560	5,889
Trade and other payables	978,102	978,102	999,053	999,053
Borrowings	10,404,787	11,488,817	10,449,474	10,087,272
Subordinated liabilities	300,000	371,917	300,000	371,917
Financial liabilities	12,503,525	13,659,801	12,569,163	12,279,207

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 Unobservable inputs for the asset or liability

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

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

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

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

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

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

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

12. 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 $82.09 million (2021: $313.34 million). The value of derivative assets designated as fair value hedge relationships is $nil million (2021: $1.37 million). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2021: $nil) in respect of certain ineffective cashflow hedges and a $0.58 million gain (2021: $0.44 million) in respect of certain ineffective fair values hedges.

	Group Notional Contract US $'000	Group Fair Values		Company Notional Contract US $'000	Company Fair Values	
At 31 March 2022		Assets US $'000	Liabilities US $'000		Assets US $'000	Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
Total	3,984,347	24,851	(106,943)	3,984,347	24,851	(106,943)
At 31 March 2021						
Derivatives designated as hedging instruments in fair value hedges Interest rate swaps	500,000	1,373	-	500,000	1,373	-
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,137,309	-	(313,338)	4,137,309	-	(313,338)
	4,637,309	1,373	(313,338)	4,637,309	1,373	(313,338)
Total	4,637,309	1,373	(313,338)	4,637,309	1,373	(313,338)

Summary	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Assets due within one year	-	1,373	-	1,373
Assets due after one year	24,851	-	24,851	-
Liabilities due within one year...	(206)	(945)	(206)	(945)
Liabilities due after one year	(106,737)	(312,393)	(106,737)	(312,393)
Total	(82,092)	(311,965)	(82,092)	(311,965)

13. Hedge Accounting

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

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

Group

At 31 March 2022	Notional contract amount US $'000	Fair values Assets US $'000	Fair values Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)
At 31 March 2021			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,137,309	-	(313,338)
	4,137,309	-	(313,338)

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

At 31 March 2022	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	122,828	174,796	404,366	308,506
Cash outflows	(171,859)	(163,893)	(427,843)	(354,846)

During the financial year ended 31 March 2022, $231.2 million (2021: $275.3 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedges. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income (2021: $nil).

Company

At 31 March 2022	Notional contract amount US $'000	Fair values Assets US $'000	Fair values Liabilities US $'000
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	3,984,347	24,851	(106,943)
	3,984,347	24,851	(106,943)
At 31 March 2021			
Derivatives designated as hedging instruments in cash flow hedges			
Interest rate swaps	4,137,309	-	(313,338)
	4,137,309	-	(313,338)

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

At 31 March 2022	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	122,828	174,796	404,366	308,506
Cash outflows	(171,859)	(163,893)	(427,843)	(354,846)

During the financial year ended 31 March 2022, $231.2 million (2021: $275.3 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedge. There was no amount recognised as hedge ineffectiveness in the Statement of Profit or Loss and Other Comprehensive Income (2021: $nil).

Analysis of effective portion of changes in fair value of cash flow hedges	Group Year ended 31 March 2022 US $'000	Group Year ended 31 March 2021 US $'000	Company Year ended 31 March 2022 US $'000	Company Year ended 31 March 2021 US $'000
Derivatives in place for the full year	228,934	275,279	228,934	275,279
Derivatives matured during the year	943	(10)	943	(10)
Derivatives entered into during the year	1,368	-	1,368	-
Effective portion of changes in fair value of cash flow hedges	231,245	275,269	231,245	275,269
Tax effect	(28,906)	(34,409)	(28,906)	(34,409)
	202,339	240,860	202,339	240,860

14. Advances to OEMS

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Advances to Boeing				
Current	563,585	376,602	563,585	376,602
Non-current	44,771	364,577	44,771	364,577
	608,356	741,179	608,356	741,179

During the prior year, various amounts of previously paid PDPs were reclassified as an advance to Boeing (note 9) due to the deferral and cancellation of a number of existing orders (note 29). These amounts are available as a credit against the purchase of other Boeing aircraft, goods or services or ultimately against the purchase of the deferred aircraft, earns interest and any unused balances relating to these agreements become repayable between 2022 - 2024. Credits totalling $547.4 million were applied against direct order and sale and leaseback deliveries during the current period and prior year.

In accordance with the requirements of IFRS 9 and the approach outlined in Note 1(v) of the Group's Consolidated Financial Statements for the year ended 31 March 2021, the Group performed a review of future estimated cashflows related to the advances to OEMs. Based on this review a remeasurement of $0.83 million has been recognised. This remeasurement is for accounting purposes only and on a legal basis the **amount** outstanding at period-end is $607.5 million.

15. Finance Leases and Loan Receivables

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Current				
Fixed rate receivables				
Finance leases	18,889	2,359	-	-
Loan receivables	-	-	19,790	3,103
Floating rate receivables				
Loan receivables	27,132	23,681	27,521	29,523
	46,021	26,040	47,311	32,626
Non-current				
Fixed rate receivables				
Finance leases	34,781	17,267	-	-
Loan receivables	-	-	72,041	139,528
Floating rate receivables				
Loan receivables	552,201	458,265	564,679	463,477
	586,982	475,532	636,720	603,005
Total finance lease and loan receivables	633,003	501,572	684,031	635,631

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

Less than 1 year	22,665	3,271	-	-
1-2 years	4,667	17,998	-	-
2-3 years	4,667	-	-	-
3-4 years	4,667	-	-	-
4-5 years	30,611	-	-	-
Total undiscounted lease payments receivable	67,277	21,269		
Unearned finance income	(13,607)	(1,643)	-	-
Net investment in finance leases	53,670	19,626	-	-

Finance lease receivables

The Group has entered into lease arrangements as a lessor that is considered to be finance leases. The Group leases two aircraft for which substantially all of the risks and rewards of ownership have transferred, resulting in the classification of this arrangement as finance leases. Finance income in the period on the net investment in leases totalled $29.87 million (31 March 2021: $1.64 million; see note 7). Collateral for these finance leases are the relevant leased aircraft.

Loan receivables - Group:

The Group acquired one aircraft (year ended 31 March 2021: nine) during the year, which were placed with airline customers. These leases do not meet the definition of a lease under IFRS 16 and therefore the amounts are classified as a loan receivables.

Loan receivables - Company:

Loans receivable by the Company consist of funding provided to its subsidiary undertakings in the normal course of their leasing activities.

The expected credit loss of the Group's finance lease and loan receivables is assessed based on historic loss rates and the carrying value of the finance lease receivable net of collateral held. No material expected credit loss has been recognised on the Group's finance lease and loan receivables.

16. Trade and Other Receivables

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Trade debtors	115,582	260,771	116,393	260,771
Deferred lease receivables	61,352	68,652	61,352	68,652
Credit impairment provisions	(35,253)	(152,937)	(35,253)	(152,937)
Net lease receivables	141,681	176,486	142,492	176,486
Amounts due from parent group undertakings	13,028	17,436	20,234	26,653
Prepayments	37,037	23,887	34,632	20,193
Other debtors	20,553	24,220	17,340	15,479
	212,299	242,029	214,698	238,811
Age analysis of net trade debtors				
Less than one month	14,255	28,943	15,066	28,943
One to two months	12,014	23,664	12,014	23,664
More than two months	89,313	208,164	89,313	208,164
	115,582	260,771	116,393	260,771

Net lease receivables have decreased due to an improved operating performance by most airline customers, but also agreed restructured leases with a number of airline customers, which resulted in the write-off of certain balances that originated in the pre-restructuring period. The credit impairment credit in the current year of $35.4 million (year ended 31 March 2021: charge of $153.9 million) reflects the credit upgrades of a number of airlines that have exited their restructuring processes during the year. The credit impairment charge is determined by classifying lessees into four categories with an appropriate provision percentage ascribed to each category depending on payment performance (note 22(d)).

Other debtors include inventory of engines and airframes totalling $4.5 million (31 March 2021: $4.5 million).

17. Cash and Cash Equivalents

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Bank account	19,654	11,308	5,831	6,146
Bank account with parent group undertakings	76,859	5,753	76,859	5,753
Short-term deposits with parent group undertakings	897,761	799,994	897,761	799,994
	994,274	817,055	980,451	811,893
Restricted cash	-	(361,700)	-	(361,700)
Cash and cash equivalents net of restricted cash	994,274	455,355	980,451	450,193

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

18. Lease Incentive Assets

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Lease incentive assets	21,952	33,276	21,952	33,276
Amortised during the year (note 2)	(18,760)	(15,924)	(18,760)	(15,924)
Additions of lease incentive assets	84,960	4,600	84,960	4,600
	88,152	21,952	88,152	21,952
Current lease incentive assets (amortising within 12 months)	19,769	8,348	19,769	8,348
Non-current lease incentive assets (amortising after 12 months)	68,383	13,604	68,383	13,604
	88,152	21,952	88,152	21,952

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

19. Assets and Liabilities Held for Sale

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

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Assets held for sale				
Property, plant and equipment – aircraft	34,787	-	34,787	-
	34,787	-	34,787	-
Liabilities associated with assets held for sale				
Obligations under finance leases	-	-	-	-
Security deposits	-	-	-	-
Maintenance reserve	2,773	-	2,773	-
Lessor contributions	-	-	-	-
	2,773	-	2,773	-
	32,014	-	32,014	-

At 31 March 2022, the Group classified one aircraft (31 March 2021: none) as held-for-sale as the Group had an agreement for the sale in place which met the requirement to be classified as held-for-sale. The Group generally continues to recognise lease rental income on all aircraft in this classification, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

20. Trade and Other Payables

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Security deposits	104,831	132,810	102,772	131,408
Maintenance reserves	283,052	466,588	271,155	466,974
Lessor contributions	108,486	41,259	108,486	41,259
Prepaid lease rentals and fee income received	106,895	120,502	104,671	117,636
Trade creditors	16,876	5,162	16,505	4,770
Accrued interest - third party undertakings	39,831	32,356	15,565	13,076
Amounts due to parent group undertakings	128,121	94,042	202,380	140,076
Other creditors	97,910	85,383	84,407	83,854
	886,002	978,102	905,941	999,053
Analysed as:				
Non-current trade and other payables (payable after 12 months).	464,224	597,805	450,972	588,620
Current trade and other payables (payable within 12 months)	421,778	380,297	454,969	410,433
	886,002	978,102	905,941	999,053

Analysis of Group trade and other payables:

At 31 March 2022	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	420	104,411	104,831
Maintenance reserve	42,366	240,686	283,052
Lessor contributions	24,213	84,273	108,486
Prepaid lease rentals and fee income received	103,892	3,003	106,895
Trade creditors	16,876	-	16,876
Accrued interest - third party undertakings	39,831	-	39,831
Amounts due to parent group undertakings	124,371	3,750	128,121
Other creditors	69,810	28,100	97,910
	421,779	464,223	886,002

At 31 March 2021	Due < 12 months US $'000	Due > 12 months US $'000	Total US $'000
Security deposits	1,389	131,421	132,810
Maintenance reserve	65,214	401,374	466,588
Lessor contributions	10,362	30,897	41,259
Prepaid lease rentals and fee income received	117,499	3,003	120,502
Trade creditors	5,162	-	5,162
Accrued interest - third party undertakings	32,356	-	32,356
Amounts due to parent group undertakings	90,877	3,165	94,042
Other creditors	57,438	27,945	85,383
	380,297	597,805	978,102

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

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

21. Borrowings

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Loan amounts due to third party undertakings	3,453,766	3,328,522	3,113,766	2,948,522
Loan amounts due to parent group undertakings	6,510,365	5,580,561	6,510,364	5,575,249
Loan amounts due to subsidiaries	-	-	2,925,837	2,427,441
Debt securities issued in qualifying hedging relationships	-	501,738	-	-
Other debt securities issued	2,491,540	1,495,704	-	-
	12,455,671	10,906,525	12,549,967	10,951,212
The borrowings are repayable as follows:				
On demand or within one year	1,154,478	1,303,567	1,154,478	1,298,255
In the second year	1,043,481	1,151,273	1,043,481	1,151,273
In the third to fifth year inclusive	4,283,386	3,641,147	4,283,386	3,641,147
After five years	5,974,326	4,810,538	6,068,622	4,860,537
	12,455,671	10,906,525	12,549,967	10,951,212
Less: Amounts due for settlement within 12 months	(1,154,478)	(1,303,567)	(1,154,478)	(1,298,255)
Amounts due for settlement after 12 months	11,301,193	9,602,958	11,395,489	9,652,957

As at 31 March 2022, the Group had $4.4 billion of available capacity in place through a combination of undrawn shareholder funding ($1.9 billion), third party availability ($1.5 billion) and unrestricted cash balances. The Group has short-term debt repayment obligations (due within 12 months) totalling $1.15 billion and other current liabilities of $424.8 million. The short-term debt obligations include shareholder funding repayments of $194.6 million, which will become available as additional capacity on repayment.

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 notes were repaid in July 2021. These debt securities were designated into a qualifying hedge relationship at inception and the Group had determined that it expected the hedge to be highly effective over the life of the hedging instrument. The debt securities were fair valued through profit or loss with respect to the hedged interest rate. The net fair value hedge ineffectiveness gain of $0.58 million (note 7; year ended 31 March 2021: $0.44 million) recognised in the Statement of comprehensive income reflects an expense from hedging instruments related to debt securities of $1.37 million (year ended 31 March 2021: $1.44 million) and a gain from these hedged debt securities of $1.95 million (year ended 31 March 2021: $1.88 million). At Company level, these notes were included in loan amounts due to subsidiaries.

The Group closed the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018, the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. These debt securities were not designated into a qualifying hedge relationship at inception.

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

The amount of borrowing costs that were capitalised to the cost of aircraft in the period in the Group was $23.7 million (year ended 31 March 2021: $49.6 million; note 9). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

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

	As at 1 April 2021 US $'000	Cash flows in the period US $'000	Non-cash changes: Fair value changes US $'000	Non-cash changes: Amortisation of issuing costs US $'000	As at 31 March 2022 US $'000
Floating rate borrowings					
Loan amounts due to third party undertakings..........................	3,030,000	(140,000)	-	-	2,890,000
Loan amount due to parent group undertakings..........................	2,226,379	301,380	-	-	2,527,759
	5,256,379	161,380	-	-	5,417,759
Fixed rate borrowings					
Loan amount due to parent group undertakings..........................	3,354,182	628,424	-	-	3,982,606
Loan amounts due to third party undertakings..........................	298,522	265,244	-	-	563,766
Debt securities issued in qualifying hedging relationships	501,738	(500,740)	(1,949)	951	-
Other debt securities issued.......	1,495,704	993,858	-	1,978	2,491,540
	10,906,525	1,548,166	(1,949)	2,929	12,455,671

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

At 31 March 2022	Average interest rate %	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	1.20	2022-2029	460,000	2,430,000	2,890,000
Loan amount due to parent group undertakings	2.86	2023-2033	59,730	2,468,029	2,527,759
			519,730	4,898,029	5,417,759
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.10	2022-2034	134,911	3,847,695	3,982,606
Loan amounts due to third party undertakings	2.61	2025-2031	-	563,766	563,766
Other debt securities issued	2.98	2022-2028	499,837	1,991,703	2,491,540
			1,154,478	11,301,193	12,455,671
At 31 March 2021					
Floating rate borrowings					
Loan amounts due to third party undertakings	1.27	2021-2029	440,000	2,590,000	3,030,000
Loan amount due to parent group undertakings	2.85	2021-2033	57,680	2,168,699	2,226,379
			497,680	4,758,699	5,256,379
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.10	2021-2034	304,149	3,050,033	3,354,182
Loan amounts due to third party undertakings	2.59	2025-2028	-	298,522	298,522
Debt securities issued in qualifying hedging relationships..	2.65	2021	501,738	0	501,738
Other debt securities issued	3.56	2022-2024	-	1,495,704	1,495,704
			1,303,567	9,602,958	10,906,525

22. Financial Risk Management

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group and Company's risk management framework. The Board of Directors, in conjunction with the Transportation Business

Planning Department ("TBPD") on behalf of the Consortium, develops and monitors the Group and Company's risk management policies which are established to identify and analyse the risks faced by the Group and Company, which include:

a. **Currency Risk**

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

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. Information on the currency derivatives is provided in note 13. There was no material change in the currency risk of the Group and Company during the period.

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

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Euro assets	10,172	13,968	8,914	12,556
Sterling assets	11	162	11	162
Japanese yen assets	10,937	5,965	397	413
Euro liabilities	(12,907)	(14,745)	(10,812)	(13,329)
Sterling liabilities	(1,386)	(1,353)	(1,386)	(1,351)
Japanese yen liabilities	(11,297)	(5,700)	(853)	(250)
Chinese yuan liabilities	(471)	(229)	(471)	(229)

At 31 March 2022, 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 $229,961 lower / higher, and for the Company would have been $131,117 lower / higher, mainly as a result of foreign exchange gains/losses on retranslation of Euro denominated cash balances, payables and other receivables.

b. **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company's policy is to seek to minimise cash flow interest rate risk when entering into leasing transactions by the use of appropriate matched funding, including the use of derivative financial instruments. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. There was no material change in the interest rate risk of the Group and Company during the period.

At the end of the reporting period the interest rate profile of the Group and Company's interest-bearing financial instruments was as follows:

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Financial assets				
- variable rate	579,333	843,646	592,200	729,700
- fixed rate	1,559,787	1,199,099	1,597,948	1,322,104
- non-interest bearing	333,663	260,463	322,239	377,083
Total Financial Assets	2,472,783	2,303,208	2,512,387	2,428,887
Financial liabilities				
- variable rate	5,717,759	5,556,379	5,812,055	5,601,066
- fixed rate	7,037,912	5,655,706	7,037,912	5,655,706
- non-interest bearing	995,718	1,291,440	1,015,657	1,312,391
Total Financial Liabilities	13,751,389	12,503,525	13,865,624	12,569,163

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 2022, 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 $1.4 million lower / higher; other components of equity would have been $5.1 million lower / higher as a result of a decrease/increase in the fair value of cash flow hedge reserves. The weighted average fixed rate for the interest rate swap portfolio was 4.45%.

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 2022, the Group had put in place $4.4 billion of available capacity through a combination of undrawn shareholder funding ($1.9 billion), third party availability ($1.5 billion) and unrestricted cash balances. Any maturity mismatch within the overall long-term structure of the Group and Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Group and Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise. While operating cash flows have decreased in the current year due to impact of Covid-19 on various lessees and the impact of sanctions on Russia on various Russian airlines, available liquidity capacity has ensured that there was no material change in the liquidity risk of the Group and Company during the period.

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

	Group Carrying value 31 March 2022 US $'000	Group Contracted cashflows 31 March 2022 US $'000	Group Carrying value 31 March 2021 US $'000	Group Contracted cashflows 31 March 2021 US $'000
Liabilities associated with assets held for sale	2,773	2,773	-	-
Trade and other payables	779,107	779,107	857,600	857,600
Obligations under finance leases	-	-	5,560	6,213
Borrowings	12,455,671	14,752,823	10,906,525	12,856,040
Subordinated liabilities	300,000	596,987	300,000	588,503
Interest rate swaps	106,943	1,118,441	313,338	1,050,651
	13,644,494	17,250,131	12,383,023	15,359,007

	Group Less than 1 year US $'000	Group 1 to 2 years US $'000	Group 3 to 5 years US $'000	Group Over 5 years US $'000
At 31 March 2022				
Non-derivative financial instruments				
Liabilities associated with assets held for sale	(2,773)	-	-	-
Trade and other payables	(317,886)	(72,115)	(164,893)	(224,215)
Borrowings	(1,542,195)	(1,483,877)	(5,301,941)	(6,424,810)
Subordinated liabilities	(15,078)	(21,238)	(60,652)	(500,019)
Total non-derivative financial instruments outflows	(1,877,932)	(1,577,230)	(5,527,486)	(7,149,044)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled - inflow	-	10,903	-	-
Net Settled - outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows	(1,926,962)	(1,566,327)	(5,550,964)	(7,195,383)

	Group Less than 1 year US $'000	Group 1 to 2 years US $'000	Group 3 to 5 years US $'000	Group Over 5 years US $'000
At 31 March 2021				
Non-derivative financial instruments				
Trade and other payables	(262,798)	(75,117)	(261,556)	(258,129)
Obligations under finance leases	(3,465)	(2,748)	-	-
Borrowings	(1,588,716)	(1,413,074)	(4,374,283)	(5,479,967)
Subordinated liabilities	(12,843)	(13,122)	(50,135)	(512,403)
Total non-derivative financial instruments outflows	(1,867,822)	(1,504,061)	(4,685,974)	(6,250,499)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(82,125)	(75,545)	(103,243)	(21,028)
Total Outflows	(1,949,947)	(1,579,606)	(4,789,217)	(6,271,527)

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

	Company Carrying value 31 March 2022 US $'000	Company Contracted cashflows 31 March 2022 US $'000	Company Carrying value 31 March 2021 US $'000	Company Contracted cashflows 31 March 2021 US $'000
Trade and other payables	(262,798)	(75,117)	(261,556)	(258,129)
Liabilities associated with assets held for sale	2,773	2,773	-	-
Trade and other payables	801,270	801,270	881,417	881,417
Obligations under finance leases	-	-	5,560	6,213
Borrowings	12,549,967	14,822,161	10,951,212	12,871,950
Subordinated liabilities	300,000	596,987	300,000	588,503
Interest rate swaps	106,943	1,118,441	313,338	1,050,651
	13,760,953	17,341,632	12,451,527	15,398,734

	Group Less than 1 year US $'000	Group 1 to 2 years US $'000	Group 3 to 5 years US $'000	Group Over 5 years US $'000
At 31 March 2022				
Non-derivative Financial Instruments				
Liabilities associated with assets held for sale	(2,773)	-	-	-
Trade and other payables	(353,300)	(72,115)	(164,893)	(210,960)
Borrowings	(1,632,671)	(1,483,877)	(5,302,438)	(6,403,175)
Subordinated liabilities	(15,078)	(21,238)	(60,652)	(500,019)
Total Non-derivative Financial Instruments Outflows	(2,003,822)	(1,577,230)	(5,527,983)	(7,114,154)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	10,903	-	-
Net Settled – outflow	(49,030)	-	(23,478)	(46,339)
Total Outflows	(2,052,852)	(1,566,327)	(5,551,461)	(7,160,493)

	Group Less than 1 year US $'000	Group 1 to 2 years US $'000	Group 3 to 5 years US $'000	Group Over 5 years US $'000
At 31 March 2021				
Non-derivative Financial Instruments				
Trade and other payables	(295,800)	(75,117)	(261,556)	(248,944)
Obligations under finance leases	(3,465)	(2,748)	-	-
Borrowings	(1,629,583)	(1,413,074)	(4,374,283)	(5,455,010)
Subordinated liabilities	(12,843)	(13,122)	(50,135)	(512,403)
Total Non-derivative Financial Instruments Outflows	(1,941,691)	(1,504,061)	(4,685,974)	(6,216,357)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(82,125)	(75,545)	(103,243)	(21,028)
Total Outflows	(2,023,816)	(1,579,606)	(4,789,217)	(6,237,385)

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

d. **Credit Risk**

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

– Approval of credit exposure must be granted prior to any advance or extension of credit.

– An appropriate credit risk assessment of the customer and related credit facilities must be undertaken prior to approval of credit exposure. This must include an assessment of, amongst others, the purpose of the credit and sources of repayment, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.

– Credit risk authority must be specifically granted in writing to all individuals involved in the granting of credit approval, whether this is exercised personally or collectively as part of a credit committee. These individuals must act independently and with balanced commercial judgement in exercising credit authority.

- Where credit authority is exercised personally, the individual must not have any responsibility or accountability for business revenue origination.
- All credit exposures, once approved, must be effectively monitored and managed and reviewed periodically against approved guidelines. Review occurs at least annually, with lower quality exposures being subject to a greater frequency of analysis and assessment.
- Customers with emerging credit problems must be identified early and classified accordingly. Remedial actions must be implemented promptly to minimise the potential loss to the Company and consideration given whether to transfer customers with credit problems to a specialised problem management or recovery unit.
- Portfolio analysis and reporting must be used to identify and manage credit risk concentrations and credit risk quality.

The Group's principal financial assets that are subject to the expected credit loss ("ECL") model are trade and other receivables ($212.3 million of which $141.7 million relate to lease receivables) resulting from its leasing activities, advances to OEMs ($608.4 million; note 14) and cash and cash equivalents (bank accounts totalling $994.3 million; including $974.6 million with group companies). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

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

At 31 March 2022, the Group's significant cash and deposit counterparties were:

	US $'000
SMBC (credit rating A (S&P))	974,620
Citibank (Credit rating A+ (S&P))	19,654
	994,274

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 2022, the Group was exposed to trade debtors of $115.6 million (2021: $260.8 million) and held a provision for expected credit losses against these for $35.3 million (2021: $152.9 million). As at 31 March 2022, the Group held letters of credit in relation to lease rentals and maintenance exposures of $283.9 million (31 March 2021: $383.4 million) in addition to $383.4 million of cash security deposits and maintenance reserves (31 March 2021: $599.4 million; see note 20).

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

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

	Expected credit loss provision %		Group & Company 31 March 2022		Group & Company 31 March 2021	
	31 March 2022	31 March 2021	Gross carrying amount	Impairment loss	Gross carrying amount	Impairment loss
	%	%	US $'000	US $'000	US $'000	US $'000
Category 1	0.2%	0.2%	440	-	1,210	-
Category 2	1.2%	1.5%	351	-	3,813	157
Category 3	8.4%	6.2%	70,373	4,298	11,907	744
Category 4	33% - 100%	33% - 100%	44,418	30,955	243,841	152,036
			115,582	35,253	260,771	152,937

The Group and Company classifies financial assets and calculate respective expected credit losses by reference to the categories noted above, with Category 1 being the lowest risk and Category 4 the highest risk. Classification is determined by a combination of previous default rates and estimated future losses based on credit grading, current economic situation and the increasing level of receivables of each lessee. Category 4 includes gross trade receivables of $15.9 million, $27.9 million and $0.6 million with applicable credit loss provision rates of 33%, 50% and 100% respectively.

The Group and Company continues to monitor the economic environment of its customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) during the Covid pandemic, those who have subsequently exited such lease restructurings, as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances.

A number of airline customers agreed restructured leases and / or exited lease restructurings during the year, which resulted in the write-off of certain balances that originated in the pre-restructuring period. However, the Group partially recovered amounts related to the sale of the Group's interest in the pre-petition claims against some of its lessees by way of sub-participation (note 3). The table above reflects the lower overall receivable and provisioning balances at year-end, while the Group and Company continues to monitor its credit exposure and manage any lessee concentrations.

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

Impairment Losses	Group US $'000	Company US $'000
The movement in the provision for expected credit losses in respect of financial assets is as follows:		
Balance at 1 April 2020..	12,187	12,187
Credit impairment charge on financial assets...	153,872	153,872
Trade debtors written off...	(13,122)	(13,122)
Balance at 31 March 2021..	152,937	152,937
Credit impairment credit on financial assets	(35,364)	(35,364)
Trade debtors written off..	(82,320)	(82,320)
Balance at 31 March 2022..	35,253	35,253

The provision for expected credit losses include a provision of $33.5 million in relation to lease receivables (31 March 2021: $151.0 million).

e. **Concentration Risk**

Concentration risk is the risk that a high percentage of aircraft are on lease to a single lessee or region resulting in the returns on aircraft being less diverse and more correlated. The largest exposure to a single lessee based on net book value of delivered aircraft is 4.6%.

f. **Technical, Maintenance and Environmental Risk**

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

g. **Asset Value Risk**

Asset value risk is the risk that internal and external factors may adversely affect the inherent value of any asset held. There is a material risk to the value of the Groups operating lease assets that remain in Russia and which continue to be flown by Russian airlines. There is a significant level of uncertainty in terms of timing when, and if, these aircraft redeliver to the Group and as a result these aircraft may suffer deterioration in maintenance condition due to inadequate maintenance and lack of components.

In addition, 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 on-going and evolving geopolitical situation in Ukraine / Russia and the Covid-19 outbreak may result in additional impairment of related assets.

h. **Capital Management**

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

23. Deferred Tax

	Group US $'000	**Company US $'000**
Movements during the year:		
At 1 April 2020	319,969	319,977
Charge to income from continuing operations (note 8)	1,359	1,359
Charge to other comprehensive income	34,512	34,512
At 31 March 2021	355,840	355,848
Charge to income from continuing operations (note 8)	(142,370)	(44,669)
Charge to other comprehensive income	29,003	29,003
At 31 March 2022	242,473	340,182

	Group 31 March 2022 US $'000	**Group 31 March 2021 US $'000**	**Company 31 March 2022 US $'000**	**Company 31 March 2021 US $'000**
Deferred tax assets	13,652	39,549	13,652	39,549
Deferred tax liabilities	(256,125)	(395,389)	(353,834)	(395,397)
	(242,473)	(355,840)	(340,182)	(355,848)

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

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	(253,018)	(395,389)	(350,727)	(395,397)
Fair value adjustments on financial instruments - deferred tax asset	13,652	39,549	13,652	39,549
Fair value adjustments on financial instruments - deferred tax liability	(3,107)	-	(3,107)	-
	(242,473)	(355,840)	(340,182)	(355,848)

The Group has estimated tax losses of $3.22 billion (31 March 2021: $2.84 billion) which are available for set-off against future taxable income. These tax losses have arisen from the Group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities.

24. Subordinated Liabilities

	Average interest rate %	Year of maturity	Group & Company	
			31 March 2022 US $'000	31 March 2021 US $'000
$300 million floating rate loan due to parent group undertakings	4.26	2038	300,000	300,000
			300,000	300,000

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan has since been extended to February 2038 and can be extended further with the agreement of both parties.

25. Share Capital

	31 March 2022 US $	31 March 2021 US $
Authorised:		
Ordinary shares of $1 each	300,000,000	300,000,000
Preference shares of $1 each	700,000,000	700,000,000
	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
	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 2022	31 March 2021
	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
	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
	887,512,800	887,512,800

26. Other Components of Equity

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Company 31 March 2022 US $'000	Company 31 March 2021 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
Other reserve	1,967	1,967	-	-
Cash flow hedge reserve	(73,818)	(276,841)	207,486	(276,841)
Total other reserves	396,737	193,714	468,588	191,747

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

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of $207.5 million in the form of a capital contribution. The contribution was made absolutely and the Company's then ultimate parent company, Royal Bank of Scotland Group plc, retained no rights, titles or interest whatsoever in the contribution other than the rights it held as the shareholder.

As described in note 1 c, for newly acquired subsidiaries, the Group adjusts the carrying value of assets and liabilities to reflect the Group's accounting policies. At 31 March 2013, the Group acquired a new subsidiary (SMBC Aviation Capital Aircraft Holdings B.V.; now liquidated) as part of a common control transaction. The impact of harmonising the Group's accounting policies was that the maintenance reserves of SMBC Aviation Capital Aircraft Holdings B.V. were reduced by $2.633 million at 31 March 2013, with a related increase in deferred tax liabilities of $0.658 million. The difference, a net amount of $1.967 million being a transaction with shareholder, was reflected in the other reserve.

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

27. Operating Lease Arrangements as Lessor

The future minimum lease payments receivable under non-cancellable operating leases, which include variable lease payments based on rent as at the reporting date, are as follows:

	Group 31 March 2022 US \$'000	Group 31 March 2021 US \$'000	Company 31 March 2022 US \$'000	Company 31 March 2021 US \$'000
Within one year	1,122,826	1,164,067	1,118,242	1,152,384
In the second year	1,144,279	1,161,582	1,136,924	1,148,975
In the third year	1,091,783	1,093,864	1,082,271	1,078,486
In the fourth year	1,042,513	1,019,119	1,028,529	1,001,585
In the fifth year	965,881	969,683	951,310	947,675
After five years	3,967,962	3,978,558	3,899,849	3,875,143
	9,335,244	9,386,873	9,217,125	9,204,248

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 10. Transactions to and from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IAS 27, Consolidated and Separate Financial Statements.

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

	Group 31 March 2022 US \$'000	Group 31 March 2021 US \$'000	Group 31 March 2022 US \$'000	Group 31 March 2021 US \$'000
Transactions with parent companies:				
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	132	3,375	132	3,375
Interest expense	-	638	-	638
Operating expenses	4,537	1,465	4,537	1,465
Balances at period end:				
Sundry (creditors) / debtors	(4,107)	2,067	(4,107)	2,067
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	2,351	2,464	2,197	2,210
Balances at period end:				
Sundry debtors	-	100	-	-
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	14,343	15,887	14,343	15,887
Fee income	1,362	1,558	1,362	1,558
Balances at period end:				
Amounts due to group undertakings	64,007	37,646	64,007	37,646
SMBC Capital Markets Inc.				
Transactions during the period:				
Gain on derivative fair value	1,373	1,441	1,373	1,441
Interest expense	92,433	67,473	92,433	67,473
Balances at period end:				

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000
Cash	-	361,700	-	361,700
Derivative Financial Instruments	98,864	327,556	98,864	327,556
SMBC Trust Bank				
Transactions during the period:				
Interest expense	97,745	84,704	97,745	84,704
Balances at period end:				
Borrowings	3,293,670	2,766,257	3,293,670	2,766,257
Amounts due to group undertakings	13,227	7,996	13,227	7,996
SMBC Bank International plc (formerly "Sumitomo Mitsui Banking Corporation Europe Limited")				
Transactions during the period:				
Fee income	1,500	1,500	1,500	1,500
Interest income	-	88	0	88
Operating expense	(52)	(1,205)	(52)	(1,205)
Balances at period end:				
Cash	12,190	2,317	12,189	2,316
Sundry debtors / (creditors)	1,500	(132)	1,500	(132)
SMBC (Japan)				
Transactions during the period:				
Operating expenses	12,281	14,547	12,281	14,547
Balances at period end:				
Amounts due to group undertakings	5,497	6,177	5,497	6,177
SMBC (New York)				
Transactions during the period:				
Interest expense	133,768	112,082	133,768	112,082
Balances at period end:				
Borrowings	3,516,694	3,108,992	3,516,694	3,108,992
Cash	962,429	441,730	962,429	441,730
Amounts due to group undertakings	15,961	14,905	15,961	14,905
SMBC (Paris)				
Transactions during the period:				
Interest expense	273	464	273	464
Balances at period end:				
Obligations under Finance Leases	-	3,171	-	3,171
Non-current liabilities	-	2,425	-	2,425
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	613	559	613	559
Balances at period end:				
Other Creditors	117	-	117	-
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	942	1,150	942	1,150
Balances at period end:				
Other Creditors	104	-	104	-
Shanghai General SMFL Co., Ltd.				
Transactions during the period:				
Operating expenses				
Balances at period end:	795	698	795	698
Other Creditors	173	120	173	120
SMBC Leasing and Finance, Inc.				
Transactions during the period:				
Operating expenses	4,350	4,200	4,3500	4,200
Balances at period end:				
Other Creditors	1,171	435	1,171	435
SMBC Bank EU AG				
Transactions during the period:				

	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000	Group 31 March 2022 US $'000	Group 31 March 2021 US $'000
Operating income	60	103	60	103

	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
Transactions with subsidiaries		
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Fee income	1,435	48
Interest income	16,569	1,440
Balances at period end:		
Amounts due from group undertakings	617,076	499,222
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee expense	3,658	2,903
Interest expense	2,840	3,764
Balances at period end:		
Amounts due to group undertakings	200,060	238,914

	Company 31 March 2022 US $'000	Company 31 March 2021 US $'000
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	1,184	1,123
Balances at period end:		
Amounts due to group undertakings	(338)	(38)
SMBC Aviation Capital Hong Kong Limited		
Transactions during the period:		
Fee expense	891	2,393
Balances at period end:		
Amounts due from / (to) group undertakings	3,903	(1,043)
SMBC Aviation Capital Hong Kong 2 Limited		
Transactions during the period:		
Interest expense	2,573	3,526
Fee expense	2,050	2,059
Balances at period end:		
Amounts due to group undertakings	198,780	197,622
SMBC Aviation Capital Hong Kong 3 Limited		
Transactions during the period:		
Interest income	3,440	1,747
Balances at period end:		
Amounts due from group undertakings	29,088	122,353
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	13	18
Interest expense	73,670	69,447
Balances at period end:		
Amounts due to group undertakings	2,515,244	2,014,201

The Group closed the sale of $500 million of its 2.65% senior unsecured notes due 2021 on 19 July 2016, the sale of $500 million of its 3.00% senior unsecured notes due 2022 on 19 July 2017, the sale of $500 million of its 4.125% senior unsecured notes due 2023 on 30 July 2018 and the sale of $500 million of its 3.55% senior unsecured notes due 2024 on 15 April 2019, the sale of $500 million of its 2.30% senior unsecured notes due 2028 on 15 June 2021 and the sale of $500 million of its 1.90% senior unsecured notes due 2026 on 15 October 2021 through its wholly-owned subsidiary, SMBC Aviation Capital Finance DAC, fully and unconditionally guaranteed by SMBC Aviation Capital Limited. All issuances are fully and unconditionally guaranteed by SMBC Aviation Capital Limited. The impact on borrowings is set out in note 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:

	31 March 2022 US $'000	31 March 2021 US $'000
Salaries and other short-term employee benefits	6,955	5,937
Post-employment benefits	468	441
Other long-term benefits	1,277	755
Total	8,700	7,133

29. Capital Commitments

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consisted of 110 A320neo aircraft (of which 20 have subsequently been converted to A321neos) and 5 A321ceo aircraft, while the Boeing order consisted of 90 Boeing 737 MAX 8 aircraft. 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 $0.8 billion (31 March 2021: $0.6 billion).

The combined remaining purchase commitment for orders total $10.0 billion and delivery dates are currently scheduled between 2022 and 2027 of which $2.1 billion relates to expected delivery dates within the next twelve months. These delivery dates continue to be impacted by the ongoing Covid-19 pandemic, which have impacted on certain assembly and supplier facilities.

The scheduled delivery dates also reflect an agreement concluded in May 2020 with Boeing to defer the delivery of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 and an agreement concluded in December 2020 with Boeing to cancel the delivery of 21 aircraft, with existing PDPs already paid for these aircraft reclassified as an advance to Boeing (note 14). Furthermore, an agreement was concluded with Airbus in July 2020 to defer the delivery of 23 aircraft from their original delivery dates in 2021 - 2022 to 2021 - 2026, with an additional agreement concluded with Airbus in March 2021 to defer the delivery of 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. Lastly, an additional agreement was concluded in May 2021 with Boeing for the purchase of a further 14 aircraft. All commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

30. Contingent Liabilities

The Group and Company had no contingent liability at 31 March 2022 (31 March 2021: $nil).

31. Subsequent Events

On 6 May 2022, Mr. N. Hirose, Mr. T. Kusaka, Mr. N. Nonaka and Mrs. A. Kenny were appointed as Directors.

On 16 May 2022, the Company announced that it had reached agreement with NWS Holdings Limited and Chow Tai Fook Enterprises Limited to acquire Goshawk Aviation ("Goshawk"), the Dublin-based global aircraft lessor. The transaction includes the acquisition of a portfolio of 176 owned and managed aircraft, but specifically excludes aircraft owned by Goshawk that are located in Russia.

No other significant events affecting the Group and Company have occurred since 31 March 2022, which require adjustment to or disclosure in the Consolidated Financial Statements.

32. Approval of Financial Statements

The Directors approved these Financial Statements on 30 June 2022.

SMBC Aviation Capital Limited

Audited consolidated financial statements
as of and for the year ended March 31, 2021

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
Goshawk	Goshawk Aviation
Group	SMBC Aviation Capital Limited and its subsidiaries
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
IFSC	International Financial Services Centre
ISA	International Standard on Auditing
IT	Information technology
JOLCO	Japanese operating lease with call option
Managed entity	SMBC Aviation Capital (UK) Limited
MSN	Manufacturers Serial Number
neo	New engine option
OCI	Other comprehensive income
OEM	Original equipment manufacturer
PDP	Pre-delivery payment
ROU	Right of use
Russia	Russian Federation
S&P	Standard & Poor’s
SC	Sumitomo Corporation
SMBC	Sumitomo Mitsui Banking Corporation
SMFG	Sumitomo Mitsui Financial Group
SMFL	Sumitomo Mitsui Finance and Leasing Company, Ltd.
Structured entity	PDP financing company
TBPD	Transportation Business Planning Department
UEL	Useful economic life
UK	United Kingdom
USA	United States of America

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED MARCH 31, 2021

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SMBC Aviation Capital Limited ("the Company") and its consolidated undertakings (together "the Group") for the year ended 31 March 2021 set out on pages 9 to 58, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows, Company statement of cash flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

– the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Company as at 31 March 2021 and of the Group's profit for the year then ended;

– the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;

– the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and

– the 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

– we have not identified material misstatements in the directors' report;

– in our opinion, the information given in the directors' report is consistent with the financial statements;

– in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Opinions on other matters prescribed by the Companies Act 2014

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

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 6 May 2021

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 2021	Note	Year ended 31 March 2021	Year ended 31 March 2020
		US $'000	US $'000
CONTINUING OPERATIONS			
Income			
Lease revenue	2	1,130,832	1,154,215
Other revenue	2	13,721	15,334
Total revenues	2	1,144,553	1,169,549
Other operating income	3	22,697	46,591
		1,167,250	**1,216,140**
Operating expenses			
Depreciation	9	(442,094)	(413,162)
Asset impairment charge	9	(176,439)	(19,311)
Credit impairment charge	17	(153,872)	(8,230)
Operating expenses	4	(85,941)	(109,373)
PROFIT FROM OPERATING ACTIVITIES		**308,904**	**666,064**
Finance income	7	95,208	127,572
Finance expense	7	(388,489)	(432,537)
Break (losses) / gains	7	(836)	4,533
Net trading gain / (expense)	7	442	(1,114)
NET FINANCE COSTS		**(293,675)**	**(301,546)**
PROFIT BEFORE TAXATION		**15,229**	**364,518**
Tax expense	8	(1,674)	(45,384)
PROFIT FROM CONTINUING OPERATIONS		**13,555**	**319,134**
OTHER COMPREHENSIVE INCOME			
Cash flow hedges - effective portion of changes in fair value	14	275,269	(461,618)
Cash flow hedges - reclassified to profit or loss		820	(400)
Movement in fair value of available for sale assets		(1,260)	-
Tax on other comprehensive income		(34,512)	57,752
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR, NET OF TAX		**240,317**	**(404,266)**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**253,872**	**(85,132)**

All income relates to continuing operations. All profits and total comprehensive income for the current and preceding financial year are attributable to the owners of the company. The accompanying notes form an integral part of these financial statements.

P Barrett
Director
Date: 6 May 2021

B Flannery
Director
Date: 6 May 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

	Note	31 March 2021 US $'000	31 March 2020 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,638,022	12,486,910
Intangible assets	10	3,081	1,293
Advances to OEMs	15	364,577	-
Finance lease and loan receivables	16	475,532	-
Lease incentive assets	19	13,604	23,782
Derivative financial instruments	13	-	2,813
		14,494,816	12,514,798
CURRENT ASSETS			
Advances to OEMs	15	376,602	-
Assets held for sale	20	-	173,677
Finance lease and loan receivables	16	26,040	-
Trade and other receivables	17	242,029	160,286
Cash and cash equivalents	18	817,055	1,242,356
Lease incentive assets	19	8,348	9,494
Derivative financial instruments	13	1,373	11
		1,471,447	1,585,824
TOTAL ASSETS		15,966,263	14,100,622
EQUITY			
Share capital	27	887,513	887,513
Other components of equity	28	193,714	(47,863)
Retained earnings		2,025,671	2,013,376
TOTAL EQUITY		3,106,898	2,853,026
NON-CURRENT LIABILITIES			
Trade and other payables	21	597,805	613,518
Obligations under finance leases	22	2,389	5,561
Borrowings	23	9,602,958	8,521,237
Deferred tax liabilities	25	355,840	319,969
Derivative financial instruments	13	312,393	588,100
Subordinated liabilities	26	300,000	300,000
		11,171,385	10,348,385
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	-	17,187
Trade and other payables	21	380,297	388,439
Obligations under finance leases	22	3,171	3,052
Borrowings	23	1,303,567	490,017
Derivative financial instruments	13	945	516
		1,687,980	899,211
TOTAL LIABILITIES		12,859,365	11,247,596
TOTAL EQUITY AND LIABILITIES		15,966,263	14,100,622

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

P Barrett Director Date: 6 May 2021	B Flannery Director Date: 6 May 2021

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

	Note	31 March 2021 US $'000	31 March 2020 US $'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	13,476,017	12,485,302
Intangible assets	10	3,081	1,293
Advances to OEMs	15	364,577	-
Loan receivables	16	603,005	-
Investment in subsidiaries	11	56,697	15,509
Lease incentive assets	19	13,604	23,782
Derivative financial instruments	13	-	2,813
		14,516,981	12,528,699
CURRENT ASSETS			
Advances to OEMs	15	376,602	-
Assets held for sale	20	-	173,677
Loan receivables	16	32,626	-
Trade and other receivables	17	238,811	162,951
Cash and cash equivalents	18	811,893	1,242,001
Lease incentive assets	19	8,348	9,494
Derivative financial instruments	13	1,373	11
		1,469,653	1,588,134
TOTAL ASSETS		15,986,634	14,116,833
EQUITY			
Share capital	27	887,513	887,513
Other components of equity	28	191,747	(49,830)
Profit or loss account		1,982,363	1,973,306
TOTAL EQUITY		3,061,623	2,810,989
NON-CURRENT LIABILITIES			
Trade and other payables	21	588,620	612,892
Obligations under finance leases	22	2,389	5,561
Borrowings	23	9,652,957	8,521,237
Deferred tax liabilities	25	355,848	319,977
Derivative financial instruments	13	312,393	588,100
Subordinated liabilities	26	300,000	300,000
		11,212,207	10,347,767
CURRENT LIABILITIES			
Liabilities associated with assets held for sale	20	-	17,187
Trade and other payables	21	410,433	447,304
Obligations under finance leases	22	3,171	3,052
Borrowings	23	1,298,255	490,018
Derivative financial instruments	13	945	516
		1,712,804	958,077
TOTAL LIABILITIES		12,925,011	11,305,844
TOTAL EQUITY AND LIABILITIES		15,986,634	14,116,833

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

P Barrett
Director
Date: 6 May 2021

B Flannery
Director
Date: 6 May 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 March 2021

	Note	Share Capital	Other Reserves (incl. Share Premium)	Cash Flow Hedge Reserve	Retained Earnings	Total Equity
		US $'000	US $'000	US $'000	US $'000	US $'000
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)		-	-	-	(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	28	-	-	(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
Total comprehensive income						
Profit for the year		-	-	-	13,555	13,555
Other comprehensive expenses for the year	28	-	-	241,577	(1,260)	240,317
		-	-	241,577	12,295	253,872
BALANCE AT 31 MARCH 2021		887,513	470,555	(276,841)	2,025,671	3,106,898

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

COMPANY STATEMENT OF CHANGES IN EQUITY

as at 31 March 2021

	Note	Share Capital	Other Reserves (incl. Share Premium)	Cash Flow Hedge Reserve	Retained Earnings	Total Equity
		US $'000	US $'000	US $'000	US $'000	US $'000
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)		-	-	-	(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	28	-	-	(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
Total comprehensive income						
Profit for the year		-	-	-	10,317	10,317
Other comprehensive expenses for the year	28	-	-	241,577	(1,260)	240,317
		-	-	241,577	9,057	250,634
BALANCE AT 31 MARCH 2021		887,513	468,588	(276,841)	1,982,363	3,061,623

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	Year ended 31 March 2021	Year ended 31 March 2020
		US $'000	US $'000
PROFIT BEFORE TAX		15,229	364,518
Adjustments for:			
Depreciation of property, plant and equipment	9	442,094	413,162
Impairment of property, plant and equipment	9	176,439	19,311
Amortization of computer software intangible assets	10	755	1,667
Lease incentive asset amortization	19	15,924	16,326
Credit impairment charge	17	153,872	8,230
Net interest expense		293,656	300,183
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(442)	1,114
Profit on disposal of assets held under operating leases	3	(1,857)	(33,604)
		1,095,670	1,090,907
Increase in receivables		(247,632)	(74,198)
(Decrease) / increase in payables		(40,145)	13,839
CASH GENERATED BY OPERATIONS		807,893	1,030,548
Income taxes paid		(400)	(852)
Interest paid		(357,148)	(352,966)
NET CASH FROM OPERATING ACTIVITIES		450,345	676,730
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		90,802	956,313
Purchases of property, plant and equipment		(2,851,456)	(2,051,184)
Purchases of intangible assets		(2,543)	(978)
NET CASH USED IN INVESTING ACTIVITIES:		(2,763,197)	(1,095,849)
FINANCING ACTIVITIES			
Receipts from / (payments to) restricted cash accounts		240,100	(444,800)
Repayment of obligations under finance leases		(7,703)	(23,274)
Proceeds from indebtedness		2,595,900	2,225,587
Repayments of indebtedness		(701,568)	(1,065,816)
NET CASH FROM FINANCING ACTIVITIES		2,126,729	691,697
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		922	(532)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(185,201)	272,046
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		640,556	368,510
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	455,355	640,556
Unrestricted cash and cash equivalents as above	18	455,355	640,556
Restricted cash as reported	18	361,700	601,800
Total cash and cash equivalents	18	817,055	1,242,356

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

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	Year ended 31 March 2021	Year ended 31 March 2020
		US $'000	US $'000
PROFIT BEFORE TAX		11,618	363,840
Adjustments for:			
Depreciation of property, plant and equipment		439,962	412,068
Impairment of property, plant and equipment		176,439	19,311
Amortization of computer software intangible assets		755	1,667
Impairment of investment in subsidiary		12	-
Lease incentive asset amortization		15,924	16,326
Credit impairment charge		153,872	8,230
Net interest expense		292,851	301,584
Movement in fair value of derivatives not in a hedge relationship and other fair value hedges		(442)	1,114
Profit on disposal of assets held under operating leases		(1,748)	(34,852)
		1,089,243	1,089,288
Increase in receivables		(360,610)	(3,665)
(Decrease) / increase in payables		(17,032)	34,053
CASH GENERATED BY OPERATIONS		711,601	1,119,676
Income taxes paid		57	(19)
Interest paid		(350,768)	(357,633)
NET CASH FROM OPERATING ACTIVITIES		360,890	762,024
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		90,693	956,313
Purchases of property, plant and equipment		(2,202,113)	(2,124,142)
Purchases of intangible assets		(2,543)	(978)
Investment in subsidiary		(41,200)	-
Loans provided to subsidiaries		(510,632)	-
NET CASH USED IN INVESTING ACTIVITIES:		(2,665,795)	(1,168,807)
FINANCING ACTIVITIES			
Receipts from / (payments to) restricted cash accounts		240,100	(444,800)
Repayment of obligations under finance leases		(7,703)	(23,274)
Proceeds from indebtedness		2,640,588	1,728,240
Repayments of indebtedness		(759,020)	(581,102)
NET CASH FROM FINANCING ACTIVITIES		2,113,965	679,064
EFFECT OF EXCHANGE RATE CHANGES ON UNRESTRICTED CASH AND CASH EQUIVALENTS		932	(368)
NET (DECREASE) / INCREASE IN UNRESTRICTED CASH AND CASH EQUIVALENTS		(190,008)	271,913
UNRESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		640,201	368,288
UNRESTRICTED CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	18	450,193	640,201
Unrestricted cash and cash equivalents as above	18	450,193	640,201
Restricted cash as reported	18	361,700	601,800
Total cash and cash equivalents	18	811,893	1,242,001

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

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

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

a. Basis of preparation

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

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

The Company's functional currency is the US Dollar, being the currency of the primary economic environment in which the Company operates. The presentation currency for the Group and Company is US Dollar. All financial information presented in US Dollar has been rounded to the nearest 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 23 'Borrowings' and (ii) its future aircraft purchases as set out in note 31 'Capital Commitments'. The Group has considerable financial resources (see undrawn facilities as described in note 24 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 29 '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, existing equity and resources available to the Group, which, along with related forecasts, provide comfort over the sustainability of the Group and Company. If the effects of 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 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.

Note 17 – Credit impairment provisions

The Group recognizes an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables, loan receivables and finance lease receivables include the estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

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

c. **Basis of consolidation**

The Consolidated Financial Statements include the annual Financial Statements of the Company and all of its subsidiaries, drawn up to 31 March 2021. The Group does not have investments in associates or joint ventures as defined in IFRS.

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

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

Subsidiaries

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

Common control transactions

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

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 amortization 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, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. All other borrowing costs are recognised as an expense in the period in which they are incurred.

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. **Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

i. As a lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group and Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Group and Company's net investment outstanding in respect of the leases.

ii. As a lessee

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

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

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

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

j. **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.

k. **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.

l. **Maintenance component assets**

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

m. **Inventory**

Inventory consists primarily of engines and airframes which are valued at the lower of cost or market value. Cost is primarily determined using the specific identification method for individual part purchases and on an allocated basis for engines and airframes. Costs are allocated using the relationship of the cost of the engine or airframe to estimated retail sales value at the time of purchase.

n. **Intangible assets**

Intangible assets are initially recognised at cost which is their fair value at the date of acquisition or capitalisation of related staff costs. Subsequently intangible assets are carried at cost less any accumulated amortization 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.

o. **Impairment of non-financial assets**

Long-term tangible and intangible assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value in use includes cash flow projections of contracted and estimated lease rentals, with probabilities assigned to such cash flows where expected outcomes may vary. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

p. **Pre-delivery payments**

Pre-delivery payments ("PDPs") are recorded in the Consolidated Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred, unless production of an aircraft is deemed to have been suspended, in which case capitalisation is suspended until production resumes in advance of delivery. As aircraft which are subject to PDPs are delivered, all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment. The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid.

q. **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.

r. **Financial instruments**

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

Financial assets at fair value through other comprehensive income include investments in equity instruments which are not held for trading. All other financial assets are classified as measured at fair value through profit or loss ("FVTPL").

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

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

s. **Derivatives and hedge accounting**

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

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

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

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

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

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

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

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

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

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

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

t. **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.

u. **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.

v. **Loans receivable and advances to OEMs**

Loan receivables and advances to OEMs are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

w. **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.

x. **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.

y. **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.

z. **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.

aa. **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.

bb. **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.

cc. **Short term employee benefits**

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

dd. **Profit from operating activities**

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

ee. **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.

ff. **New standards adoption and amendments to IFRS**

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

Definition of Material – Amendments to IAS 1 and IAS 8

These amendments make it easier for companies to define materiality judgements.

IFRS 3 Business Combinations (amendment) (IFRS 3)

This amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (amendments) (IFRS 9) and IAS 39 Financial Instruments: Recognition and Measurement (IAS 39)

Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates ("IBORs") on hedge accounting.

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform.

In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Conceptual Framework for Financial Reporting (revised) (Conceptual Framework)

The revised Conceptual Framework includes a comprehensive set of concepts for financial reporting, replacing the previous version of the Conceptual Framework. These concepts are used by the IASB as the framework for setting IFRS standards. The revision did not result in any changes to IFRS standards.

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 2021, and have not been applied in preparing these financial statements:

IFRS 17 Insurance Contracts

These are all effective for annual periods beginning on or after 1 January 2021 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

2. Revenue

	Year ended 31 March 2021	Year ended 31 March 2020
	US $'000	**US $'000**
Operating lease revenue		
Rentals receivable	1,084,454	1,092,548
Lease incentive amortization (note 19)	(15,924)	(16,326)
Maintenance income	62,302	77,993
Lease revenue	1,130,832	1,154,215
Fee income		
Aircraft management fees	13,721	15,334
Other revenue	13,721	15,334
	1,144,553	1,169,549

Rentals receivable for the period include the net release of a provision for deferred rentals totalling $3.71 million in relation to a number of leases that were restructured during the year ended 31 March 2017 (year ended 31 March 2020: net release of $4.01 million).

Included in operating lease revenue above are the following amounts:		
Contingent rentals	12,431	41,276

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

	Year ended 31 March 2021	Year ended 31 March 2021	Year ended 31 March 2020	Year ended 31 March 2020
Total revenue distribution by geographical region:	**US $'000**	**%**	**US $'000**	**%**
Emerging Asia	357,871	33.0	369,281	33.8
South America	213,637	19.7	249,101	22.8
Developed Europe	195,202	18.0	168,252	15.4
Emerging Europe	108,445	10.0	89,589	8.2
Asia	86,756	8.0	91,774	8.4
Middle East & Africa	62,898	5.8	58,998	5.4
North America	59,645	5.5	65,553	6.0
	1,084,454	100.0	1,092,548	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 2021	Year ended 31 March 2020
	US $'000	**US $'000**
Profit on disposal of property, plant and equipment	1,857	33,604
Other operating income	20,840	12,987
	22,697	46,591

Profit on disposal of property, plant and equipment decreased in the current year due to lower aircraft trading activity.

4. Other Operating Expenses

	Year ended 31 March 2021	Year ended 31 March 2020
	US $'000	**US $'000**
Administration expenses	(85,186)	(107,706)
Amortization of computer software intangible assets	(755)	(1,667)
	(85,941)	(109,373)

Operating expenses decreased during the year due to lower discretionary staff costs (note 6). Separately, the classification of the credit impairment charge in the consolidated statement of comprehensive income was changed during this period, having previously been included in Operating expenses, but now disclosed separately.

5. Profit from Operating Activities

	Year ended 31 March 2021	Year ended 31 March 2020
Operating profit has been arrived at after charging:	US $'000	US $'000
Depreciation	442,094	413,162
Asset impairment charge	176,439	19,311
Credit impairment charge	153,872	8,230
Fees and commissions	-	6
Group service fee	15,690	19,138
Auditors remuneration	1,148	942
Staff costs (note 6)	57,742	80,373
Other operating expenses	23,332	33,121
Foreign exchange loss / (gain)	460	248
Auditors remuneration:		
Audit of the Group financial statements	577	420
Audit of the Subsidiary financial statements	98	58
Other assurance services	136	137
Other non-audit services	-	-
Tax advisory services	337	327
	1,148	942
Of which related to the Company	885	884

6. Staff Costs

	Year ended 31 March 2021	Year ended 31 March 2020
	US $'000	US $'000
Staff costs	48,156	71,052
Social security costs	5,442	5,573
Other pension costs	4,144	3,748
	57,742	80,373

Staff costs decreased due to lower discretionary costs, while staff costs totalling $0.34 million were capitalised during the year (year ended 31 March 2020: $nil). The average number of people in the organisation during the financial year was 201 (2020: 192), consisting of both direct employees and representatives, of which 44 staff members were dedicated to commercial & strategy functions (2020: 42), 79 to operational (2020: 77) and the remainder to finance, compliance and other support functions.

7. Net Finance Costs

	Year ended 31 March 2021	Year ended 31 March 2020
Finance income:	US $'000	US $'000
Interest income on swaps	92,857	117,798
Interest income on finance lease and loan receivables	1,642	-
Interest income on deposits	709	9,774
Total interest income	95,208	127,572
Finance expense:		
Interest payable on swaps	(160,302)	(136,215)
Interest payable on borrowings	(253,886)	(339,120)
Less: Interest capitalised to the cost of aircraft (see note 23)	49,576	67,464
Bank charges, guarantee & other fees on borrowings	(23,877)	(24,666)
Total interest payable and related charges	(388,489)	(432,537)
Net interest payable	(293,281)	(304,965)

Interest payable on borrowings is shown net of interest income on advances to OEMs, in excess of associated funding costs, of $25.3 million, which resulted from the restructuring of PDPs during the year (note 15).

Break (losses) / gains related to derivatives and liability management	(836)	4,533
Net trading income:		
Fair value movement on interest rate swaps in qualifying hedging relationships	(1,441)	16,483
Fair value movement on fixed rate borrowings issued in qualifying hedging relationships	1,883	(17,597)
Net gain / (expense) from financial instruments at fair value (note 23)	442	(1,114)

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 2021 is a gain of $0.44 million (year ended 31 March 2020: net expense of $1.11 million).

8. Taxation

a ANALYSIS OF TAX CHARGE FOR THE YEAR	Year ended 31 March 2021	Year ended 31 March 2020
	US $'000	**US $'000**
Current tax charge:		
- Current year	315	322
Deferred tax - origination and reversal of temporary differences:		
- Current year	1,359	45,061
Tax charge	1,674	45,383
b FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR		
Profit before tax subject to tax at 12.5% (2020: 12.5%)	11,886	362,490
Profit before tax subject to tax at 28% (2020: 28%)	76	50
Profit before tax subject to tax at 25% (2020: 25%)	1,117	1,884
Profit before tax subject to tax at 16.5% (2020: 16.5%)	1,042	94
Profit before tax subject to tax at 8.25% (2020: -)	1,108	-
	15,229	364,518
Tax on profit at the rate of 12.5% (2020: 12.5%)	1,486	45,311
Tax on profit at the rate of 28% (2020: 28%)	21	14
Tax on profit at the rate of 25% (2020: 25%)	279	471
Tax on profit at the rate of 16.5% (2020: 16.5%)	172	16
Tax on profit at the rate of 8.25% (2020: -)	91	-
Other differences	(21)	172
Adjustment to assessed loss brought forward	(177)	(590)
Permanent difference - non-taxable income	(212)	(184)
Permanent difference - disallowed expenses	35	173
Tax charge	1,674	45,383

9. Property, Plant and Equipment

	Group Aircraft for hire under operating leases	Group Pre-Delivery Payments	Group Office equipment and fixtures & fittings	Group Right-of-use assets	Group Total
	US $'000	US $'000	US $'000	US $'000	US $'000
COST					
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 20)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,146	9,677	13,833,511
Additions	2,475,880	363,186	523	2,378	2,841,967
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 15)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 20)	131,974	-	-	-	131,974
At 31 March 2021	14,613,989	974,258	12,669	12,055	15,612,971
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 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 20)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,516	2,489	1,346,601
Charge for the year	438,250	-	824	3,020	442,094
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,464)	-	-	-	(5,464)
Transfer from assets held for sale (see note 20)	15,279	-	-	-	15,279
At 31 March 2021	1,958,100	-	11,340	5,509	1,974,949
CARRYING AMOUNT					
Net Book Value at 31 March 2021	12,655,889	974,258	1,329	6,546	13,638,022
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,630	7,188	12,486,910

During the year, assets in the Group with a carrying value of $1.58 billion (year ended 31 March 2020: $152.35 million) and average age of 7.4 years (year ended 31 March 2020: 7.4 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 2020: 5%) depending on the nature of the cash flows assessed, as well as restructured lease cash flows related to aircraft where lessees were in default or restructuring processes.

The carrying amount before impairment of these aircraft of $1.76 billion (year ended 31 March 2020: $171.66 million) was determined to be higher than the value in use of $1.58 billion (year ended 31 March 2020: $152.35 million) and an impairment loss of $176.44 million (year ended 31 March 2020: $19.31 million) was recognised during the year. The amount of impairment loss related to aircraft where lessees were in default or restructuring processes was $157.14 million (year ended 31 March 2020: $17.36 million), with the balance relating to aircraft where the net book values were in excess of either its respective value in use or maintenance adjusted current market value as set out below.

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

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated time on the ground, estimated residual values, economic conditions, technology and airline demand for particular aircraft variants. These estimated cashflows were discounted at 5% (year ended 31 March 2020: 5%) per annum.

A sensitivity analysis was performed to determine the potential impact of the below movements in the various risk variables: - 0.5% increase / decrease in the discount rate used

– 5% increase / decrease in the future lease rental cashflows of each aircraft

– 5% increase / decrease in the residual value of aircraft at end of its useful economic life

– 3 month increase / decrease in the estimated time on the ground between leases

None of the above movements in risk variables would have resulted in a material impact on the impairment charge for property, plant and equipment for the current or prior year.

The recoverability of PDPs is assessed as part of the overall impairment review by considering the market value of the aircraft associated with the relevant PDPs paid. There was no impairment on PDPs in the current or prior period.

The value of maintenance component assets included in above is $3.86 million (31 March 2020: $3.86 million). The maintenance component assets arose from the purchase of second hand aircraft during a prior year and are accounted for in accordance with our policy as set out in note 1(l). The carrying amount of assets included above subject to obligations under finance leases is $24.12 million (31 March 2020: $29.48 million).

During the year, the Group and Company deferred the delivery of 23 aircraft on direct order with Airbus from their previously scheduled delivery dates in the 2021 - 2022 period to revised dates during the 2021 – 2026 period, as well as a further 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. The PDPs already paid in respect of these deferred aircraft will be applied against future PDP obligations on aircraft as they arise. The Group and Company has temporarily paused the capitalisation of interest to the cost of these aircraft.

Separately, the Group and Company also (i) cancelled the scheduled delivery of 21 aircraft on direct order with Boeing, with deliveries originally due in 2020, and (ii) deferred the delivery of 68 aircraft from their previously scheduled dates in the 2020 – 2022 period to the 2025 – 2027 period. The associated PDPs for these cancellations and deferrals have been reclassified under Advances to OEMs (note 15).

At 31 March 2021 the Group owned 302 aircraft, including aircraft classified as finance lease and loan receivables. The Group has ten aircraft off-lease at year-end and twelve aircraft on lease which are scheduled to complete their lease term within the next twelve months. There were no aircraft held for sale at 31 March 2021 (31 March 2020: 5 aircraft and 1 engine).

	Company Aircraft for hire under operating leases	Company Pre-Delivery Payments	Company Office equipment and fixtures & fittings	Company Right-of-use assets	Company Total
	US $'000	**US $'000**	**US $'000**	**US $'000**	**US $'000**
COST					
At 31 March 2019	11,282,374	1,601,132	11,516	-	12,895,022
Adjustment on initial application of IFRS 16	-	-	-	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 20)	(795,587)	-	-	-	(795,587)
At 31 March 2020	11,738,358	2,073,330	12,129	6,983	13,830,800
Additions	2,313,623	363,186	523	2,110	2,679,442
Transfers	309,674	(309,674)	-	-	-
Reclassified as an advance to OEM (see note 15)	-	(1,152,584)	-	-	(1,152,584)
Disposals	(41,897)	-	-	-	(41,897)
Transfer from assets held for sale (see note 20)	131,974	-	-	-	131,974
At 31 March 2021	14,451,732	974,258	12,652	9,093	15,447,735
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 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 20)	(196,904)	-	-	-	(196,904)
At 31 March 2020	1,333,596	-	10,505	1,397	1,345,498
Charge for the year	437,217	-	823	1,924	439,964
Impairment charge for the year	176,439	-	-	-	176,439
Disposals	(5,462)	-	-	-	(5,462)
Transfer from assets held for sale (see note 20).	15,279	-	-	-	15,279
At 31 March 2021	1,957,069	-	11,328	3,321	1,971,718
CARRYING AMOUNT					
Net Book Value at 31 March 2021	12,494,663	974,258	1,324	5,772	13,476,017
Net Book Value at 31 March 2020	10,404,762	2,073,330	1,624	5,586	12,485,302

10. Intangible Assets

	Group Intangible assets	Company Intangible assets
	US $'000	US $'000
COST		
At 1 April 2019	16,443	13,610
Additions	978	978
Disposals	(3,528)	(695)
At 31 March 2020	13,893	13,893
Additions	2,543	2,543
At 31 March 2021	16,436	16,436
AMORTIZATION AND OTHER ADJUSTMENTS		
At 1 April 2019	14,461	11,628
Amortization for the year	1,667	1,667
Disposals	(3,528)	(695)
At 31 March 2020	12,600	12,600
Amortization for the year	755	755
At 31 March 2021	13,355	13,355
TOTAL INTANGIBLE ASSETS		
At 31 March 2021	3,081	3,081
At 31 March 2020	1,293	1,293

Amortization of intangible assets is included in Other operating expenses in the statement of comprehensive income. As at 31 March 2021, intangible assets consist of computer software intangible assets with a remaining amortizable life of less than three years.

11. Investment in Subsidiaries - Company

	31 March 2021	31 March 2020
	US $'000	US $'000
At cost	56,697	15,509

The Company's 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 Hong Kong 3 Limited (4)	Leasing	China

A new subsidiary, SMBC Aviation Capital Hong Kong 3 Limited, was incorporated on 3 August 2020 as a subsidiary of the existing subsidiary, SMBC Aviation Capital Hong Kong Limited, while an existing subsidiary, SMBC Aviation Capital GAL Holdings Limited, was dissolved on 10 June 2020. During September 2020, the Company also increased its investment in SMBC Aviation Capital Hong Kong Limited by $41.20 million.

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

1) IFSC House, IFSC, Dublin 1, Ireland
2) Strawinskylaan 907, 1077 XX Amsterdam, The Netherlands
3) 3-5, rue Saint-Georges, 75009 Paris, France
4) Unit 4307-09, Level 43, Champion Tower, 3 Garden Road, Central, Hong Kong

Movements during the year:	US $'000
At 1 April 2019	15,509
Addition during the year	0
At 31 March 2020	15,509
Addition during the year	41,200
Subsidiaries liquidated during the year	(12)
At 31 March 2021	56,697

12. Financial Instruments

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

31 March 2021	Group Carrying Value	Group Fair Value	Company Carrying Value	Company Fair Value
	US $'000	US $'000	US $'000	US $'000
Financial assets at fair value through profit or loss Derivative financial instruments	1,373	1,373	1,373	1,373
Financial assets measured at amortized cost				
Advances to OEMs	741,179	742,114	741,179	742,114
Finance lease and loan receivables	501,572	501,661	635,631	702,651
Trade and other receivables	242,029	242,029	238,811	238,811
Cash and cash equivalents	817,055	817,055	811,893	811,893
Financial assets	2,303,208	2,304,232	2,428,887	2,496,842
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	313,338	313,338	313,338	313,338
Borrowings (held for qualifying hedging relationships)	501,738	501,738	501,738	501,738
Financial liabilities measured at amortized cost:				
Obligations under finance leases	5,560	5,889	5,560	5,889
Trade and other payables	978,102	978,102	999,053	999,053
Borrowings	10,404,787	11,488,817	10,449,474	10,087,272
Subordinated liabilities	300,000	371,917	300,000	371,917
Financial liabilities	12,503,525	13,659,801	12,569,163	12,279,207
Financial assets at fair value through profit or loss Derivative financial instruments	2,824	2,824	2,824	2,824
Financial assets measured at amortized 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 amortized 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

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 Unobservable inputs for the asset or liability

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

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

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

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

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

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

The remaining financial assets and liabilities measured at amortized 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 $313.34 million (2020: $588.61 million). The value of derivative assets designated as fair value hedge relationships is $1.37 million (2020: $2.81 million). The total amount of the change in fair value estimated in the profit or loss during the period was $nil (2020: $nil) in respect of certain ineffective cashflow hedges and a $0.44 million gain (2020: expense of $1.11 million) in respect of certain ineffective fair values hedges.

	Group Notional	Group Fair values		Company Notional	Company Fair values	
As at 31 March 2021	Contract US $'000	Assets US $'000	Liabilities US $'000	Contract US $'000	Assets US $'000	Liabilities US $'000
Derivatives designated as hedging instruments in fair value hedges Interest rate swaps	500,000	1,373	-	500,000	1,373	-
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,137,309	-	(313,338)	4,137,309	-	(313,338)
	4,637,309	1,373	(313,338)	4,637,309	1,373	(313,338)
Total	4,637,309	1,373	(313,338)	4,637,309	1,373	(313,338)
As at 31 March 2020						
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 cash flow 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)

Summary	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Assets due within one year	1,373	10	1,373	10
Assets due after one year	-	2,814	-	2,814
Liabilities due within one year	(945)	(516)	(945)	(516)
Liabilities due after one year	(312,393)	(588,100)	(312,393)	(588,100)
Total	(311,965)	(585,792)	(311,965)	(585,792)

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.

Interest rate benchmarks and reference interest rate reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes. The Group continues to monitor the developments in this area in order to fully estimate the impact on the Group. New standard guidance (namely "Interest Rate Benchmark Reform Phase 2, Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16") becomes effective for annual periods on or after 1 January 2021. The Group has not early adopted the new guidance and the extent of the impact for future accounting periods is not expected to be material.

IBOR reforms and expectation of cessation of LIBOR will impact the Group's current risk management strategy and possibly accounting for certain financial instruments used for hedging. The Group has recognised the hedging instruments set out in this note at fair value, which are exposed to the impact of LIBOR. The Group also has certain floating rate liabilities where the reference rate is linked to LIBOR. The Group is establishing a transition plan that follows a risk management approach to ensure a smooth transition to alternative reference rates and is engaging with counterparties to include appropriate fall-back provisions in its floating rate liabilities and hedging derivatives.

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

Group

As at 31 March 2021	Notional contract amount	Fair values Assets	Liabilities
	US $'000	**US $'000**	**US $'000**
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,137,309	-	(313,338)
	4,137,309	-	(313,338)
As at 31 March 2020			
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,346,564	10	(588,616)
	4,346,564	10	(588,616)

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 2021	Less than 1 year	In the 2nd year	3 to 5 years	Over 5 years
	US $'000	**US $'000**	**US $'000**	**US $'000**
Cash inflows	73,955	68,961	279,705	346,089
Cash outflows	(156,080)	(144,505)	(382,948)	(367,117)

During the financial year ended 31 March 2021, $276.9 million (2020: $461.6 million) was recognised in the Statement of Other Comprehensive

Income relating to the effective portion of cash flow hedges. There was no amount recognised as hedge ineffectiveness in the Statement of Other Comprehensive Income (2020: $nil).

Company

As at 31 March 2021	Notional contract amount	Fair values Assets	Liabilities
	US $'000	**US $'000**	**US $'000**
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,137,309	-	(313,338)
	4,137,309	-	(313,338)
As at 31 March 2020			
Derivatives designated as hedging instruments in cash flow hedges Interest rate swaps	4,346,564	10	(588,616)
	4,346,564	10	(588,616)

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 2021	Less than 1 year	In the 2nd year	3 to 5 years	Over 5 years
	US $'000	**US $'000**	**US $'000**	**US $'000**
Cash inflows	73,955	68,961	279,705	346,089
Cash outflows	(156,080)	(144,505)	(382,948)	(367,117)

During the financial year ended 31 March 2021, $276.9 million (2020: net charge of $461.6 million) was recognised in the Statement of Other Comprehensive Income relating to the effective portion of cash flow hedge. There was no amount recognised as hedge ineffectiveness in the Statement of Profit or Loss and Other Comprehensive Income (2020: $nil).

Analysis of effective portion of changes in fair value of cash flow hedges	**Group Year ended 31 March 2021**	**Group Year ended 31 March 2020**	**Company Year ended 31 March 2021**	**Company Year ended 31 March 2020**
	US $'000	**US $'000**	**US $'000**	**US $'000**
Derivatives in place for the full year	275,279	(429,152)	275,279	(429,152)
Derivatives matured during the year	(10)	409	(10)	409
Derivatives entered into during the year	-	(32,875)	-	(32,875)
Effective portion of changes in fair value of cash flow hedges	275,269	(461,618)	275,269	(461,618)
Tax effect	(34,409)	57,702	(34,409)	57,702
	240,860	(403,916)	240,860	(403,916)

15. Advances to OEMS

	Group 31 March 2021	**Group 31 March 2020**	**Company 31 March 2021**	**Company 31 March 2020**
	US $'000	**US $'000**	**US $'000**	**US $'000**
Advances to Boeing				
Current	376,602	-	376,602	-
Non-current	364,577	-	364,577	-
	741,179	-	741,179	-

During May 2020, $776.5 million of previously paid PDPs was reclassified as an advance to Boeing (note 9) due to the deferral of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 (note 31). During December 2020, a further $376.1 million of previously paid PDPs was also reclassified as an advance to Boeing (note 9) due to the cancellation of 21 aircraft from their original delivery dates in 2020 - 2021 (note 31). These amounts are available as a credit against the purchase of other Boeing aircraft, goods or services or ultimately against the purchase of the deferred aircraft, earns interest and any unused balances relating to these agreements become repayable between 2021 - 2024. Credits totalling $412.8 million were applied against direct order and sale and leaseback deliveries during the period.

In accordance with the requirements of IFRS 9 and the approach outlined in Note 1 (v), the Group and Company performed a review of future estimated cashflows related to the advances to OEMs. Based on this review a remeasurement of $1.4 million has been recognised. This remeasurement is for accounting purposes only and on a legal basis the amount outstanding at year-end is $739.8 million.

16. Finance Leases and Loan Receivables

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Current				
Fixed rate receivables				
Finance leases	2,359	-	-	-
Loan receivables	-	-	3,103	-
Floating rate receivables				
Loan receivables	23,681	-	29,523	-
	26,040	-	32,626	-
Non-current				
Fixed rate receivables				
Finance leases	17,267	-	-	-
Loan receivables	-	-	139,528	-
Floating rate receivables				
Loan receivables	458,265	-	463,477	-
	475,532	-	603,005	-
Total finance lease and loan receivables	501,572	-	635,631	-

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:				
Less than 1 year	3,271	-	-	-
1-2 years	17,998	-	-	-
2-3 years	-	-	-	-
3-4 years	-	-	-	-
4-5 years	-	-	-	-
Total undiscounted lease payments receivable	21,269			
Unearned finance income	(1,643)	-	-	-
Net investment in finance leases	19,626	-	-	-

Finance lease receivables

The Group has entered into a lease arrangement as a lessor that is considered to be a finance lease. The Group leases an aircraft for which substantially all of the risks and rewards of ownership have transferred, resulting in the classification of this arrangement as a finance lease. Finance income in the period on the net investment in leases totaled $1.64 million (see note 7). Collateral for this finance lease is the relevant leased aircraft.

Loan receivables - Group:

The Group acquired nine aircraft during the year, which were placed with airline customers. These leases do not meet the definition of a lease under IFRS 16 and therefore the amounts are classified as a loan receivables.

Loan receivables - Company:

Loans receivable by the Company consist of funding provided to its subsidiary undertakings in the normal course of their leasing activities.

The expected credit loss of the Group's finance lease and loan receivables is assessed based on historic loss rates and the carrying value of the finance lease receivable net of collateral held. No material expected credit loss has been recognised on the Group's finance lease and loan receivables.

17. Trade and Other Receivables

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Trade debtors	260,771	85,543	260,771	85,525
Deferred lease receivables	68,652	18,387	68,652	18,387
Credit impairment provisions	(152,937)	(12,187)	(152,937)	(12,187)
Net lease receivables	176,486	91,743	176,486	91,725
Amounts due from parent group undertakings	17,436	26,255	26,653	33,560
Prepayments	23,887	13,442	20,193	8,564
Other debtors	24,220	28,846	15,479	29,102
	242,029	160,286	238,811	162,951
Age analysis of net trade debtors				
Less than one month	28,943	45,145	28,943	57,315
One to two months	23,664	10,599	23,664	10,599
More than two months	208,164	29,799	208,164	17,611
	260,771	85,543	260,771	85,525

Net lease receivables have increased due to agreed lease rent deferrals, agreed deferrals that were in process of being documented and overdue lease rentals from a number of airlines in restructuring situations. Of the total deferred lease receivables noted above, $31.75 million is due within one year. The credit impairment charge in the current year of $153.87 million (year ended 31 March 2020: $8.23 million) was impacted by the credit downgrades of a number of airlines that entered formal bankruptcy protection during the year. The credit impairment charge is determined by classifying lessees into four categories with an appropriate provision percentage ascribed to each category depending on payment performance (note 24(d)). The classification of this charge in the consolidated statement of comprehensive income was also changed during this period, having previously been included in Operating expenses, but now disclosed separately.

Other debtors include inventory of engines and airframes totalling $4.5 million (31 March 2020: $nil).

18. Cash and Cash Equivalents

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Bank account	11,308	5,363	6,146	5,009
Bank account with parent group undertakings	5,753	5,235	5,753	5,235
Short-term deposits with parent group undertakings	799,994	1,231,758	799,994	1,231,757
	817,055	1,242,356	811,893	1,242,001
Restricted cash	(361,700)	(601,800)	(361,700)	(601,800)
Cash and cash equivalents net of restricted cash	455,355	640,556	450,193	640,201

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

19. Lease Incentive Assets

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Lease incentive assets	33,276	50,965	33,276	50,965
Amortised during the year	(15,924)	(16,326)	(15,924)	(16,326)
Additions of lease incentive assets	4,600	11,413	4,600	11,413
Release of lease incentive assets on disposal of aircraft	-	(12,776)	-	(12,776)
	21,952	33,276	21,952	33,276
Current lease incentive assets (amortising within 12 months)	8,348	9,494	8,348	9,494
Non-current lease incentive assets (amortising after 12 months)	13,604	23,782	13,604	23,782
	21,952	33,276	21,952	33,276

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

20. Assets and Liabilities Held for Sale

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

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Assets held for sale				
Property, plant and equipment – aircraft	-	173,677	-	173,677
	-	173,677	-	173,677
Liabilities associated with assets held for sale Obligations under finance leases	-	4,441	-	4,441
Security deposits	-	1,328	-	1,328
Maintenance reserve	-	8,751	-	8,751
Lessor contributions	-	2,667	-	2,667
	-	17,187	-	17,187
	-	156,490	-	156,490

At 31 March 2021, the Group classified no aircraft (31 March 2020: 5 aircraft and 1 engine) as held-for-sale as the Group did not have any agreements for the sale in place which met the requirement to be classified as held-for-sale. Three of the aircraft and an engine in this classification at 31 March 2020 have since been reclassified as aircraft for hire under operating leases as they no longer met the requirement to be classified as held-for-sale, while one aircraft was reclassified as a finance lease (see note 16) and another sold during the period. The Group generally continues to recognised lease rental income on all aircraft in this classification, notwithstanding that the arrangements provide for the final selling price on completion of sale to be reduced by the same amount.

21. Trade and Other Payables

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Security deposits	132,810	133,355	131,408	133,355
Maintenance reserves	466,588	454,621	466,974	454,621
Lessor contributions	41,259	56,706	41,259	56,706
Prepaid lease rentals and fee income received	120,502	83,606	117,636	83,414
Trade creditors	5,162	8,317	4,770	7,980
Accrued interest - third party undertakings	32,356	47,198	13,076	26,996
Amounts due to parent group undertakings	94,042	114,114	140,076	195,550
Other creditors	85,383	104,040	83,854	101,574
	978,102	1,001,957	999,053	1,060,196
Analysed as:				
Non-current trade and other payables (payable after 12 months)	597,805	613,518	588,620	612,892
Current trade and other payables (payable within 12 months)	380,297	388,439	410,433	447,304
Analysis of Group trade and other payables:	978,102	1,001,957	999,053	1,060,196

As at 31 March 2021	Due < 12 months	Due > 12 months	Total
	US $'000	US $'000	US $'000
Security deposits	1,389	131,421	132,810
Maintenance reserve	65,214	401,374	466,588
Lessor contributions	10,362	30,897	41,259
Prepaid lease rentals and fee income received	117,499	3,003	120,502
Trade creditors	5,162	-	5,162
Accrued interest - third party undertakings	32,356	-	32,356
Amounts due to parent group undertakings	90,877	3,165	94,042
Other creditors	57,438	27,945	85,383
	380,297	597,805	978,102

As at 31 March 2020	Due < 12 months	Due > 12 months	Total
	US $'000	US $'000	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

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.

Other creditors include deferred income of $3.7 million pending finalization of the sale of Group and Company's interest in the pre-petition claims against a lessee by way of sub-participation. During the period the Group and Company recognised $18.0 million, representing the partial recovery of these claims, in Other operating income (note 3).

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.

22. Obligations Under Finance Leases

Amounts payable under finance leases	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Minimum lease payments:				
Within one year	3,465	3,540	3,465	3,540
In the second to fifth years inclusive	2,473	5,938	2,473	5,938
After five years	-	-	-	-
	5,938	9,478	5,938	9,478
Less: future finance charges	(378)	(865)	(378)	(865)
Present value of lease obligations	5,560	8,613	5,560	8,613
Present value of minimum lease payments:				
Within one year	3,171	3,052	3,171	3,052
In the second to fifth years inclusive	2,389	5,561	2,389	5,561
After five years	-	-	-	-
	5,560	8,613	5,560	8,613

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

As at 31 March 2021	Average interest rate	Year of maturity	Due < 12 months	Due > 12 months	Total
	%		US $'000	US $'000	US $'000
Unsecured - due to parent group undertakings Fixed rate obligations...	6.09	2022	3,171	2,389	5,560
			3,171	2,389	5,560

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

23. Borrowings

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Loan amounts due to third party undertakings..........................	3,328,522	2,798,278	2,948,522	2,398,278
Loan amounts due to parent group undertakings	5,580,561	4,216,473	5,575,249	4,216,474
Loan amounts due to subsidiaries..	-	-	2,427,441	2,396,503
Debt securities issued in qualifying hedging relationships........	501,738	502,777	-	-
Other debt securities issued	1,495,704	1,493,726	-	-
	10,906,525	9,011,254	10,951,212	9,011,255
The borrowings are repayable as follows:				
On demand or within one year..	1,303,567	490,017	1,298,255	490,018
In the second year...	1,151,273	1,297,790	1,151,273	1,297,790
In the third to fifth year inclusive	3,641,147	3,258,929	3,641,147	3,258,929
After five years...	4,810,538	3,964,518	4,860,537	3,964,518
	10,906,525	9,011,254	10,951,212	9,011,255
Less: Amounts due for settlement within 12 months	(1,303,567)	(490,017)	(1,298,255)	(490,018)
Amounts due for settlement after 12 months	9,602,958	8,521,237	9,652,957	8,521,237

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 gain of $0.44 million (note 7; year ended 31 March 2020: expense of loss of $1.11 million) recognised in the Statement of comprehensive income reflects an expense from hedging instruments related to debt securities of $1.44 million (year ended 31 March 2020: gain of $16.48 million) and a gain from these hedged debt securities of $1.88 million (year ended 31 March 2020: $17.60 million). At Company level, these notes are included in loan amounts due to subsidiaries.

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 $49.58 million (year ended 31 March 2020: $67.46 million; note 9). The rate at which borrowing costs are capitalised is determined by the appropriate associated funding and is adjusted on an ongoing basis.

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

	As at 1 April 2020	Cash flows in the period	Non-cash changes Fair value changes	Amortization of issuing costs	As at 31 March 2021
Floating rate borrowings					
Loan amounts due to third party undertakings	2,500,000	530,000	-	-	3,030,000
Loan amount due to parent group undertakings	2,220,662	5,717	-	-	2,226,379
	4,720,662	535,717	-	-	5,256,379
Fixed rate borrowings					
Loan amount due to parent group undertakings	1,995,811	1,358,371	-	-	3,354,182
Loan amounts due to third party undertakings	298,278	244	-	-	298,522
Debt securities issued in qualifying hedging relationships	502,777	-	(1,883)	844	501,738
Other debt securities issued	1,493,726	-	-	1,978	1,495,704
	9,011,254	1,894,332	(1,883)	2,822	10,906,525

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

As at 31 March 2021	Average interest rate %	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	1.27	2021-2029	440,000	2,590,000	3,030,000
Loan amount due to parent group undertakings	2.85	2021-2033	57,680	2,168,699	2,226,379
			497,680	4,758,699	5,256,379
Fixed rate borrowings					
Loan amount due to parent group undertakings	4.10	2021-2034	304,149	3,050,033	3,354,182
Loan amounts due to third party undertakings	2.59	2025-2028	-	298,522	298,522
Debt securities issued in qualifying hedging relationships	2.65	2021	501,738	-	501,738
Other debt securities issued	3.56	2022-2024	-	1,495,704	1,495,704
			1,303,567	9,602,958	10,906,525

As at 31 March 2020	Average interest rate %	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

24. Financial Risk Management

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group and Company's risk management framework. The Board of Directors, in conjunction with the 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 analyze 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 minimize cash flow currency risk by ensuring its leases and associated financing are in the same currency, or entering into currency swaps or forwards over the life of the lease. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. The Group and Company have no currency swaps in place at year-end.

All financial instruments are in US dollars with the exception of the following: certain bank accounts held in Euro and Sterling as well as certain receivables and payables in Euro and Sterling. Information on the currency derivatives is provided in note 13. There was no material change in the currency risk of the Group and Company during the period.

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

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Euro assets	13,968	9,907	12,556	9,422
Sterling assets	162	33	162	33
Japanese yen assets	5,965	299	413	299
Euro liabilities	(14,745)	(14,611)	(13,329)	(14,048)
Sterling liabilities	(1,353)	(647)	(1,351)	(647)
Japanese yen liabilities	(5,700)	(271)	(250)	(271)
Chinese yuan liabilities	(229)	-	(229)	-

At 31 March 2021, 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 $128,197 lower/higher, and for the Company would have been $55,375 lower/higher, mainly as a result of foreign exchange gains/losses on retranslation of Euro denominated cash balances, payables and other receivables.

b. **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company's policy is to seek to minimize cash flow interest rate risk when entering into leasing transactions by the use of appropriate matched funding, including the use of derivative financial instruments. Accounting volatility arises from fair value through profit or loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IAS 39. There was no material change in the interest rate risk of the Group and Company during the period.

At the end of the reporting period the interest rate profile of the Group and Company's interest-bearing financial instruments was as follows:

	Group 31 March 2021 US	Group 31 March 2020 US	Company 31 March 2021 US	Company 31 March 2020 US
Interest rate risk:	$'000	$'000	$'000	$'000
Financial assets				
- variable rate	843,646	601,800	729,700	601,800
- fixed rate	1,199,099	629,957	1,322,104	629,957
- non-interest bearing	260,463	173,709	377,083	176,019
Total Financial Assets	2,303,208	1,405,466	2,428,887	1,407,776
Financial liabilities				
- variable rate	5,556,379	5,020,662	5,601,066	5,020,662
- fixed rate	5,655,706	4,303,646	5,655,706	4,303,647
- non-interest bearing	1,291,440	1,603,319	1,312,391	1,661,558
Total Financial Liabilities	12,503,525	10,927,627	12,569,163	10,985,867

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 2021, if interest rates on financial assets or liabilities with variable interest rates shifted by 10bps, the underlying post-tax profit for the year would have been $0.42 million lower/higher; other components of equity would have been $25.1 million lower/ higher as a result of a decrease/increase in the fair value of cash flow hedge reserves. The weighted average fixed rate for the interest rate swap portfolio was 4.10%.

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 2021, the Group had put in place $5.0 billion of available capacity through a combination of undrawn shareholder funding ($2.8 billion), third party availability ($1.7 billion) and unrestricted cash balances. Any maturity mismatch within the overall long-term structure of the Group and Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Group and Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise. While operating cash flows have decreased in the current year due to impact of COVID-19 on various lessees, available liquidity capacity has ensured that there was no material change in the liquidity risk of the Group and Company during the period.

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

	Group Carrying value 31 March 2021	Group Contracted cashflows 31 March 2021	Group Carrying value 31 March 2020	Group Contracted cashflows 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Liabilities associated with assets held for sale	-	-	17,187	17,187
Trade and other payables	857,600	857,600	918,351	918,351
Obligations under finance leases	5,560	6,213	8,613	9,472
Borrowings	10,906,525	12,856,040	9,011,254	10,533,157
Subordinated liabilities	300,000	588,503	300,000	544,851
Interest rate swaps	313,338	1,050,651	588,616	1,450,213
	12,383,023	15,359,007	10,844,021	13,473,231

31 March 2021	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	-	-	-	-
Trade and other payables	(262,798)	(75,117)	(261,556)	(258,129)
Obligations under finance leases	(3,465)	(2,748)	-	-
Borrowings	(1,588,716)	(1,413,074)	(4,374,283)	(5,479,967)
Subordinated liabilities	(12,843)	(13,122)	(50,135)	(512,403)
Total non-derivative financial instruments outflows	(1,867,822)	(1,504,061)	(4,685,974)	(6,250,499)
Derivative financial instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(82,125)	(75,545)	(103,243)	(21,028)
Total Outflows	(1,949,947)	(1,579,606)	(4,789,217)	(6,271,527)

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	(304,836)	(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	(1,119,172)	(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	(1,175,489)	(1,721,357)	(4,347,843)	(5,386,216)

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

	Company Carrying value 31 March 2021	Company Contracted cashflows 31 March 2021	Company Carrying value 31 March 2020	Company Contracted cashflows 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Liabilities associated with assets held for sale	-	-	17,187	17,187
Trade and other payables	881,417	881,417	976,782	976,782
Obligations under finance leases	5,560	6,213	8,613	9,472
Borrowings	10,951,212	12,871,950	9,011,255	10,300,561
Subordinated liabilities	300,000	588,503	300,000	544,851
Interest rate swaps	313,338	1,050,651	588,616	1,450,213
	12,451,527	15,398,734	10,902,453	13,299,066

31 March 2021	Company Less than 1 year	Company 1 to 2 years	Company 3 to 5 years	Company Over 5 years
	US S'100	US $'000	US $'000	US $'000
Non-derivative Financial Instruments				
Liabilities associated with assets held for sale	-	-	-	-
Trade and other payables	(295,800)	(75,117)	(261,556)	(248,944)
Obligations under finance leases	(3,465)	(2,748)	-	-
Borrowings	(1,629,583)	(1,413,074)	(4,374,283)	(5,455,010)
Subordinated liabilities	(12,843)	(13,122)	(50,135)	(512,403)
Total Non-derivative Financial Instruments Outflows	(1,941,691)	(1,504,061)	(4,685,974)	(6,216,357)
Derivative Financial Instruments (gross)				
Interest Rate Swaps				
Net Settled – inflow	-	-	-	-
Net Settled – outflow	(82,125)	(75,545)	(103,243)	(21,028)
Total Outflows	(2,023,816)	(1,579,606)	(4,789,217)	(6,237,385)

31 March 2020	Company Less than 1 year	Company 1 to 2 years	Company 3 to 5 years	Company Over 5 years
	US $'000	US $'000	US $'000	US $'000
Non-derivative Financial Instruments				
Liabilities associated with assets held for sale	(17,187)	-	-	-
Trade and other payables	(363,890)	(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	(1,174,407)	(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	(1,230,724)	(1,721,357)	(4,347,843)	(5,156,816)

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

d. **Credit Risk**

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

– Approval of credit exposure must be granted prior to any advance or extension of credit.

– An appropriate credit risk assessment of the customer and related credit facilities must be undertaken prior to approval of credit exposure. This must include an assessment of, amongst others, the purpose of the credit and sources of repayment, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return.

– Credit risk authority must be specifically granted in writing to all individuals involved in the granting of credit approval, whether this is exercised personally or collectively as part of a credit committee. These individuals must act independently and with balanced commercial judgement in exercising credit authority.

– Where credit authority is exercised personally, the individual must not have any responsibility or accountability for business revenue origination.

– All credit exposures, once approved, must be effectively monitored and managed and reviewed periodically against approved guidelines. Review occurs at least annually, with lower quality exposures being subject to a greater frequency of analysis and assessment.

– Customers with emerging credit problems must be identified early and classified accordingly. Remedial actions must be implemented promptly to minimize the potential loss to the Company and consideration given whether to transfer customers with credit problems to a specialized 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 ($242.0 million of which $176.5 million relate to lease receivables) resulting from its leasing activities, advances to OEMs ($741.2 million; note 15) and cash and cash equivalents (bank accounts totalling $817.1 million; including $805.7 million with group companies). The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

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

At 31 March 2021, the Group's significant cash and deposit counterparties were:

	US $'000
SMBC (credit rating A (S&P))	805,747
Citibank (Credit rating A+ (S&P))	11,308
	817,055

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 2021, the Group was exposed to trade debtors of $260.8 million (2020: $85.5 million) and held a provision for expected credit losses against these for $152.9 million (2020: $12.2 million). As at 31 March 2021, the Group held letters of credit in relation to lease rentals and maintenance exposures of $383.4 million (31 March 2020: $423.9 million) in addition to $599.4 million of cash security deposits and maintenance reserves (31 March 2020: $598.1 million; see note 21).

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

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

	Expected credit loss provision %		Group & Company 31 March 2020			
	31 March 2021	31 March 2020	Gross carrying amount US	Impairment loss	Gross carrying amount	Impairment loss
	%	%	$'000	US $'000	US $'000	US $'000
Category 1	0.2%	0.0%	1,210	-	6,039	-
Category 2	1.5%	0.1%	3,813	157	24,417	-
Category 3	6.2%	2.0%	11,907	744	11,673	-
Category 4	33% -100%	33% -100%	243,841	152,036	43,414	12,187
			260,771	152,937	85,543	12,187

The Group and Company classifies financial assets and calculate respective expected credit losses by reference to the categories noted above, with Category 1 being the lowest risk and Category 4 the highest risk. Classification is determined by a combination of previous default rates and estimated future losses based on credit grading, current economic situation and the increasing level of receivables of each lessee. Category 4 includes gross trade receivables of $21.7 million, $117.7 million and $104.4 million with applicable credit loss provision rates of 33%, 50% and 100% respectively.

The Group and Company continues to monitor the economic environment of its customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances, while a number of lessees were also reprofiled into Category 4 during the reporting period based on their changing risk factors. All lessees who entered bankruptcy protection, administration (or similar arrangements) during the year are included in Category 4.

The table above reflects the significant impact that the COVID-19 pandemic has had on our airline customers, which has resulted in (i) requests for lease rent deferrals, (ii) rental restructuring requests and (iii) in some cases, lease terminations. Approved requests for lease deferrals and other delays in payments by airlines have resulted in an increase in trade receivables and deferred lease receivables during the period to $260.8 million (31 March 2020: $85.5 million; note 17) and $68.7 million (31 March 2020: $18.4 million) respectively. The Group and Company also entered arrangements with financial institutions to mitigate collectability exposures as outlined in note 21. The Group and Company continues to monitor its credit exposure and manage any lessee concentrations.

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

Impairment Losses	Group	Company
	US $'000	US $'000
The movement in the provision for expected credit losses in respect of financial assets is as follows:		
Balance at 1 April 2019	3,957	3,957
Credit impairment charge on financial assets	8,230	8,230
Balance at 31 March 2020	12,187	12,187
Credit impairment charge on financial assets	153,872	153,872
Trade debtors written off	(13,122)	(13,122)
Balance at 31 March 2021	152,937	152,937

The provision for expected credit losses include a provision of $151.0 million in relation to lease receivables (31 March 2020: $12.2 million).

e. **Concentration Risk**

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

f. **Technical, Maintenance and Environmental Risk**

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

g. **Asset Value Risk**

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

h. **Capital Management**

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

25. Deferred Tax

Movements during the year:	Group	Company
	US $'000	US $'000
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
Charge to income from continuing operations (note 8)	1,359	1,359
Charge to other comprehensive income	34,512	34,512
At 31 March 2021	355,840	355,848

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Deferred tax assets	39,549	74,061	39,549	74,061
Deferred tax liabilities	(395,389)	(394,030)	(395,397)	(394,038)
	(355,840)	(319,969)	(355,848)	(319,977)

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

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	(395,38)	(394,029)	(395,39)	(394,037)
Fair value adjustments on financial instruments - deferred tax asset	39,549	74,061	39,549	74,061
Fair value adjustments on financial instruments - deferred tax liability	-	(1)	-	(1)
	(355,840)	(319,969)	(355,84)	(319,977)

The Group has estimated tax losses of $2.84 billion (31 March 2020: $1.91 billion) which are available for set-off against future taxable income. These tax losses have arisen from the Group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections indicate these entities are likely to produce sufficient taxable income in the near future. These deferred tax asset balances were offset against deferred tax liabilities.

26. Subordinated Liabilities

	Average interest rate	Year of maturity	Group & Company 31 March 2021	Group & Company 31 March 2020
	%		US $'000	US $'000
$300 million floating rate loan due to parent group undertakings	4.26	2037	300,000	300,000
			300,000	300,000

In November 2018, the Company entered into a floating rate subordinated loan with an initial 16 year maturity with a parent group undertaking. The maturity date of the loan has since been extended to February 2037 and can be extended further with the agreement of both parties.

27. Share Capital

	31 March 2021	31 March 2020
Authorised:	US $	US $
Ordinary shares of $1 each	300,000,000	300,000,000
Preference shares of $1 each	700,000,000	700,000,000
	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
	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 2021	31 March 2020
	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
	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
	887,512,800	887,512,800

28. Other Components of Equity

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	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	(276,841)	(518,418)	(276,841)	(518,418)
Total other reserves	193,714	(47,863)	191,747	(49,830)

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

In May 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, irrevocably waived and forgave debt of $207.5 million in the form of a capital contribution. The contribution was made absolutely and the Company's then ultimate parent company, Royal Bank of Scotland Group plc, retained no rights, titles or interest whatsoever in the contribution other than the rights it held as the shareholder.

As described in note 1 c, for newly acquired subsidiaries, the Group adjusts the carrying value of assets and liabilities to reflect the Group's accounting policies. At 31 March 2013, the Group acquired a new subsidiary (SMBC Aviation Capital Aircraft Holdings B.V.; now liquidated) as part of a common control transaction. The impact of harmonizing the Group's accounting policies was that the maintenance reserves of SMBC Aviation Capital Aircraft Holdings B.V. were reduced by $2.633 million at 31 March 2013, with a related increase in deferred tax liabilities of $0.658 million. The difference, a net amount of $1.967 million being a transaction with shareholder, was reflected in the other reserve.

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

29. Operating Lease Arrangements as Lessor

The future minimum lease payments receivable under non-cancellable operating leases, which include variable lease payments based on rent as at the reporting date, are as follows:

	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Within one year	1,164,067	1,118,485	1,152,384	1,118,485
In the second year	1,161,582	1,259,476	1,148,975	1,259,476
In the third year	1,093,864	1,260,275	1,078,486	1,260,275
In the fourth year	1,019,119	1,161,782	1,001,585	1,161,782
In the fifth year	969,683	1,068,974	947,675	1,068,974
After five years	3,978,558	4,844,995	3,875,143	4,844,995
	9,386,873	10,713,987	9,204,248	10,713,987

30. 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 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Sumitomo Mitsui Finance and Leasing Co., Ltd				
Transactions during the period:				
Fee income	3,375	1,971	3,375	1,971
Interest expense	638	782	638	782
Operating expenses	1,465	3,604	1,465	3,604
Balances at period end:				
Borrowings	-	15,172	-	15,172
Sundry debtors	2,067	-	2,067	-
Other creditors	-	143	-	143
Transactions with associate companies:				
Aviation Management Co., Ltd.				
Transactions during the period:				
Fee income	2,464	2,489	2,210	2,184
Balances at period end:				
Sundry debtors	100	127	-	-
SMBC Aviation Capital (UK) Limited				
Transactions during the period:				
Lease rental income	15,887	17,916	15,887	17,916
Fee income	1,558	4,426	1,558	4,426
Balances at period end:				
Amounts due to group undertakings	37,646	39,769	37,646	39,769
SMBC Capital Markets Inc.				
Transactions during the period:				
Fee expense	-	5	-	5
Gain on derivative fair value	1,441	16,483	1,441	16,483
Interest expense	67,473	13,187	67,473	13,187
Balances at period end:				
Cash	361,700	601,800	361,700	601,800
Derivative Financial Instruments	327,556	591,949	327,556	591,949
SMBC Trust Bank				
Transactions during the period:				
Interest expense	84,704	96,542	84,704	96,542
Balances at period end:				
Borrowings	2,766,257	2,296,019	2,766,257	2,296,019
Amounts due to group undertakings	7,996	10,300	7,996	10,300
SMBC Bank International plc (formerly "Sumitomo Mitsui Banking Corporation Europe Limited")				
Transactions during the period:				
Fee income	1,500	1,895	1,500	1,895
Interest income	88	727	88	727
Operating expense	(1,205)	(654)	(1,205)	(654)
Balances at period end:				
Cash	2,317	1,181	2,316	1,180
Sundry (Creditors) / Debtors	(132)	(546)	(132)	(546)
SMBC (Japan)				
Transactions during the period:				
Operating expenses	14,547	16,512	14,547	16,512
Balances at period end:				
Amounts due to group undertakings	6,177	7,246	6,177	7,246
SMBC (New York)				
Transactions during the period:				
Interest expense	112,082	111,992	112,082	111,992
Balances at period end:				
Borrowings	3,108,992	2,205,283	3,108,992	2,205,283
Cash	441,730	634,011	441,730	634,011

Transactions with parent companies:	Group 31 March 2021	Group 31 March 2020	Company 31 March 2021	Company 31 March 2020
	US $'000	US $'000	US $'000	US $'000
Amounts due to group undertakings	14,905	6,135	14,905	6,135
SMBC (Paris)				
Transactions during the period:				
Interest expense	464	649	464	649
Balances at period end:				
Obligations under Finance Leases	3,171	3,052	3,171	3,052
Non-current liabilities	2,425	5,620	2,425	5,620
SMFL (China) Co., Ltd.				
Transactions during the period:				
Operating expenses	559	530	559	530
Balances at period end:				
Other Creditors	-	122	-	122
SMFL (Hong Kong) Limited.				
Transactions during the period:				
Operating expenses	-	57	-	57
SMFL (Singapore) Pte. Ltd.				
Transactions during the period:				
Operating expenses	1,150	1,111	1,150	1,111
Balances at period end:				
Other Creditors	-	310	-	310
SMBC Aviation Capital Japan Co., Ltd.				
Transactions during the period:				
Fee income	-	2,025	-	2,025
Shanghai General SMFL Co., Ltd.				
Transactions during the period:				
Operating expenses	698	539	698	539
Balances at period end:				
Other Creditors	120	143	120	143
SMBC Leasing and Finance, Inc.				
Transactions during the period:				
Operating expenses	4,200	3,722	4,200	3,722
Balances at period end:				
Other Creditors	435	310	435	310
SMBC Bank EU AG				
Transactions during the period:				
Operating income	103	134	103	134

Transactions with subsidiaries	Company 31 March 2021 US $'000	Company 31 March 2020 US $'000
SMBC Aviation Capital Ireland Leasing 3 Limited		
Transactions during the period:		
Fee income	48	-
Interest income	1,440	-
Balances at period end:		
Amounts due from group undertakings	499,222	0
SMBC Aviation Capital Netherlands B.V.		
Transactions during the period:		
Fee expense	2,903	2,649
Interest expense	3,764	7,243
Balances at period end:		
Amounts due to group undertakings	238,914	259,043
SMBC Aviation Capital Paris Leasing 2 SARL		
Transactions during the period:		
Fee expense	1,123	794
Balances at period end:		
Amounts due to group undertakings	(38)	(30)
SMBC Aviation Capital Hong Kong Limited		
Transactions during the period:		
Fee expense	2,393	4,090
Balances at period end:		
Amounts due (to) / from group undertakings	(1,043)	71
SMBC Aviation Capital Hong Kong 2 Limited		
Transactions during the period:		
Interest expense	3,526	345
Fee expense	2,059	393
Balances at period end:		
Amounts due to group undertakings	197,622	196,426
SMBC Aviation Capital Hong Kong 3 Limited		
Transactions during the period:		
Interest income	1,747	-
Balances at period end:		
Amounts due from group undertakings	122,353	-
SMBC Aviation Capital Finance Designated Activity Company		
Transactions during the period:		
Fee expense	18	26
Interest expense	69,447	68,814
Balances at period end:		
Amounts due to group undertakings	2,014,201	2,011,374

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 23.

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

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:

	31 March 2021 US$'000	31 March 2020 US$'000
Salaries and other short-term employee benefits	5,937	10,390
Post-employment benefits	441	417
Other long-term benefits	755	9,780
Total	7,133	20,587

31. Capital Commitments

During the year ended 31 March 2015, the Group placed firm orders with Airbus and Boeing. The Airbus order consisted of 110 A320neo aircraft (of which 20 have subsequently been converted to A321neos) and 5 A321ceo aircraft, while the Boeing order consisted of 90 Boeing 737 MAX 8 aircraft. 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 $0.6 billion (31 March 2020: $1.2 billion).

The combined remaining purchase commitment for orders total $10.9 billion and delivery dates are currently scheduled between 2021 and 2027 of which $1.6 billion relates to expected delivery dates within the next twelve months. These delivery dates continue to be impacted by the ongoing COVID-19 pandemic, which have impacted on certain assembly and supplier facilities.

The scheduled delivery dates also reflect an agreement concluded in May 2020 with Boeing to defer the delivery of 68 aircraft from their original delivery dates in 2020 - 2022 to 2025 - 2027 and an agreement concluded in December 2020 with Boeing to cancel the delivery of 21 aircraft, with existing PDPs already paid for these aircraft reclassified as an advance to Boeing (note 15). Furthermore, an agreement was concluded with Airbus in July 2020 to defer the delivery of 23 aircraft from their original delivery dates in 2021 - 2022 to 2021 - 2026, with an additional agreement concluded with Airbus in March 2021 to defer the delivery of 46 aircraft from their original delivery dates in 2021 - 2025 to 2022 - 2026. All commitments are based upon fixed price agreements with the manufacturers, elements of which are adjusted for inflation and include price escalation formulas, and are net of expected price concessions where applicable.

32. Contingent Liabilities

The Group and Company had no contingent liability at 31 March 2021 (31 March 2020: $nil).

33. Subsequent Events

On 6 May 2021, Mr. M. Oshima resigned as Director. On the same day, Mr. A. Fukutome was appointed as Director.

No other significant events affecting the Group and Company have occurred since 31 March 2021, which require adjustment to or disclosure in the Consolidated Financial Statements.

34. Approval of Financial Statements

The Directors approved these Financial Statements on 6 May 2021.

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
IBOR	Interbank Offered Rate
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 SMBC Aviation
Managed entity	Capital (UK) Limited
MSN	Manufacturers Serial Number
neo	New engine option
OCI	Other comprehensive income
OEM	Original equipment manufacturer
PDP	Pre-delivery payment
ROU	Right of use
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

SMBC Aviation Capital Management Limited

Unaudited consolidated financial statements
as of and for the nine months ended September 30, 2022

INDEPENDENT REVIEW REPORT TO SMBC AVIATION CAPITAL MANAGEMENT LIMITED

Conclusion

We have been engaged by SMBC Aviation Capital Management Limited ("the Group") to review the Group's unaudited interim condensed consolidated non-statutory financial statements in the interim financial report for the nine months ended 30 September 2022 which comprises the unaudited interim condensed consolidated statement of comprehensive income, statements of financial position, changes in equity and cash flows for the nine month period then ended, a summary of significant accounting policies and other explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the unaudited interim condensed consolidated non-statutory financial statements in the interim financial report for the nine months ended 30 September 2022 is not prepared, in all material respects in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as adopted by the EU.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (Ireland) 2410") issued for use in Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the interim financial report to identify material inconsistencies with the information in the unaudited interim condensed consolidated non-statutory financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities
The interim financial report is the responsibility of, and has been approved by, the directors.

The directors are responsible for preparing the unaudited interim condensed consolidated non-statutory financial statements included in the interim financial report in accordance with IAS 34 as adopted by the EU.

The annual financial statements of the Group for the year ended 31 December 2021 are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

In preparing the condensed set of unaudited interim condensed consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility
Our responsibility is to express to the Group a conclusion on the unaudited interim condensed consolidated non-statutory financial statements in the interim financial report based on our review.

Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the Group in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Group those matters we are required to state to it in this 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 Group for our review work, for this report, or for the conclusions we have reached.

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1

20 April 2023

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Unaudited interim condensed consolidated statement of comprehensive income for the nine months ended 30 September 2022

	Notes	Unaudited 9 months ended 30 September 2022 US$'000	Unaudited 9 months ended 30 September 2021 US$'000
Income			
Lease revenue	4	511,359	542,836
Other income	5	32,620	12,829
Gain on disposal of aircraft assets	6	2,999	-
Asset management and advisory fees		2,212	1,804
Total income		**549,190**	**557,469**
Expenses			
Depreciation and amortisation of aircraft assets	12	(238,233)	(244,329)
Net impairment of aircraft assets	7	(309,840)	(28,975)
Impairment of goodwill	24	(185,673)	-
Depreciation and amortisation – other property assets	13	(1,216)	(1,533)
Loss allowance for trade receivables	11	(55,589)	(36,973)
Other fees and expenses	8	(37,831)	(39,853)
Total expenses		**(828,382)**	**(351,663)**
(Loss)/income before net financing costs		**(279,192)**	**205,806**
Finance income	3	912	943
Finance expense	3	(198,007)	(184,254)
Net gain on financial instruments at fair value through profit or loss	3	39,510	9,611
Net finance cost		**(157,585)**	**(173,700)**
(Loss)/profit before income tax		**(436,777)**	**32,106**
Income tax	9	12,069	(4,013)
(Loss)/profit for the period		**(424,708)**	**28,093**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Cash flow hedges - effective portion of changes in fair value net of tax		127,084	55,663
Cash flow hedges - reclassified to profit or loss		(1,235)	1,812
Total other comprehensive income, net of tax		**125,849**	**57,475**
Total comprehensive (loss)/income for the period		**(298,859)**	**85,568**

The accompanying notes on pages 10 to 38 form an integral part of these unaudited interim condensed consolidated non-statutory financial statements.

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Unaudited interim condensed consolidated statement of financial position as at 30 September 2022

	Notes	Unaudited 30 September 2022 US$'000	31 December 2021 US$'000
Non-current assets			
Aircraft and related assets	12	6,264,895	6,898,114
Other property assets	13	8,404	9,620
Goodwill	24	-	185,673
Lease incentive asset	14	18,697	17,486
Aircraft purchase deposit	15	-	164,231
Derivative financial instruments	20	66,789	-
Trade and other receivables	11	4,116	5,013
Total non-current assets		**6,362,901**	**7,280,137**
Current assets			
Cash and cash equivalents	10	121,234	76,183
Restricted cash	10	103,234	104,972
Trade and other receivables	11	282,758	282,715
Total current assets		**507,226**	**463,870**
Total assets		**6,870,127**	**7,744,007**
Equity			
Share premium	21	747,186	747,186
Retained earnings	21	(230,750)	193,958
Hedging reserve	20	44,617	(81,232)
Total equity		**561,053**	**859,912**
Liabilities			
Non-current liabilities			
Loans and borrowings	17	3,784,349	4,984,983
Maintenance reserves	18	417,938	316,196
Security deposits	19	52,208	48,248
Lessor contribution liabilities	14	88,103	32,365
Derivative financial instruments	20	-	113,641
Deferred tax liabilities	9	33,759	30,648
Total non-current liabilities		**4,376,357**	**5,526,081**
Current liabilities			
Deferred income		29,106	31,894
Loans and borrowings	17	1,801,951	1,118,686
Maintenance reserves	18	386	94,034
Security deposits	19	1,928	796
Lessor contribution liabilities	14	3,332	27,324
Other payables	16	96,014	85,280
Total current liabilities		**1,932,717**	**1,358,014**
Total liabilities		**6,309,074**	**6,884,095**
Total equity and liabilities		**6,870,127**	**7,744,007**

The accompanying notes on pages 10 to 38 form an integral part of these unaudited interim condensed consolidated non-statutory financial statements.

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Unaudited interim condensed consolidated statement of changes in equity as at 30 September 2022

	Share premium	Retained earnings	Hedging reserve	Total equity
	US$'000	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2021	**747,186**	**143,554**	**(162,282)**	**728,458**
Total comprehensive income for the 9 months ended 30 September 2021				
Profit for the period	-	28,093		28,093
Other comprehensive income for the period	-	-	57,475	57,475
Balance at 30 September 2021	**747,186**	**171,647**	**(104,807)**	**814,026**
Total comprehensive income for the 3 months ended 31 December 2021				
Profit for the period	-	22,311	-	22,311
Other comprehensive income for the period	-	-	23,575	23,575
Balance at 1 January 2022	**747,186**	**193,958**	**(81,232)**	**859,912**
Total comprehensive income for the 9 months ended 30 September 2022				
Loss for the period	-	(424,708)	-	(424,708)
Other comprehensive income for the period	-	-	125,849	125,849
Balance at 30 September 2022	**747,186**	**(230,750)**	**44,617**	**561,053**

The accompanying notes on pages 10 to 38 form an integral part of these unaudited interim condensed consolidated non-statutory financial statements.

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Unaudited interim condensed consolidated statement of cash flows for the nine months ended 30 September 2022

	Notes	Unaudited 9 months ended 30 September 2022 US$'000	Unaudited 9 months ended 30 September 2021 US$'000
Cash flows from operating activity			
(Loss)/profit for the period		(424,708)	28,093
***Adjust fo*r:**			
Depreciation, impairment & amortisation		567,254	290,718
Loan interest charge		108,270	118,353
Maintenance reserve release	18	(4,404)	-
Gain on derivative financial instruments		(39,671)	(9,611)
Non-cash income	13(b)	(551)	(449)
Accretion of interest on lease liability	13(b)	245	349
Gain on disposal of aircraft & aircraft equipment	6	(2,999)	-
Impairment of goodwill	24	185,673	-
		389,109	**427,453**
Changes in operating assets & liabilities			
Decrease/(increase) in other receivables		82,365	(45,414)
Increase in maintenance reserves	18	100,717	21,099
Increase/(decrease) in security deposits	19	5,681	(3,958)
Increase/(decrease) in deferred revenue		289	(10,149)
Increase in other payables		55,563	55,312
Net cash flows from operating activities		**633,724**	**444,343**
Cash flows from investing activities			
Decrease/(increase) in restricted cash	10	1,738	(12,169)
Purchase of aircraft equipment	12	(1,639)	(32,679)
Disposal of aircraft equipment		25,331	-
Aircraft deposits repaid		56,197	-
Lessor contributions paid		(5,395)	(3,062)
Net cash flows from investing activities		**76,232**	**(47,910)**
Cash flows from financing activities			
Repayment of loans and borrowings		(502,762)	(421,599)
Drawdown of loans and borrowings		-	202,500
Interest paid		(161,195)	(169,103)
Debt financing fees paid		(262)	(5,636)
Derivatives cash settled		109	-
Repayment of lease liabilities	13(b)	(795)	(977)
Net cash flows from financing activities		**(664,905)**	**(394,815)**
Net movement in cash and cash equivalents		45,051	1,618
Cash and cash equivalents at the beginning of the period		76,183	73,469
Cash and cash equivalents at the end of the period		**121,234**	**75,087**

The accompanying notes on pages 10 to 38 form an integral part of these unaudited interim condensed consolidated financial statements.

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Notes to the unaudited interim condensed consolidated non-statutory financial statements

1. General information

SMBC Aviation Capital Management Limited ("the Company") (formerly Goshawk Management Limited "GML") was incorporated in Ireland on 16 April 2015 and is domiciled in Ireland as a limited company under the Companies Act 2014. On incorporation in April 2015, the principal activity of the Company was to provide asset management and support services to related entities involved in the aviation industry.

In April 2020, the Company, as a then subsidiary of Goshawk Management Holdings (Cayman) Limited, was acquired by a related company Goshawk Aviation Limited ("GAL") to form a newly reorganized group (the "GML Group"), within the rationalized corporate structure of the GAL Group. Upon completion of the reorganization, the Company became the holding company of the companies now comprising the GML Group.

The principal activity of the newly reorganized Company and its subsidiaries (together, the "Group") are investments in commercial aircraft and aircraft leasing and provision of aircraft lease management services.

On 16 May 2022, the Group's shareholders announced they had reached agreement with SMBC Aviation Capital ("SMBC AC") to acquire the Group. The acquisition completed on 21 December 2022, when the Group's parent GAL disposed of its interest in its commercial aircraft leasing platform to SMBC AC, comprising substantially all of the assets, liabilities and contracts of the business. Following the completion of this transaction, the Company changed its name to SMBC Aviation Capital Management Limited.

While the transaction included substantially all of the aircraft leasing platform of the business, it excluded six entities owned by the Company which own six aircraft located in Russia, as well as certain other non-operating subsidiaries of the GAL Group. Upon completion, GAL will continue to hold title to the six aircraft located in Russia. In order to fully comply with applicable sanctions, the Group terminated the leasing of these aircraft on 3 March 2022. In response to the sanctions imposed, the Government of the Russian Federation issued a number of decrees which provide, amongst other things, that Russian airlines are required to obtain governmental approval for the redelivery of aircraft to foreign lessors. Given this fact pattern, the Company has concluded it has no control over the aircraft currently located in Russia. The Company is furthermore unable to determine if these aircraft will be returned at a future date. As a result, the Company has written-off its net exposure in respect of the Russian aircraft during the reporting period. The Group has insurance cover in respect of the six aircraft under a number of insurance policies and has commenced filing claims to recover amount due under the policies.

2. Significant accounting policies

Basis of preparation

These unaudited interim condensed consolidated non-statutory financial statements, of GML and its subsidiary undertakings, set out in these financial statements, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("EU"), and specifically in accordance with relevant parts of IFRS as set out in International Accounting Standard ("IAS") 34 'Interim Financial Reporting'. The accounting policies and presentation applied by the Group in the preparation of these unaudited interim condensed consolidated non-statutory financial statements are consistent with those set out on pages 11 to 28 of the Group's consolidated non-statutory audited financial statements for the year ended 31 December 2021, other than additional policies set out below in note 2.

These unaudited interim condensed consolidated non-statutory financial statements have been prepared for the purposes of incorporating historical financial information, in a debt capital market offering memorandum.

2. Significant accounting policies (continued)

The unaudited interim condensed consolidated non-statutory financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments. The accounting policies and methods of computation are followed in the interim financial statements as compared with the last annual audited non-statutory financial statements for the year ended 31 December 2021. Full detail of the Group's accounting policies is set out in the Group's 31 December 2021 non-statutory financial statements, as noted above. A number of new and amended standards became applicable for the current period ended 30 September 2022. These new and amended standards did not have a material impact on the Group.

These unaudited interim condensed consolidated non-statutory financial statements do not include all the information and disclosures necessary for a complete set of IFRS compliant financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to the Group's performance since the last annual consolidated non-statutory financial statements as at the year ended 31 December 2021.

These unaudited interim condensed consolidated non-statutory financial statements should be read in conjunction with the Group's audited non-statutory financial statements for the year ended 31 December 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS Interpretations Committee ("IFRIC"). These unaudited interim condensed consolidated non-statutory financial statements do not comprise statutory accounts and as such are not filed with the Companies Registration Office. The unaudited interim condensed consolidated non-statutory accounts for the period ended 30 September 2022 were approved by the Board on 20 April 2023.

The unaudited interim consolidated non-statutory financial statements are presented in United States Dollars ("US$"), which is also the Company and its subsidiaries' functional currency. All values are rounded to the nearest thousand (US$'000), except when otherwise indicated.

Going concern

The Directors have prepared the unaudited interim condensed consolidated non-statutory financial statements on the going concern basis as it is expected that the Group will have sufficient financial and other resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. Key factors likely to affect the principal activities of the Group, and as a result the Group's future performance and financial position, are considered in note 22.

The Group has funded a significant part of its operations with debt financing. In December 2022, as part of the acquisition of the Group by SMBC AC, US$4.6bn of external debt was refinanced by SMBC AC external debt (see note 25 for further detail).

The Group's Directors assess its ability to meet its obligations, on an ongoing basis and for a period of at least 12 months from the date of approval of the financial statements. That assessment includes consideration of the significant financial resources available to the Group (see undrawn facilities as described in note 17), together with long-term lease contracts in place with 62 airline operators across different geographic areas (see note 4) as well as considerable unencumbered assets of approximately US$3.8bn at 30 September 2022.

As a consequence, the Directors believe that the Group is well placed to navigate any further impact of COVID-19 on the economic environment and have appropriately prepared the accounts on a going concern basis. COVID-19 is considered a fading risk to the global economy in 2023**.** There remain, nonetheless ongoing but fading impacts from COVID-19 to both the wider economies and the aviation sector we operate in. The Directors continue to monitor current developments in the COVID-19 situation and the extent of fading impacts to its operations.

2. Significant accounting policies (continued)

Estimates and judgements

The preparation of unaudited interim condensed consolidated non-statutory financial statements requires the Group to make estimates and judgements that impact the reported amount of assets and liabilities, income and expenses. The most significant judgment made in applying the Group's accounting policies that had the most significant effect on the amount recognised in the financial statements for the period to 30 September 2022, is as follows:

The Group previously leased eight aircraft to airlines based in Russia, two of which are now in the possession of the Group. In order to fully comply with applicable sanctions, the Group terminated the leasing of these aircraft. In response to the sanctions imposed, the Government of the Russian Federation issued a number of decrees which provide, amongst other things, that Russian airlines are required to obtain governmental approval for the redelivery of aircraft to foreign lessors. Given this fact pattern, the Group has concluded it has no control over the six aircraft that are currently located in Russia. The Group is furthermore unable to determine if these aircraft will be returned at a future date.

As a result, the Group has written off its net exposure in respect of these six aircraft. This has resulted in a net impairment before tax of US$185.7m. Please refer to note 7 for more detail. Post period end the Group sold the six aircraft and six associated aircraft owning entities to a related party, see note 25 for further detail.

There have been no other significant changes to the Group's approach to, and methods of, making critical accounting estimates and judgements compared to those applied at 31 December 2021, as set out on pages 26 - 28 of the Group's consolidated non-statutory financial statements for the year ended 31 December 2021.

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Notes to the unaudited interim condensed consolidated non-statutory financial statements

3. Finance income and expense

	9 months ended 30 September 2022 US$'000	9 months ended 30 September 2021 US$'000
Finance income	698	106
Finance income from related parties	214	837
Total finance income	**912**	**943**
Finance expense on financial liabilities		
- External finance expense	(163,615)	(169,556)
- Finance expense to related parties	(32,189)	(10,006)
- Interest on lease liabilities	(245)	(349)
- Amortisation of fair value adjustments	(1,958)	(4,343)
Total finance expense	**(198,007)**	**(184,254)**
Net gain on derivative financial instruments		
Net gain on financial instruments at fair value through profit or loss	39,510	9,611
Net finance costs	**(157,585)**	**(173,700)**

Finance income reflects interest earned on cash on deposit and cash at bank. Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash on deposit earns interest at fixed rates as agreed with the bank.

The fair value release relates to identifiable liabilities assumed through business combinations that are measured at fair value as at acquisition date. The fair value adjustment is amortised and included as fair value release within finance expenses in the statement of profit and loss and other comprehensive income.

The portion of net income from financial instruments carried at fair value relating to the ineffective portion of cash flow hedges at 30 September 2022 is a net gain/(loss) of US$1.2m (30 September 2021: (US$1.8m)).

4. Lease revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

Lease revenue from operating leases
Lease revenue is derived from leasing commercial aircraft to various operators around the world.

During the 9 months ended 30 September 2022, the Group recognised lease revenue on 161 aircraft (30 September 2021: 163 aircraft) on lease contracts with 62 operators (30 September 2021: 63 operators).

The largest exposure to one individual lessee is 11% and 11% of the total lease revenue in the 9 months to 30 September 2022 and 2021, respectively.

During 9 months to 30 September 2022, the Group recorded the following lease rentals from operators in the following regions:

	9 months ended 30 September 2022 US$'000	9 months ended 30 September 2021 US$'000
Asia (ex-China & India)	153,587	149,026
Americas	89,582	87,652
India	84,235	86,695
Europe	70,195	102,085
Middle East	53,997	53,622
China	30,422	34,382
Africa	19,383	13,906
Australia	9,958	15,468
Total	**511,359**	**542,836**

Included in revenue of US$511.4m is US$7.0m, representing revenue from aircraft located in Russia which were not purchased by SMBC AC as part of the takeover, this revenue was received in the first two months of the year. Included in lease revenue is variable lease revenue linked to utilisation of aircraft of US$15.2m (30 September 2021: US$9.9m).

As at the end of each reporting period, the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases in the following regions:

30 September 2022	Due within one year US$'000	Due between one and five years US$'000	Due after five years US$'000	Total US$'000
Asia (ex-China & India)	200,642	636,830	178,186	1,015,658
Americas	109,084	351,795	91,212	552,091
Middle East	68,183	234,617	140,874	443,674
Europe	77,337	241,624	112,233	431,194
India	85,779	146,949	26,332	259,060
China	40,110	58,608	-	98,718
Africa	20,403	65,579	464	86,446
Australia	14,904	55,745	256	70,905
Total	**616,442**	**1,791,747**	**549,557**	**2,957,746**

4. Lease revenue (continued)

30 September 2021	Due within one year US$'000	Due between one and five years US$'000	Due after five years US$'000	Total US$'000
Asia (ex-China & India)	204,482	711,935	313,572	1,229,989
Europe	123,380	385,154	233,118	741,652
Americas	107,607	348,329	139,027	594,963
Middle East	72,179	253,524	189,510	515,213
India	108,766	203,395	45,997	358,158
China	40,841	89,850	2,747	133,438
Africa	20,403	76,609	9,836	106,848
Australia	14,903	58,805	12,100	85,808
Total	**692,561**	**2,127,601**	**945,907**	**3,766,069**

5. Other income

During the 9 months ended 30 September 2022, the Group recognised other income in relation to the following items:

	9 months ended 30 September 2022 US$'000	9 months ended 30 September 2021 US$'000
Maintenance reserves released (note 18)	4,404	-
Other income from lessees	28,216	12,829
Total	**32,620**	**12,829**

Other income from lessees primarily relates to default and late payment interest from lessees, an airline claim sale and an airline settlement.

Net impairment of aircraft assets is presented net of maintenance reserves released in conjunction with impairment charges on aircraft, see note 7 'Net impairment of aircraft assets' for further detail. Maintenance reserves released in the normal course of the lease are recorded as other income.

6. Gain on disposal of aircraft assets

During the 9 months ended 30 September 2022, the Group recognised gain of US$3.0m (2021: US$nil) in relation to the disposal of two aircraft (2020: nil aircraft).

	9 months ended 30 September 2022 US$'000	9 months ended 30 September 2021 US$'000
Gain on disposal of aircraft assets	**2,999**	**-**

7. Net Impairment of aircraft assets

The Group recorded a net impairment charge after release of related maintenance reserves during the 9 months ended 30 September 2022 of US$309.8m (30 September 2021: US$29.0m). The gross impairment charge as at 30 September 2022 was US$390.4m (30 September 2021: US$32.2m).

Aircraft are assessed for recoverability in accordance with IAS 36 Impairment of Assets ("IAS 36") at each reporting date or whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Management develops the key assumptions used in the recoverability assessment based on their knowledge of active lease contracts, current and future expectations of the global demand for aircraft types and historical experience in the aircraft leasing market and aviation industry, as well as estimates of market values, taking into consideration current independent external appraiser valuation data.

Estimates of current market values, future cash flows and discount rates are by their nature uncertain and require significant management judgement. These estimates reflect the best estimate of management at the reporting date, using all currently available information. When recoverability is measured on a value in use basis, a discount rate of 6% (2021: 5.2%) is applied to future cash flows, which is considered to reflect the risks inherent in the cash flows.

With the exception of the Russian aircraft impairment discussed below, the impairment charge during the period was primarily due to management's decision to reflect judgements used in the valuation of aircraft and related assets by SMBC AC in the acquisition of the Group in the impairment analysis as at the reporting date.

	9 months ended 30 September 2022 US$'000	9 months ended 30 September 2022 US$'000
Impairment charge (note 12,14)	390,447	32,220
Release of maintenance reserves (note 18)	(79,70	(3,245)
Derecognition of lessor contribution liability (note 14)	(90	-
Net impairment of aircraft assets	**309,840**	**28,975**

Included in the amount above for the 9 months ended 30 September 2022 is a net impairment charge of US$185.7m in respect of six aircraft which were not purchased by SMBC AC as part of the acquisition of the Company in December 2022. The Group had previously leased to airlines based in Russia. In compliance with applicable sanctions, the Group terminated the leasing of these aircraft. In response to the sanctions imposed against Russia, the Government of the Russian Federation has taken steps including, but not limited to, issuing a number of decrees which provide, amongst other things, that Russian airlines are required to obtain governmental approval for the redelivery of aircraft to foreign lessors. Under these circumstances, the Group has no control over the six aircraft that are currently in Russia. Post period end the Group sold the six aircraft and six associated aircraft owning entities to a related party, see note 25 for further detail.

8. Other fees and expenses

	9 months ended 30 September 2022 US$'000	9 months ended 30 September 2021 US$'000
Employee compensation and benefits	19,209	20,883
Assurance and tax fees	1,098	1,504
Professional and administrative fees	5,203	9,664
Insurance	919	1,798
Travel	567	137
Office costs	691	488
Other operating costs	10,144	5,379
	37,831	**39,853**

The Group had 83 permanent employees as at 30 September 2022 (30 September 2021: 89). Other operating costs are primarily made up of fleet management costs, lease transition expenses, aircraft valuation fees and bank charges.

	9 months ended 30 September 2022 US$'000	9 months ended 30 September 2021 US$'000
Employment costs:		
Salaries and other short-term employee benefits	17,498	18,935
Social welfare costs	935	1,180
Post -employment benefits	776	768
	19,209	**20,883**

9. Taxation

	9 months ended 30 September 2022 US$'000	9 months ended 30 September 2021 US$'000
a) Analysis of tax (credit)/charge for the period		
Current tax:		
Foreign corporation tax credit on net profit for the period	-	-
Income tax credit for the period on ordinary activities	-	-
Deferred tax:		
Origination and reversal of temporary differences	(12,069)	4,013
Deferred tax expense for the year on ordinary activities	(12,069)	4,013
Income tax *(credit)*/expense	**(12,069)**	**4,013**

b) Factors affecting current tax (credit)/charge for the period
The Company's subsidiaries are primarily tax resident in Ireland.

The reconciliation of current tax on profits on ordinary activities to prima facie tax receivable/payable.
The prima facie tax on profit differs from the income tax provided in the financial statements as follows:

	9 months ended 30 September 2022 US$'000	9 months ended 30 September 2021 US$'000
(Loss)/profit on ordinary activities before taxation	(436,777)	32,106
Irish tax at statutory corporation tax rate of 12.5%	(54,597)	4,013
Effects of:		
Movement on unrecognised deferred tax assets / valuation allowance	19,319	-
Non-taxable income / non-deductible expenses	23,209	-
Income tax *(credit)*/expense	**(12,069)**	**4,013**

9. Taxation (continued)

Deferred tax represents the amount of tax recoverable in respect of tax losses available in the current year which are available for carry forward and an excess of capital allowances over accounting depreciation.

The reconciliation of deferred tax assets and liabilities for the period/year is as follows:

	30 September 2022 US$'000	31 December 2021 US$'000
Deferred tax assets		
At beginning of the period	374,484	298,272
Movement during the period	(9,311)	76,212
At end of the period	**365,173**	**374,484**
Deferred tax liabilities		
At beginning of the period	405,132	318,058
Movement during the period	(6,200)	87,074
At end of the period	**398,932**	**405,132**
Net deferred tax liabilities	**33,759**	**30,648**

The Group's net deferred tax liability is attributable to temporary differences arising on aircraft and related assets at period-end, partially offset by deferred tax assets in respect of the carry forward of unused tax losses and amounts recognised directly in equity in relation to cash flow hedges.

10. Cash and restricted cash

Cash at bank and deposits earn interest at floating rates based on daily bank deposit rates.

	30 September 2022 US$'000	31 December 2021 US$'000
Unrestricted bank balances		
Cash and cash equivalents	121,234	76,183
Restricted cash		
Bank balances subject to withdrawal restrictions	103,234	104,972
Total cash and restricted cash	**224,468**	**181,155**

Under certain of the Group's debt arrangements, payments received from lessees may be subject to withdrawal restrictions and are thus classified as restricted cash.

11. Trade and other receivables

	30 September 2022 US$'000	31 December 2021 US$'000
Trade and other receivables		
Other taxes (i)	1,462	8,352
Loan receivables (ii)	4,136	4,136
Loan receivable from related party	-	13,857
Other receivables	5,520	9,996
Other receivables from related parties (iv)	187,682	86,115
Trade receivables (iii)	85,922	161,297
Prepaid expenses	1,965	2,461
Current tax receivable	187	1,514
	286,874	**287,728**
Current	282,758	282,715
Non-current	4,116	5,013

(i) Other taxes include a receivable of US$2.5m (31 December 2021: US$8.2m) in relation to Value Added Tax ("VAT"), the majority of which relates to VAT on historical asset management fees. This is expected to be recovered in Q4 2022.

(ii) The Group has recognised a receivable of US$3.5m (31 December 2021: US$3.5m) in relation to loans provided to third parties on the sale of aircraft. These loans are classed as non-current, being repayable in 2029. A receivable of US$0.6m is also recognised from an airline customer who has recently restructured, payment for which will commence in 2023 (31 December 2021: US$0.6m).

(iii) Trade receivables comprise of overdue amounts in respect of lease rentals from lessees.

(iv) Other receivables from related party comprises amounts due from former Goshawk Group entities.

Expected credit loss

For the 9 month period ended 30 September 2022, the Company recognised a charge related to allowance for impairment of trade and other receivables of US$55.6m (31 December 2021: US$38.4m). The charge during the year relates to a number of lessees and is based on the net lease exposure and the continued impact of the COVID-19 pandemic through 2022.

The movement in the loss allowance for impairment for trade receivables is as follows:

	30 September 2022 US$'000	31 December 2021 US$'000
Expected credit allowance on doubtful receivables		
At beginning of the period	44,410	36,419
Loss allowance for trade receivables	55,589	38,432
Loss allowance offset against trade receivables	(22,836)	(30,441)
At end of the period	**77,163**	**44,410**

As at 30 September, the receivables balance, net of expected credit allowance, by geographic region was:

	30 September 2022 US$'000	%	31 December 2021 US$'000	%
Asia (ex-China & India)	61,599	72%	93,585	58%
India	11,538	13%	24,851	16%
Africa	4,779	6%	7,029	4%
Americas	3,508	4%	5,754	4%
China	2,326	3%	11,176	7%
Europe	2,172	3%	11,579	7%
Australia	-	0%	6,647	4%
Middle East	-	0%	676	0%
Total	**85,922**	**100%**	**161,297**	**100%**

The Group's exposure to credit risk relates to the leasing of aircraft. The recovery of trade receivables is highly dependent on the financial strength of the commercial aviation industry. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the expected credit losses, the Group considers all reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical credit experience, an informed credit assessment and incorporating forward-looking information.

The Group prepared an analysis of each lessee based on historic loss rates and certain publicly available information to estimate a credit rating on a scale of one to ten, with one being minimal risk. The Group then uses this risk rating to assign a percentage expected loss rate to determine the expected credit loss ("ECL"). The percentage expected loss rate is applied to outstanding trade receivable balances at period end.

In accordance with section B5.5.55 of IFRS 9, security deposits and letters of credit received have been treated as credit enhancements and are included in the measurement of the ECL. Credit enhancements are integral to the contractual terms of the lease and are not required under IFRS standards to be recognised separately.

The percentage expected loss rate has been applied based on the risk rating determined. The percentage is multiplied by the outstanding trade receivable balance at period end to calculate an expected loss over the life of the lease.

The gross amount of a financial asset is written off, either partially or in full, to the extent that there is no realistic prospect of recovery. This arises when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. Financial assets that are written off could, however, still be subject to enforcement actions in compliance with the Group's procedures for recovery of amount due.

12. Aircraft and related assets

The Group has disposed of 2 aircraft in the 9 month period to 30 September 2022 (30 September 2021: nil). As outlined in note 2, the six aircraft located in Russia were not sold to SMBC AC. The six aircraft assets have been fully written off, and therefore have no balances in the statement of financial position as at 30 September 2022. Post period end the Group sold the six aircraft and six associated aircraft owning entities to a related party, see note 25 for further detail.

Depending on the financing arrangements, aircraft may be pledged as security where required in accordance with the financing documents (see note 17).

Maintenance rights assets

As at 30 September 2022, the carrying value of the maintenance rights assets is US$351.9m (31 December 2021: US$400.6m). In accordance with the Group's leases, the lessee is obligated to comply with certain return conditions which may require them to undertake maintenance on the aircraft prior to its re-delivery or to make a cash compensation sufficient to allow such work to be undertaken.

Lease premium assets

As at 30 September 2022, the carrying value of lease premium assets is US$95.5m (31 December 2021: US$117.4m). Market rates at the time of acquisition of the aircraft have been compared to the rate agreed under the contracted lease acquired in order to calculate the lease premium assets.

12. Aircraft and related assets (continued)

	Aircraft and engines	Maintenance rights assets	Lease premium	Total
	US$'000	US$'000	US$'000	US$'000
Cost				
Balance at 31 December 2021 and 1 January 2022	**7,673,823**	**445,938**	**231,564**	**8,351,325**
Additions	1,639	-	-	1,639
Transfers	23,890	(23,890)	-	-
Disposals	(57,598)	(2,387)	-	(59,985)
Balance at 30 September 2022	**7,641,754**	**419,661**	**231,564**	**8,292,979**
Accumulated depreciation and amortisation				
Balance at 31 December 2021 and 1 January 2022	**(1,293,686)**	**(45,313)**	**(114,212)**	**(1,453,211)**
Disposals	18,018			18,018
Depreciation/ amortisation charge	(219,188)	-	(19,045)	(238,233)
Impairment charge	(359,437)	(22,493)	(2,825)	(384,755)
Reclassification of impairment to lessor contribution (see Note 14)	30,097	-	-	30,097
Balance at 30 September 2022	**(1,824,196)**	**(67,806)**	**(136,082)**	**(2,028,084)**
Net book value				
At 31 December 2021	**6,380,137**	**400,625**	**117,352**	**6,898,114**
At 30 September 2022	**5,817,558**	**351,855**	**95,482**	**6,264,895**

(i) Geographic concentration

The distribution of net book value of aircraft and related assets by operators' geographic region:

	30 September 2022		31 December 2021	
	US$'000	%	US$'000	%
Asia (ex-China & India)	1,825,060	29%	2,041,209	30%
Americas	1,076,153	17%	1,125,657	16%
India	948,025	15%	1,115,749	16%
Europe	921,088	15%	1,021,146	15%
Middle East	710,671	11%	748,185	11%
China	386,592	6%	407,460	6%
Africa	246,480	4%	274,439	4%
Australia	150,826	3%	164,269	2%
	6,264,895	**100%**	**6,898,114**	**100%**

13. (a) Other property assets

	Leasehold improvements US$'000	Right of use assets US$'000	Total US$'000
Cost			
Balance at 31 December 2021	**6,811**	**8,391**	**15,202**
Balance at 30 September 2022	**6,811**	**8,391**	**15,202**

	Leasehold improvements US$'000	Right of use assets US$'000	Total US$'000
Accumulated depreciation and amortisation			
Balance at 31 December 2021	**(3,251)**	**(2,331)**	**(5,582)**
Depreciation/ amortisation charge	(607)	(609)	(1,216)
Balance at 30 September 2022	**(3,858)**	**(2,940)**	**(6,798)**
Net book value			
At 31 December 2021	**3,560**	**6,060**	**9,620**
At 30 September 2022	**2,953**	**5,451**	**8,404**

13.(b) Right of use assets and lease liabilities

At 30 September 2022, the Group was party to property leases in scope on IFRS 16 for which it recognised a right of use asset and related lease liability as set out below.

Right of use assets	Offices US$'000	Total US$'000
Balance at 31 December 2021	**6,060**	**6,060**
Depreciation	(609)	(609)
Balance at 30 September 2022	**5,451**	**5,451**

Set out below are the carrying amounts of lease liabilities (included in loans and borrowings) and the movement during the 9 months ended 30 September 2022 and the year ended 31 December 2021:

	30 September 2022 US$'000	31 December 2021 US$'000
Lease liabilities		
At beginning of the period	6,890	8,309
Accretion of interest	245	459
FX revaluations	(551)	(587)
Payments	(795)	(1,291)
At end of the period	**5,789**	**6,890**
Current	602	730
Non-current	5,187	6,160

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

Lease liabilities	Carrying amount US$'000	Contractual Cash flow US$'000	Less than 1 year US$'000	Less than 5 years US$'000	More than 5 years US$'000
As at 31 December 2021	6,890	8,264	972	3,299	3,993
As at 30 September 2022	**5,789**	**6,618**	**854**	**3,417**	**2,347**

14. Lease incentive asset

Lease incentive asset represents contributions made by the Group towards the lessees' cost of maintenance events. The lease incentive asset is amortised on a straight-line basis over the life of the lease and recorded as a reduction in lease rental income.

	30 September 2022 US$'000	31 December 2021 US$'000
Cost		
At beginning of period	37,907	22,648
Additions during the period	40,389	15,259
At end of period	78,296	37,907
Accumulated amortisation		
At beginning of period	(20,421)	(6,688)
Amortisation charge during the period	(3,389)	(4,515)
Impairment charge during the period	(5,692)	(9,218)
Impairment reclassified from aircraft assets	(30,097)	-
At end of period	(59,598)	(20,421)
Carrying value at end of the period	**18,697**	**17,486**

Lessor contribution liabilities have been recognised in line with the above lease incentive assets, amounting to US$91.4m and US$59.7m at 30 September 2022 and 31 December 2021, respectively.

	30 September 2022 US$'000	31 December 2021 US$'000
Cost		
At beginning of period	59,689	48,026
Movement during the period	31,746	11,663
At end of period	**91,435**	**59,689**
Current	3,332	27,324
Non-current	88,103	32,365

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15. Aircraft purchase deposits

As at the end of each reporting period, the Group recognised a deposit in relation to payments made for the purchase of aircraft in accordance with payment schedules set out in the relevant purchase agreements.

	30 September 2022 US$'000	31 December 2021 US$'000
Aircraft purchase deposits		
At beginning of the period	164,231	164,231
Movement during the period	(164,231)	-
At end of the period	**-**	**164,231**
Current	-	-
Non-current	-	164,231

16. Other payables

	30 September 2022 US$'000	31 December 2021 US$'000
Trade payables and other accrued liabilities	12,094	10,356
Amounts payable to related parties	49,912	31,056
Interest payable	25,952	31,448
Payroll costs payable	8,056	12,420
	96,014	**85,280**
Current	96,014	85,280
Non-current	-	-

17. Loans and borrowings

The balance of borrowings as at 30 September 2022 is US$5,586.3m (31 December 2021: US$6,103.7m). Aircraft lease rentals are structured to ensure that lease payments are sufficient to meet the Group's obligations under debt funding over the term of the lease. The following information outlines the contractual amount due, split between due within 12 months and due after 12 months.

	30 September 2022 US$'000	31 December 2021 US$'000
Loans and borrowings - contractual due within 12 months		
Secured loans and borrowings from external parties	211,702	134,247
Unsecured loans and borrowings from external parties	630,000	-
Unsecured loans and borrowings from related parties	966,755	993,772
Debt issuance costs	(7,108)	(10,063)
Lease liabilities	602	730

	1,801,951	**1,118,686**
Loans and borrowings - contractual due greater than 12 months		
Secured loans and borrowings from external parties	1,514,382	1,743,401
Unsecured loans and borrowings from external parties	2,276,700	3,251,798
Debt issuance costs	(11,920)	(16,376)
Lease liabilities	5,187	6,160
	3,784,349	**4,984,983**
Total	**5,586,300**	**6,103,669**

Unsecured debt facilities:
As of 30 September 2022, 101 aircraft (31 December 2021: 101) were being financed by unsecured financing. The outstanding balance of unsecured debt which includes term loans, revolving credit facilities and bonds as of 30 September 2022 was US$3,873.5m (31 December 2021: US$4,245.6m). The key terms of these facilities are set out below.

Secured debt facilities:
As of 30 September 2022, 61 aircraft (31 December 2021: 61 aircraft) were financed by secured debt facilities. The Group had outstanding secured debt of US$1,726.1m as of 30 September 2022 (31 December 2021: US$1,877.6m) which consisted of 9 facilities, financed by 57 institutions. Under the terms of these facilities, the aircraft are pledged as security, as required in the financing documents. The aircraft may have been pledged as collateral to the financing parties as outlined in the proceeds and intercreditor deed. The recourse of the lenders and the other parties to the transaction documents is limited to the assets secured by the aircraft owning entities and to any monies received by the aircraft owning entities pursuant to the transaction documents. The carrying value of secured aircraft and related assets pledged as security are set out below.

Assets pledged as security	**30 September 2022 US$'000**	**31 December 2021 US$'000**
Non-current		
Aircraft and related assets	2,447,765	2,657,380

17. Loans and borrowings (continued)

Key terms of debt facilities

The terms of outstanding unsecured and secured loans before the impact of derivatives are outlined below (excluding capitalised loan fees).

At 30 September 2022

	Range of average nominal interest rates (%)	Year of maturity	30 September 2022 US$'000
Floating rate loans			
Secured loans and borrowings	LIBOR +1.6 to 2.15	2023 - 2029	1,023,093
Unsecured loans and borrowings	LIBOR +1.5 to 1.625	2023 - 2024	2,019,700
Fixed rate loans			
Secured loans and borrowings	3.40 – 7.02	2024 - 2032	702,991
Unsecured loans and borrowings	0* – 5.19	2023 - 2031	1,853,755
			5,599,539

At 31 December 2021

	Range of average nominal interest rates (%)	Year of maturity	31 December 2021 US$'000
Floating rate loans			
Secured loans and borrowings	LIBOR +1.6 to 2.15	2023-2029	1,104,525
Unsecured loans and borrowings	LIBOR +1.5 to 1.625	2023-2024	1,935,098
Fixed rate loans			
Secured loans and borrowings	3.40 – 7.02	2024 - 2032	773,123
Unsecured loans and borrowings	0* – 5.19	2023 - 2031	2,310,472
			6,123,218

*0% relates to the non interest bearing loan of US$966.8m as at 30 September 2022 (2021:US$993.8m) by Hera Leasing Holdco Limited to Goshawk Aviation Finance Limited ("GAFL").

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17. Loans and borrowings (continued)

As at 30 September 2022 and 31 December 2021, the loans and borrowings were repayable as follows:

	30 September 2022 US$'000	31 December 2021 US$'000
Within 1 year or on demand	2,024,237	1,128,019
After 1 year but within 2 years	1,561,761	1,077,830
After 2 years but within 5 years	1,242,244	2,905,783
After 5 years	771,297	1,011,586
	5,599,539	**6,123,218**

18. Maintenance reserves

	30 September 2022 US$'000	31 December 2021 US$'000
At beginning of the period	410,230	374,979
Additions	112,652	67,331
Sale of asset	(13,625)	-
Maintenance reserves released (note 5, 7)	(84,109)	(5,521)
Lessee claims against reserves	(2,369)	(2,774)
Maintenance reserves offset against rental arrears	(5,887)	(27,734)
Amortisation of fair value adjustments	1,432	3,949
At end of the period	**418,324**	**410,230**
Current	386	94,034
Non-current	417,938	316,196

19. Security deposits

	30 September 2022 US$'000	31 December 2021 US'000
At beginning of the period	49,044	56,281
Deposits received during the period	12,472	5,731
Amortisation of fair value adjustments	528	1,116
Repaid/released during the period	(7,908)	(14,084)
At end of the period	**54,136**	**49,044**
Current	1,928	796
Non-current	52,208	48,248

In addition, the Group holds security on lease obligations in the form of letters of credit of US$47.8m as at 30 September 2022 (31 December 2021: US$61.2m).

20. Financial instruments – fair values and financial risk management

The Group employs a combination of equity, borrowings and cash resources to finance operations. In addition, the Group uses derivative financial instruments, principally interest rate swaps, to manage its exposure to variable interest rate payments on variable rate debt instruments. Derivatives are measured at fair value.

Fair value of financial assets and liabilities
The carrying value and fair value of the Group's financial assets and liabilities in the disposal group by class and category were as follows:

At 30 September 2022	**Fair Value Hierarchy Level**	**Carrying amount 2022 US$'000**	**Fair value 2022 US$'000**
Financial assets at amortised cost			
Cash and cash equivalents	2	121,234	121,234
Restricted cash	2	103,234	103,234
Other receivables - Current	2	282,758	282,758
		507,226	**507,226**
Financial assets at fair value through profit or loss			
Derivative financial instruments	2	66,789	66,789
Other receivables - Non-current	3	4,116	4,116
		70,905	**70,905**

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	Fair Value Hierarchy Level	Carrying amount 2022 US$'000	Fair value 2022 US$'000
Financial liabilities at amortised cost			
Maintenance reserves	2	418,324	418,324
Security deposits	2	54,136	54,136
Loans and borrowings	3	5,586,300	5,494,723
Other payables	2	96,014	96,014
		6,154,774	**6,063,197**

At 31 December 2021	Fair Value Hierarchy Level	Carrying amount 2021 US$'000	Fair value 2021 US$'000
Financial assets at amortised cost			
Cash and cash equivalents	2	76,183	76,183
Restricted cash	2	104,972	104,972
Other receivables - Current	2	282,715	282,715
		463,870	**463,870**
Financial assets at fair value through profit or loss			
Other receivables - Non-current	3	5,013	5,013
		5,013	**5,013**

	Fair Value Hierarchy Level	Carrying amount 2021 US$'000	Fair value 2021 US$'000
Financial liabilities at amortised cost			
Maintenance reserves	2	410,230	410,230
Security deposits	2	49,044	49,044
Loans and borrowings	3	6,103,669	6,078,966
Other payables	2	85,280	85,280
		6,648,223	**6,623,520**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	2	113,641	113,641
		113,641	**113,641**

20. Financial instruments – fair values and financial risk management (continued)

The different fair value hierarchy levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset/liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined by using other valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Group's valuation technique is discounted cash flows using market rates allowing for credit risk for derivatives.

All of the Group's derivatives are carried at fair value and are classified as Level 2.

The fair value measurements for loans and borrowings have been classified as Level 3 fair values based on the inputs to the valuation techniques used (i.e., all inputs are not based on observable market data, some require informed assumptions). The fair value of the loans and borrowings at amortised cost has been estimated by discounting estimated future cash flows using the market interest rates prevailing at each period-end.

The fair value of the loan assets arising upon the sale of aircraft to third parties has been estimated in line with the valuation analysis of the underlying aircraft assets. Proceeds from the sale of these assets will fund the repayment of the loan assets.

The Directors have determined that the fair value of all other financial assets and liabilities not measured at fair value are considered to fall within Level 2 of the fair value hierarchy. Fair values are estimated on the basis that the carrying value has been determined to be a good approximation of fair value.

Derivative financial instruments
All derivative financial instruments entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IFRS hedge accounting criteria are held for economic purposes.

Derivative assets	30 September 2022 US$'000	31 December 2021 US$'000
Interest rate swap assets		
Derivative instruments in designated hedging relationships	52,079	-
Fair value through profit or loss (FVTPL)	14,710	-
	66,789	**-**

Derivative liabilities

Interest rate swap liabilities		
Derivative instruments in designated hedging relationships	-	91,031
Fair value through profit or loss (FVTPL)	-	22,610
	-	**113,641**

Cash flow hedging reserve	**30 September 2022 US$'000**	**31 December 2021 US$'000**
Balance at the beginning of the period	(81,232)	(162,282)
Changes in fair value	137,409	88,139
Tax movements during the period	(10,325)	(10,230)
Amounts reclassified to profit or loss	(1,235)	3,141
Balance at year end	**44,617**	**(81,232)**

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, consistent with the Group's accounting policy.

Risk management strategy
The Group has issued debt instruments at a floating rate of interest (LIBOR) plus a fixed spread. To manage the exposure to variations in cash flows due to changes in the underlying benchmark interest rate (LIBOR), the Group generally enters into interest rate swaps to exchange the contractual floating rate on the debt instrument to a fixed rate. The decision to enter into a hedging instrument is guided by IFRS hedge accounting considerations and the Group's overall interest rate risk position.

Changes in the fair value of derivatives designated as cash flow hedging instruments under IFRS accounting rules are recognised in other comprehensive income and included within the cash flow hedge reserve in total equity.

Ineffectiveness may arise as a result of mismatches in the timing of cash flows between the hedged item and hedging instrument as well as changes to the credit quality of the Group or swap counterparty. Those derivatives that do not meet IFRS hedge accounting criteria are held for economic purposes and are reported at fair value through profit or loss.

Amounts accumulated in equity are recycled in the consolidated statement of profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When, or if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss.

21. Share capital and share premium

Share capital	Number of shares	US$
Authorised		
Ordinary shares of US$1 each	2	2
Issued and unpaid		
Ordinary share of US$1 each	-	-
Ordinary shares as at 31 December 2021	2	2
Ordinary share issued during the year at US$1 each	-	-
Total ordinary shares as at 30 September 2022	**2**	**2**

Share premium	30 September 2022 US$'000	31 December 2021 US$'000
Balance at the beginning and end of the period	747,186	747,186

Dividend distribution
During the 9 months ended 30 September 2022, no dividends were paid (31 December 2021: US$nil).

Reconciliation of movement in capital and reserves:

	Share premium US$'000	Retained earnings US$'000	Hedging reserve US$'000	Total equity US$'000
Balance at 1 January 2021	**747,186**	**143,554**	**(162,282)**	**728,458**
Total comprehensive income for the 9 month period	-	28,093	57,475	85,568
Balance at 30 September 2021	**747,186**	**171,647**	**(104,807)**	**814,026**
Total comprehensive income for the 3 month period	-	22,311	23,575	45,886
Balance at 31 December 2021	**747,186**	**193,958**	**(81,232)**	**859,912**
Total comprehensive income for the 9 month period	-	(424,708)	125,849	(298,859)
Balance at 30 September 2022	**747,186**	**(230,750)**	**44,617**	**561,053**

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22. Risk management

Any of the following risks could adversely affect the financial performance, position and/or growth potential of the Group.

Geopolitical and economic risks
The Group leases aircraft to customers in multiple jurisdictions exposing it to (i) many and varying economic, social, environmental, legal and geopolitical risks, (ii) instability in key markets, (iii) global health pandemics and (iv) impact of wars including the Russia-Ukraine war.

Exposure to the commercial airline industry
As a supplier to and partner of the airline industry, the Group is exposed to the financial condition of the airline industry as it leases aircraft to commercial airline customers. The financial condition of the airline industry is affected by, among other things, geopolitical events, outbreaks of communicable pandemic diseases, natural disasters, fuel costs and the demand for air travel.

Debt market volatility
In times of financial or economic uncertainty, the availability of new debt and refinancing of existing debt may not be assured or may not be available on acceptable terms. This may adversely impact the future value of aircraft, the ability of the Group to re-lease or dispose of the aircraft and/or the price at which it can do so.

Leverage risk
The capital structure of the Group’s aircraft owning entities involves significant leverage and the Group generally takes the equity risk of financing across all the aircraft, which will rank behind the secured bank loan and bridging debt financiers. While investments in leveraged assets offer the opportunity for capital appreciation, such investments may also involve a high degree of risk and magnify the Group’s exposure to adverse economic conditions.

Financiers of the secured bank loans will require operating and financial covenants which, in certain circumstances, may restrict the ability of the Group to pay distributions. The covenants in the financing documents may also restrict the sale of aircraft in certain circumstances.

Financial risks
The principal financial risks and uncertainties to which the Group is exposed, including the associated hedging activities, are addressed below. These include:
- Asset risk
- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk

Asset risk
Asset risk is the risk associated with fluctuations in the market value of aircraft assets. The Group bears the risk of re-leasing or selling the aircraft in its fleet at the end of their lease terms. If demand for aircraft decreases, market lease rates may fall. Should such conditions continue for an extended period, it could affect the market value of aircraft in the fleet and may result in an impairment charge. The Directors have engaged management/advisors with appropriate experience of the aviation industry to manage the fleet and remarket or sell aircraft as required in order to reduce this risk.

The Group is highly dependent upon the continuing financial strength of the commercial airline industry. A significant deterioration in this sector could adversely affect the Group through a reduced demand for aircraft in the fleet and/or reduced market rates, higher incidences of lessee default and an increase in aircraft on the ground. The Group periodically performs reviews of the carrying values of aircraft, receivables and the recoverable amount of deferred tax assets and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties.

22. Risk management (continued)

Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and the Company have a minimum exposure to foreign exchange risk as the majority of transactions are denominated in US dollars. The quantum of exposure to currency movements is small in nature and as such no sensitivity analysis has been performed. Periodically, minimal foreign exchange gain/loss derives from non-US operational transactions.

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's main interest rate risk arises from long-term borrowings at variable market interest rates. The Group's policy is to seek to minimise cash flow interest rate risk when executing leasing transactions through a combination of matched funding and the use of derivative financial instruments. The Group primarily uses floating-to-fixed interest rate swaps to manage this cash flow exposure. Some accounting volatility can arise from fair value through profit or loss movements where these derivatives, transacted as an economic hedge, do not qualify for hedge accounting under IFRS standards.

Credit risk

Credit risk is the risk that counterparties will fail to meet their obligations as they fall due, resulting in unexpected loss of cash and earnings. The Group is subject to the credit risk of its lessees in respect of the collection of rental payments under its operating leases. The effective monitoring and controlling of airline customer credit risk is a competency of the Group.

Creditworthiness of each new customer is assessed prior to executing any transaction with the customer. The Group seeks security deposits in the form of cash or a letter of credit to mitigate overall financial exposure to its lessees. The counterparties to the Group's interest rate and foreign currency derivatives are all long-established regulated international financial institutions. Although the Group could be exposed to loss in the event of non-performance by a counterparty, the use of multiple financial institutions mitigates this exposure, and no significant credit risk arises.

The Group's principal financial assets that are subject to the ECL model are trade receivables arising from its leasing activities. The value of trade receivables and other receivables is highly dependent upon the financial strength of the commercial aviation industry as described in the asset risk section above. Defaults by one or more of the Group's major customers could have a material adverse effect on the Group's cash flow and earnings and its ability to meet its debt obligations.

The Group continued to monitor the ageing of financial assets and apply appropriate credit loss provisions thereon.
The table below shows the ageing of financial assets that are past due and the corresponding expected credit losses at the end of the reporting period.

	Less than one month	One to two months	Two to three months	Three to twelve months	More than twelve months	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 30 September 2022						
Amounts past due						
Trade receivables	11,598	5,698	3,404	29,696	112,687	163,083
Expected Credit loss	2,394	2,505	2,237	16,170	53,857	77,163
As at 31 December 2021						
Amounts past due						
Trade receivables	19,800	10,442	11,816	87,772	75,877	205,707
Expected Credit loss	2,153	2,124	2,092	16,744	21,297	44,410

22. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has unrestricted cash and cash equivalents on hand as at 30 September 2022 of US$121.2m (31 December 2021: US$76.2m). Additionally, the Group has access to revolving credit and warehouse facilities with total availability of US$1,575.2m as at 30 September 2022 (31 December 2021: US$1,313.5m).

The Group has funded a significant part of its operations with debt financing.

23. Related parties

As at 30 September 2022, the Group identified the following related parties which it had carried out transactions with during the year:

- The Group holds a 9.99% minority interest in the 'E' notes of Pioneer Aircraft Finance Limited ("Pioneer"). Pioneer is a structured ABS vehicle which has issued listed debt instruments. Pioneer acquired 18 aircraft from the former GAL Group in 2019. Pioneer financed the acquisitions by issuing US$643m tranched notes collateralised on the asset pool ("the notes"). At issuance, the E-note comprised US$114.6m of the notes. Asset Management Services provided by GML to Pioneer were US$2.2m during the 9 months ended 30 September 2022 (US$1.8m during the 9 months ended 30 September 2021).

(a) Key management remuneration

Key management are considered to be the Directors of the entity, as listed in the Directors and other information. Details of total remuneration costs paid to all employees, including Directors, are set out in note 8.

24. Business combination and Goodwill

Acquisition of related entity Goshawk Management Holdings Cayman Limited ("GMHC") in 2020

In 2020, the Group acquired GMHC, a related entity. The Group acquired 100% of the shares and voting interests in GMHC, granting it control.

Goodwill

The Group acquired 100% of Sky Leasing in September 2018. Goodwill of US$185.7m was recognised as a result of the acquisition. On 16 May 2022, the Group's shareholders announced they had reached agreement with SMBC AC to acquire the Group. Upon execution of the Subscription, Sale & Purchase Agreement ("SSPA"), a review was carried out on the carrying value of the Group's goodwill. Subsequently, an impairment of US$185.7m was recorded.

At January 2022	**US$'000**
Cost	185,673
Impairment of goodwill	(185,673)
At 30 September 2022	**-**

25. Events after the end of the reporting date

On 16 May 2022, the Group's shareholders announced they had reached agreement with SMBC AC to acquire the Group. The acquisition completed on 21 December 2022, when the Group's parent GAL disposed of its interest in its commercial aircraft leasing platform to SMBC AC, comprising substantially all of the assets, liabilities and contracts of the business.

While the transaction included substantially all of the aircraft leasing platform of the business, it excluded six entities owned by the Company which own six aircraft located in Russia, as well as some other non-operating subsidiaries of the GAL. Post period end those six entities and aircraft were sold by the Group to a related party.

As part of the transaction close, US$4.6bn of external debt was refinanced by SMBC AC (range of average nominal interest: SOFR term 3 month plus 1.8%).

Following execution of a sales purchase agreement with SMBC AC, the Group reviewed the carrying value of goodwill and recorded impairment of goodwill of US$185.7m.

Since the reporting date and up to 17 April 2023 the Group has acquired and disposed of no aircraft, holds one aircraft on ground, and has executed 11 lease amendments with 4 airlines, 8 lease extensions with 3 airlines and 3 new leases with 2 airlines.

There were no events after the reporting date that would require revision of the results or financial position of the Company, or disclosure in the financial statements.

Notes to the unaudited interim condensed consolidated non-statutory financial statements

26. Approval of consolidated financial statements

The Board of Directors approved and authorised these consolidated financial statements on 20 April 2023.

SMBC Aviation Capital Management Limited

Audited Non-statutory Consolidated Financial Statements
as of and for the year ended December 31, 2021

Independent Auditors’ Report to the Directors on the Non-statutory Financial Statements of SMBC Aviation Capital Management Limited (formerly Goshawk Management Limited)

Report on the audit of the financial statements

Opinion

We have audited the non-statutory financial statements of SMBC Aviation Capital Management Limited (‘the Company’) for the year ended 31 December 2021 set out on pages 7 to 62, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and related notes, including the summary of significant accounting policies. These non-statutory financial statements have been prepared for the reasons set out in note 2(b). The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the non-statutory financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its profit for the year then ended;
- the non-statutory financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the non-statutory financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the non-statutory financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the non-statutory financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least twelve months from the date when the non-statutory financial statements are authorised for issue.

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

Independent Auditor's Report to the Directors on the Non-statutory Financial Statements of SMBC Aviation Capital Management Limited (formerly Goshawk Management Limited) (continued)

Other information

The directors are responsible for the other information presented together with the non-statutory financial statements. The other information comprises the information included in Directors and other information section. The non-statutory financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion on that information.

Our responsibility is to read the other information and, in doing so, consider whether, based on our non-statutory financial statements audit work, the information therein is materially misstated or inconsistent with the non-statutory financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

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 3, the directors are responsible for: the preparation of the non-statutory financial statements, which are intended by them to give a true and fair view; such internal control as they determine is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 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 non-statutory 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 non-statutory financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/.

Independent Auditor's Report to the Directors on the Non-statutory Financial Statements of SMBC Aviation Capital Management Limited (formerly Goshawk Management Limited) (continued)

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

Our report has been prepared for the directors solely in connection with our engagement letter dated 14 April 2023. It has been released to the directors on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the directors' own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the directors determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of our report to any other party.

Terence Coveney 20 April 2023
for and on behalf of KPMG
Chartered Accountants,
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Income			
Lease revenue	4	719,387	759,540
Other income	5	15,715	9,201
Asset management and advisory fees		2,609	3,148
Total income		**737,711**	**771,889**
Expenses			
Depreciation and amortisation of aircraft assets	11	(325,865)	(329,426)
Net impairment on aircraft assets	6	(44,758)	(72,142)
Depreciation and amortisation - other property assets	12	(2,044)	(1,985)
Loss allowance for trade receivables	10	(38,432)	(33,146)
Other fees and expenses	7	(47,046)	(56,315)
Total expenses		**(458,145)**	**(493,014)**
Results from operating activities		**279,566**	**278,875**
Finance income	3	3,462	32,583
Finance expense	3	(245,538)	(298,765)
Net gain/(loss) on financial instruments at fair value through profit or loss	3	13,902	(21,902)
Net finance cost		**(228,174)**	**(288,084)**
Profit/(loss) before income tax		**51,392**	**(9,209)**
Income tax expense	8	(988)	(390)
Profit/(loss) for the year		**50,404**	**(9,599)**
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Cash flow hedges - effective portion of changes in fair value net of tax		77,909	(76,008)
Cash flow hedges - reclassified to profit or loss		3,141	3,350
Total other comprehensive income/(loss), net of tax	20	**81,050**	**(72,658)**
Total comprehensive income/(loss) for the year		**131,454**	**(82,257)**

Income relates to continuing operations. All profits and total comprehensive income for the year and the preceding financial year are attributable to the owners of the Company. The accompanying notes on pages 11 to 62 form an integral part of these non-statutory financial statements.

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Consolidated statement of financial position
as at 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Assets			
Non-current assets			
Aircraft and related assets	11	6,898,114	7,232,286
Other property assets	12	9,620	11,664
Goodwill	23	185,673	185,673
Lease incentive asset	13	17,486	15,960
Aircraft purchase deposits	14	164,231	164,231
Trade and other receivables	10	5,013	18,761
Total non-current assets		**7,280,137**	**7,628,575**
Current assets			
Cash and cash equivalents	9	76,183	73,469
Restricted cash	9	104,972	77,911
Trade and other receivables	10	282,715	290,802
Total current assets		**463,870**	**442,182**
Total assets		**7,744,007**	**8,070,757**
Equity			
Share premium	20	747,186	747,186
Retained earnings	20	193,958	143,554
Hedging reserve	19	(81,232)	(162,282)
Total equity		**859,912**	**728,458**
Liabilities			
Non-current liabilities			
Loans and borrowings	16	4,984,983	5,026,337
Maintenance reserves	17	316,196	298,039
Security deposits	18	48,248	53,379
Lessor contribution liabilities	13	32,365	47,906
Derivative financial instruments	19	113,641	218,822
Deferred tax liabilities	8	30,648	19,786
Total non-current liabilities		**5,526,081**	**5,664,269**
Current liabilities			
Deferred income		31,894	43,140
Loans and borrowings	16	1,118,686	1,433,581
Maintenance reserves	17	94,034	76,940
Security deposits	18	796	2,902
Lessor contribution liabilities	13	27,324	-
Other payables	15	85,280	121,467
Total current liabilities		**1,358,014**	**1,678,030**
Total liabilities		**6,884,095**	**7,342,299**
Total equity and liabilities		**7,744,007**	**8,070,757**

The accompanying notes on pages 11 to 62 form an integral part of these non-statutory financial statements.

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Consolidated statement of cash flows
for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 US$'000	Year ended 31 December 2020 US$'000
Cash flows from operating activities			
Profit/(loss) for the year		50,404	(9,599)
***Adjust for*:**			
Depreciation, impairment & amortisation		397,007	448,345
Loan interest charge		231,402	253,151
Non-cash expenses		-	596
Maintenance reserve release	17	(3,551)	(24,706)
(Gain)/loss on derivative financial instruments	3	(13,902)	21,902
Gains on repurchase of financial instruments	3	(2,095)	(1,158)
FX Revaluation on IFRS 16 liability		(587)	-
Accretion of interest on lease liability	12(b)	459	449
Changes in operating assets & liabilities			
Increase in other receivables		(53,918)	(158,180)
Increase in maintenance reserves		36,823	33,232
Decrease in security deposits		(8,703)	(15,573)
Decrease in deferred revenue		(11,246)	(9,241)
Decrease in other payables		(36,187)	(52,412)
Net cash flows from operating activities		**585,906**	**486,806**
Cash flows from investing activities			
(Increase)/decrease in restricted cash	9	(27,061)	9,192
Purchase of aircraft	11	(32,751)	(60,854)
Aircraft deposits paid	14	-	(29,103)
Aircraft deposit returned/reclassified		-	4,750
Purchase of office equipment	12	-	(248)
Lessor contributions paid		(3,475)	(401)
Net cash flows from investing activities		**(63,287)**	**(76,664)**
Cash flows from financing activities			
Repayment of loans and borrowings		(776,738)	(267,818)
Drawdown of loans and borrowings		478,344	75,890
Interest paid		(212,267)	(222,901)
Debt financing fees paid		(7,953)	(1,255)
Repayment of lease liabilities	12	(1,291)	(4,535)
Dividends paid	20	-	(12,154)
Net cash flows from financing activities		**(519,905)**	**(432,773)**
Net movement in cash and cash equivalents		2,714	(22,631)
Cash and cash equivalents at the beginning of the year		73,469	96,100
Cash and cash equivalents at the end of the year	9	**76,183**	**73,469**

The accompanying notes on pages 11 to 62 form an integral part of these non-statutory financial statements.

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Consolidated statement of changes in equity for the year ended 31 December 2021

	Share premium	Retained earnings	Hedging reserve	Total equity
	US$'000	**US$'000**	**US$'000**	**US$'000**
Balance at 1 January 2020	**747,186**	**165,307**	**(89,624)**	**822,869**
Total comprehensive loss for the year ended 31 December 2020				
Loss for the year	-	(9,599)	-	(9,599)
Other comprehensive income for the year	-	-	(72,658)	(72,658)
Transactions with shareholders, recorded directly in equity				
Dividend distribution	-	(12,154)	-	(12,154)
Balance at 31 December 2020	**747,186**	**143,554**	**(162,282)**	**728,458**
Total comprehensive income for the year ended 31 December 2021				
Profit for the year	-	50,404	-	50,404
Other comprehensive income for the year	-	-	81,050	81,050
Balance at 31 December 2021	**747,186**	**193,958**	**(81,232)**	**859,912**

The accompanying notes on pages 11 to 62 form an integral part of these non-statutory financial statements.

Notes to the non-statutory financial statements for the year ended 31 December 2021

1 General information

SMBC Aviation Capital Management Limited ("the Company") (formerly Goshawk Management Limited "GML") was incorporated in Ireland on 16 April 2015 and is domiciled in Ireland as a limited company under the Companies Act 2014.

On incorporation in April 2015, the principal activity of the Company was to provide asset management and support services to related entities involved in the aviation industry.

In April 2020, the Company, as a then subsidiary of Goshawk Management Holdings (Cayman) Limited, was acquired by a related company Goshawk Aviation Limited ("GAL") to form a newly reorganized GML Group, (the "Group") within the rationalized corporate structure of the GAL Group. Upon completion of the reorganization, the Company became the holding company of the companies now comprising the Group.

The principal activity of the newly reorganized Company and its subsidiaries (together, the "Group") are investments in commercial aircraft and aircraft leasing and provision of aircraft lease management services.

On 21 December 2022, GAL sold its shareholding in the Company to SMBC Aviation Capital ("SMBC AC"), effectively disposing of its interest in its commercial aircraft leasing platform to SMBC AC, comprising substantially all of the assets, liabilities and contracts of the business. While the transaction included substantially all of the aircraft leasing platform of the business, it excluded six entities owned by the Company which own six aircraft located in Russia, as well as some other non-operating subsidiaries of the GAL Group, which are to be liquidated in due course, ("the retained assets"). The Group has insurance cover in respect of the six aircraft under a number of insurance policies and has commenced filing claims to recover amount due under the policies. Post year end those six entities and aircraft were sold by the Group to a related party.

Following the completion of this transaction, the Company changed its name to SMBC Aviation Capital Management Limited.

2 Significant accounting policies

2 (a) Statement of compliance

These non-statutory financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

IFRS applied by the Group in the preparation of these non-statutory financial statements are those that were effective as at 31 December 2021.

Basis of consolidation

These non-statutory financial statements include the assets, liabilities, results of operations, and cash flows of the Group and its subsidiaries including certain structured entities it controls. The Group controls an entity when (1) it has the power to direct the activities of the entity which have the most significant impact on the entity's risks and/or returns; (2) it is exposed to significant risks and/or returns arising from the entity; and (3) it can use its power to affect the risks and/or returns to which it is exposed.

These non-statutory financial statements have been prepared using uniform accounting policies for comparable transactions and events in similar circumstances. All intercompany transactions, balances and unrealised gains and losses on transactions are eliminated on consolidation.

Subsidiaries

Subsidiaries are corporations or other legal entities controlled by the Group, generally through directly holding more than half of the voting power of the entity. Control of subsidiaries is determined based on the power exercisable through ownership of voting rights. As a result, the Group controls and consolidates subsidiaries when it holds the majority of the voting rights of the subsidiary, unless there is evidence that another investor has control over the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls an entity. Subsidiaries are consolidated from the date the Company obtains control and continue to be consolidated until the date that the control ceases to exist.

2 (b) Basis of preparation and presentation

The consolidated financial statements of GML and its subsidiary undertakings, set out in these non-statutory financial statements, have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collectively includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). These non-statutory are not statutory financial statements and as such are not filed with the Companies Registration Office. These non-statutory consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period as explained in the policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair 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, regardless of whether that is a price directly observable or estimated using another valuation technique. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

In preparing the non-statutory financial statements, the accounting policies set out below in note 2 have been consistently applied during the periods presented, except for IFRS 9, *Financial instruments* and IFRS 15, *Revenue from contracts with customers*, which have been initially applied on 1 January 2018, and IFRS 16, *Leases*, which has been initially applied on 1 January 2019.

The Group has elected to early adopt the amendments to IFRS 9, IAS 39 and IFRS 7 in 2019 on foot of Interest Rate Benchmark Reform ("IBOR reform") from 1 January 2019. The Group further adopted the amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7, and on IFRS 16 on foot of the IBOR reform phase 2. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9, IFRS 15, IFRS 16 and IBOR reform. Details of IFRS pronouncements which are not effective at the reporting date and have not been applied in preparing these non-statutory financial statements, and the impact of those pronouncements on the group, if any, are also set out in note 2 (b).

All material intra-group balances and transactions have been eliminated in full in preparing the Historical Financial Information.

The non-statutory financial statements are presented in United States Dollars ("US$"), which is also the Company and its subsidiaries functional currency. All values are rounded to the nearest thousand (US$'000), except when otherwise indicated. These non-statutory financial statements have been prepared for the purposes of incorporating historical financial information, by way of appendix, in a debt capital market offering memorandum.

The Directors have prepared the non-statutory financial statements on the going concern basis as it is expected that the Group will have sufficient financial and other resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. Key factors likely to affect the principal activities of the Group, and as a result the Group's future performance and financial position, are considered in note 21.

The Group has funded a significant part of its operations with debt financing. In December 2022, as part of the acquisition of the Group by SMBC AC, US$4.6bn of external debt was refinanced by SMBC AC external debt (see note 24 for further detail).

The Group's Directors assess its ability to meet its obligations, on an ongoing basis and for a period of at least 12 months from the date of approval of the financial statements. That assessment includes consideration of the significant financial resources available to the Group (see undrawn facilities as described in note 16), together with long-term lease contracts in place with 61 airline operators across different geographic areas (see note 4) as well as considerable unencumbered assets of approximately US$5.3bn at 31 December 2021.

As a consequence, the Directors believe that the Group is well placed to navigate any further impact of COVID-19 on the economic environment and have appropriately prepared the accounts on a going concern basis. COVID-19 is considered a fading risk to the global economy in 2023. There remain, nonetheless ongoing but fading impacts from COVID-19 to both the wider economies and the aviation sector we operate in. The Directors continue to monitor current developments in the COVID-19 situation and the extent of fading impacts to its operations.

Changes in accounting policies

New and amended Standards and interpretations during the year

The IASB has issued the following amendments to IFRSs that are first effective from 1 January 2021 or 1 April 2021 and relevant to the Historical Financial Information, as follows:

- Interest rate benchmark reform Phase 2 - amendments to IFRS 9 Financial Instruments ("IFRS 9"), IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments (Amendments), IFRS 4 Insurance Contracts and, IFRS 16 Leases and on foot of IBOR are relevant to the Group's accounting policies; the amendments are effective for accounting periods on or after January 1, 2021. The Group elected to early adopt changes introduced by Phase 1 in 2020; further detail on the impact of IBOR Phase 1 & 2 is set out below.
- Amendments to IFRS 16 on foot of COVID 19 ('COVID-19-Related Rent Concessions beyond 30 June 2021') which provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification were extended by one year. The amendment, which does not impact lessor accounting, is effective for accounting

periods beginning on or after 1 April 2021.

The impact of the adoption of these amendments has not had a material impact on the Group's non-statutory financial statements.

A number of other new and amended standards and interpretations came into effect during the year, none of which had a material impact on the non-statutory financial statements of the Group.

The Group has not elected to early adopt any new accounting standards and/or interpretations issued but not yet effective before the accounting year beginning on or after 1 January 2021. The revised and new accounting standards and interpretations issued but not yet effective before the accounting year beginning on or after 1 January 2023 are set out below.

Interest Rate Benchmark Reform

The Interest Rate Benchmark Reform ("IBOR") Amendments to IFRS 9, IAS 39 and IFRS 7 include a number of reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives risk to uncertainties about the timing and or amount of benchmarking-based cash flows of the hedged item or the hedging instrument.

In the prior year, the Group early adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 Insurance Contracts and IFRS 16 (Phase 2 Amendments). The Phase 2 amendments address issues that arise upon replacing the existing interest rate benchmark with two alternative interest rates and introduces additional disclosure requirements. The amendments are effective for annual periods beginning on or after 1 January 2021.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 which were issued in August 2020. These amendments enable the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates ("ARR") (also referred to as 'risk free rates' or "RFR"s) without giving rise to accounting impacts that would not provide useful information to users of financial statements. Both the Phase 1 and Phase 2 amendments are relevant to the Group because they impact hedge accounting relationships that are linked to interest rate benchmark exposures. Hedge relationships within the scope of IBOR reform Phase 2, are the same as those that were in the scope of Phase 1.

Details of key market developments in 2021 include:

- In March 2021, the ICE Benchmark Administration (IBE) announced that the publication of LIBOR settings will cease immediately after 31 December 2021 for all sterling, Japanese yen, Swiss franc, and Euro settings, as well as 1-week and 2-month US LIBOR settings. The remaining US LIBOR settings will cease to be published immediately after 30 June 2023.

- In July 2021, the Alternative Reference Rate Committee formally recommended the CME Group's forward looking Secured Overnight Financing Rate ("SOFR") term rates.
- To help support the transition of legacy derivative contracts, the International Swaps and Derivatives Association developed the IBOR Fallbacks Protocol ("ISDA Protocol"), which took effect on 25 January 2021. The ISDA Protocol provides an efficient transition mechanism for mutually adhering counterparties to incorporate prescribed fallback rates into legacy derivative contracts.

The Group is progressing its transition planning and continues to monitor industry and regulatory developments closely. As all the Group's floating rate debt is denominated in US dollars, the current period actions in response to the reform have been limited and primarily focused on reviewing legacy US LIBOR contracts language and agreeing appropriate fallback language in new US floating rate debt contracts.

As a result, there were no benchmark reform accounting adjustments required in the twelve months to 31 December 2021.

Details of the derivative and non-derivative financial instruments affected by the interest rate benchmark reform including the impact on hedge accounting relationships, appear in note 21.

The Group actively monitors development and changes in accounting standards from the IASB, as well as requirements from other relevant bodies. The Group is currently assessing the impact of the following amended standards and interpretations which are first effective on or after 31 December 2022:

- **Presentation of Financial Statements:** amendments to IAS 1 (effective for accounting periods on or after 1 January 2023)
- **Accounting policies:** amendments to IAS 1 and IFRS practice statement no.2 regarding the Effective Date of Amendments on Disclosure of Accounting Policies (effective for accounting periods on or after 1 January 2023)
- **Accounting estimates:** amendments to IAS 8 regarding the definition of Accounting Estimates (effective for accounting periods on or after 1 January 2022)
- **IFRS 17 Insurance Contracts** issued 18 May 2017, as amended 25 June 2020 (effective for accounting periods on or after 1 January 2023)
- **Property, plant and equipment:** Proceeds before intended use – amendments to IFRS 16 (effective for accounting periods on or after 1 January 2022)
- **Conceptual Framework:** amendments to IFRS 3 (effective for accounting periods on or after 1 January 2022)
- **Onerous contracts:** amendments to IAS 37 (effective for accounting periods on or after 1 January 2022)
- **Classification of Liabilities as Current or Non-Current:** amendments to IAS 1 (effective for accounting periods on or after 1 January 2022)
- **Annual improvements cycle 2018-2020:** amendments to four standards arising from the IASB's annual improvement project (effective for accounting periods on or after 1 January 2022)
- **IASB Annual improvements cycle:** amendments to IFRS 17 Insurance Contracts (effective for accounting periods on or after 1 January 2023)

- **Disclosures of accounting policies:** amendments to IAS 1 and IFRS Practice Statement 2 (effective for accounting periods beginning on or after 1 January 2023)
- **Deferred tax:** amendments to IAS 12 effective 1 January 2023
- **Tax - Amendments to IAS 12:** deferred tax related to assets and liabilities arising from a single transaction (effective for accounting periods beginning on or after 1 January 2023)

The Group is currently assessing the impact of these forthcoming requirements. No material impact is currently expected.

2 (c) Securitisation

Securitisation is the process by which aircraft and related assets are transformed into securities. The Group securitises aircraft and related assets by transferring the assets to a third party, and as part of a securitisation, certain assets may be retained ("retained interest"). The Group assesses each securitisation structure to determine if the transfer of assets to the ABS vehicle qualifies for derecognition of the assets and non-consolidation of the special purpose entity ("SPE").

Where the Group retains an interest in the SPE by virtue of an E Note holding, the Group assesses if that retention is an investment in associate or a debt security in scope of IFRS 9, measured at fair value through profit or loss.

At the year end, the Group retained an interest in only one external SPE, which is accounted for as an investment in associate.

2 (d) Foreign currency

The financial statements are presented in US$ and accordingly foreign currency transactions are translated at the spot rate of exchange on the day the transaction occurs.

Monetary assets and liabilities denominated in currencies other than US$ are translated into US$ at exchange rates prevailing at the end of the reporting period. Non-monetary assets are stated at cost based on the exchange rate prevailing at the date of acquisition of the asset. All exchange differences are included in the consolidated statement of profit or loss and other comprehensive income.

2 (e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from contracts with customers
On 1 January 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, which establishes the principles for recognising revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments, insurance contracts, and leases. The Group, as a lessor, recognises substantially all of its revenue from leases under IFRS 16 Leases.

Lease income
Lease rental income is recognised on a straight-line basis over the lease term as it is earned. Lease rental revenue received in advance is recognised as a liability (deferred income) until such time that the Group is entitled to the lease rental revenue. The Group recognise variable lease payments linked to utilisation of the aircraft as lease income.

For past-due rentals on all leases, an impairment provision is established under IFRS 9. An impairment provision is established based on managements' expert assessment of collectability and to the extent past-due rentals exceed related security deposits held. Impairment charges are expensed through the consolidated statement of profit or loss and other comprehensive income and presented separately on the face of the statement of profit or loss and other comprehensive income.

In certain contracts, the lessee is required to re-deliver the aircraft in a specified maintenance condition (normal wear and tear expected), with reference to major life-limited components of the aircraft. To the extent that such components are re-delivered in a different condition than specified in the lease, there is normally an end-of-lease compensation adjustment for the difference at re-delivery. Amounts received as part of these re-delivery adjustments are recorded as other income at lease termination.

The Group recognises amounts recorded as maintenance reserves that are not expected to be reimbursed to lessees as income.

Finance income
Finance income accrues using the effective interest ("EIR") method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Service fee income
Fee income from the provision of asset management and servicing to third parties is recognised in the accounting period in which the services are rendered in line with IFRS 15 Revenue from Contracts with Customers.

2 (f) Finance expense

Finance expense comprises interest expense on borrowings, financing fee amortisation, interest rate swap settlements and amortisation of fair value adjustments arising from business combinations. All borrowing costs are recognised in profit or loss using the EIR method.

2 (g) Cash and restricted cash

Cash and cash equivalents, excluding restricted cash, comprises demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash. Restricted cash comprises security deposits and maintenance reserves received from lessees under the terms of various leases and collateral placed with counterparties in relation to derivative positions.

Under certain of the Group's debt arrangements, payments received from lessees may be subject to withdrawal restrictions; such cash balances are considered restricted cash.

2 (h) Leases

The Group leases aircraft to airline operators. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a Lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating and executing an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease rental revenue.

Leases in which the risks and benefits of ownership transfer to the lessee are classified as finance leases.

Lease deferrals & lease modifications

Due to the unprecedented impact of the COVID-19 pandemic the Group received a number of requests from lessees, requesting a deferral of their lease payments in 2021. We have worked with our aircraft clients to manage the challenges of the pandemic during the period and in certain cases agreed lease payment deferrals. In some cases, the original terms of the associated lease were renegotiated or otherwise modified, resulting in changes to the contractual terms of the lease impacting the contractual cash flows which constitutes a lease modification.

The Group continues to apply IFRS 16 Leases to all rent concessions, including short term lease rent deferrals, where it assesses if each concession meets the definition of a lease modification. Lease deferrals are accounted for as lease modifications where the lease amendment was not envisaged in the scope of the original lease. However, where the lease deferral does not amend the total consideration, total term or right to use the asset the deferral is not considered to be a lease modification and lease income continues to be recorded in line with the original terms. Where a deferral is considered a lease modification for accounting purposes the Group accounts for the lease as a new lease, reassessing the operating versus finance lease classification and determines a new lease income profile.

Group as a Lessee

The Group adopted IFRS 16 Leases, for the first time on 1 January 2019. IFRS 16 replaced IAS 17 Leases; the standard introduced a single on balance sheet model for lessees. The Group has recorded a right of use asset as at 31 December 2021 of US$6.0m (2020: US$7.0m) representing their rights to use underlying assets and lease liabilities as at 31 December 2021 of US$6.9m (2020: US$8.3m) representing their obligation to make lease payments.

The lease liability is recognised in the consolidated statement of financial position. The associated right of use asset is recognised within other property, plant and equipment, refer to note 12 for further detail. Lease rental payments are allocated between the finance liability and the finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period in order to produce a constant period rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 (i) Aircraft and related assets

<u>Cost</u>

Aircraft and related assets are initially recorded at cost including directly attributable transaction costs on acquisition. Aircraft and related assets are subsequently measured at cost less accumulated depreciation and any impairment losses.

The Group recognises maintenance rights assets and lease premium assets in relation to the acquisition of aircraft that were purchased on lease. Maintenance rights assets and lease premium assets have been disclosed separately in the notes to the non-statutory financial statements. Further details are disclosed in note 11.

Maintenance rights asset

A maintenance rights asset represents the value in the difference between the fair value of our contractual right under the acquired in-place leases 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.

A maintenance rights liability represents our obligation to pay the lessee for the difference between the lease end contractual maintenance condition of the aircraft and the actual maintenance condition of the aircraft on the acquisition date. The Group has not recognised any maintenance rights liabilities in 2021 (2020: nil).

Lease premium

At the time of an aircraft acquisition, the Group evaluates whether the lease acquired with the aircraft is at fair market value. A lease premium is recognised when it is determined that the acquired lease terms are above market value; lease discounts are recognised when it is determined that the acquired lease terms are below fair market value. Lease premiums and discounts are capitalised as a portion of the aircraft and related assets value and depreciated on a straight-line basis over the lease term.

<u>Depreciation/Amortisation</u>

Aircraft

The Group depreciates leased aircraft on a straight-line basis to a residual value at the end of the useful economic life.

Aircraft held for lease are depreciated on a straight-line basis over the estimated useful lives of 23 to 35 years from the date of manufacture, to an estimated residual values of 15% of cost. Where more relevant information indicates a different pattern in which the benefits associated with an aircraft are consumed, management adjust the residual value and useful economic life estimates for those specific aircraft. Residual value and useful economic life estimates of aircraft are reviewed at a minimum at each annual reporting date, considering managements' experience and knowledge of the industry, the Group's strategy (relating to the acquisition, disposition and leasing of aircraft) as well as external market factors. Changes are accounted for as a change in accounting estimate.

Maintenance rights asset
The commencement of amortisation of a maintenance rights asset is triggered by qualifying maintenance events. Following a maintenance event, the portion of the cost of the event that relates to the maintenance rights asset is capitalised to the aircraft asset and is then depreciated on a straight-line basis over the remaining useful economic life of the aircraft. On termination of a lease, any remaining maintenance rights assets are offset against any remaining maintenance reserve cash balances. Excess maintenance reserves are then released to the profit or loss and recognised as income.

Lease premium
Lease premium assets are amortised on a straight-line basis over the remaining term of the related lease.

The assets' residual values, useful lives, and depreciation/amortisation methods are reviewed and adjusted if appropriate at each financial year end.

Disposal of aircraft
Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.

Derecognition
Aircraft and related assets are derecognised upon disposal or when no further future economic benefits are expected from their use or disposal.

Impairment
At each reporting date, the carrying values of aircraft and related assets are assessed for indications of impairment. If any indicator of impairment exists, an estimate of the asset's recoverable amount is calculated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. A previously recognised impairment loss is only reversed if there has been an increase in the asset's recoverable amount since the last impairment loss was recognised. The impairment loss would be reversed to the revised estimate of its recoverable amount but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in the prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2 (j) Lease incentive assets

Lessor contributions represent contractual obligations on the part of the Group to contribute to a lessee's cost of a next planned maintenance event which is expected to occur during the lease. A lessor contribution liability is established at the commencement of a lease representing the best estimate of the contractually obligated contribution. The Group regularly reviews the level of lessor contributions to cover its contractual obligations under the current lease contract and makes adjustments as necessary.

Lessor contributions represent a lease incentive asset which is recognised for this amount which is amortised over the life of the associated lease as a charge against lease revenue. When aircraft are sold, the portion of the accrued liability not specifically assigned to the buyer is derecognised as part of the gain or loss on disposal of aircraft.

2 (k) Assets and liabilities held for sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continued use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell.

2 (l) Maintenance reserves

In certain of the aircraft lease contracts, the lessee has the obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (hereafter referred to as maintenance reserves). In such contracts, upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, the Group reimburses the lessee for the work, up to a maximum of the maintenance reserves received with respect to such work.

These maintenance reserves are recorded in the consolidated statement of financial position as a cash asset and related liability.

Amounts not refunded during the lease are recorded as income at lease termination or at a point in time where the income becomes highly probable and reliably measurable. On termination of a lease, remaining maintenance reserve cash balances are offset against remaining maintenance rights assets to the extent cash reserves are held for qualifying events not completed during the lease term. Excess maintenance reserves are then released to the profit or loss and recognised as income.

2 (m) Financial Instruments

The Group adopted IFRS 9 Financial Instruments from 1 January 2019. IFRS 9 introduced new requirements for the recognition and measurement of credit impairment provisions and the classification and measurement of financial instruments. As permitted, the Group elected to adopt the simplified approach in IFRS 9 to determine the loss allowance for lease receivables. The Group on initial application of IFRS 9 elected to continue to apply IAS 39 for hedge accounting. On 1 January 2021, the Group subsequently transitioned to IFRS 9 for hedge accounting which did not have a material impact on the consolidated financial statements of the Group.

Initial recognition of financial instruments
The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition on issue.

Classification and Measurement

In IFRS 9, the classification and measurement categories are:
- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL")

The classification requirements for debt and equity instruments are described below.

Debt instruments
In order to determine the measurement approach to be applied to a financial instrument IFRS 9 requires an assessment of:

- The purpose for which the financial instrument is held – the business model assessment
- The cash flows associated with the instrument – in order to determine if those cash flows are solely payments of principal and interest (the "SPPI" test)

Business model assessment
Under IFRS 9, the classification of financial assets is based both on the business model within which the assets are held and the contractual cash flow characteristics of the assets. The business model reflects how the Group manages the assets in order to generate cash flows and specifically, whether the Group's objective is to collect contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of the assets. If neither of these objectives are applicable, or where the financial assets are held for trading purposes, the assets are held at FVTPL.

The SPPI test
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the assets' cash flows represent solely payments of principal and interest.

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual cash flows introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments at amortised cost
Debt instruments are measured at amortised cost if two criteria are met: the asset fits a hold to collect business model whose objective is to hold the asset for the collection of cash flows and those cash flows represent SPPI.

Debt instruments at FVTPL
Debt instruments are classified as FVTPL if they are either held for trading, do not meet the SPPI criterion or are otherwise designated at FVTPL on initial recognition.

Debt instruments are classified as held for trading if they are derivatives or if they are acquired or incurred principally for the purpose of selling or repurchasing in the near-term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

In certain circumstances, financial assets and financial liabilities, other than those that are held for trading are designated at FVTPL where this results in more relevant information. This significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on a different basis, or where the assets or liabilities are managed and their performance evaluated on a fair value basis.

Impairment
IFRS 9 replaced the 'incurred' loss model in IAS 39 with a forward-looking expected credit loss ("ECL") impairment model. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date. The impairment model applies to:

- financial assets that are debt instruments measured at amortised cost or FVTOCI
- finance and operating lease receivables (in scope of IFRS 16); and
- contract assets

The Group applied the simplified approach to recognise lifetime expected credit losses for its trade receivables, lease receivables and contract assets as required or permitted by IFRS 9. There was no material impact on transition.

Under the simplified approach, impairment loss allowances are always measured at an amount equal to lifetime ECL. Lifetime ECL losses are the losses that result from all possible events of default over the expected life of the instrument.

Derecognition
A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Financial liabilities
The Group's financial liability categories are either 'other financial liabilities' or 'financial liabilities at fair value through profit or loss'. Other financial liabilities include 'security deposits', 'loans and borrowings' and 'other payables' in the consolidated statement of financial position.

Following initial recognition, other financial liabilities are measured at amortised cost, using the EIR method.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss. When a

financial liability is extinguished for an amount that differs from the carrying value of the liability, the difference is recognised in the consolidated statement of profit or loss.

2 (n) Derivative instruments and hedge accounting

IFRS 9 Financial Instruments
On initial application of IFRS 9, the Group elected as its accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. On 1 January 2021, the Group subsequently transitioned to IFRS 9 for hedge accounting which did not have a material impact on the non-statutory financial statements of the Group.

Derivative financial instruments and hedging
Non-hedging derivative instruments
Certain derivative transactions, while providing effective economic hedges to the Group's risk management positions, do not qualify for hedge accounting under the specific rules in IFRS and are therefore treated as derivatives held for trading with fair value gains and losses reported in profit or loss.

Hedge accounted derivative instruments
The Group uses derivative instruments as part of its asset and liability management activities to manage specific exposures to interest rate risks and foreign currency risks.

On the date a derivative contract is entered into, the Group may designate it as either a hedge of the fair value of a recognised asset or liability (fair value hedge), or a hedge of a future cash flow attributable to a recognised asset or liability, or a forecasted transaction or a firm commitment (cash flow hedge). Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met.

The criteria for a derivative instrument to be accounted for as a hedge include:

- Formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship before hedge accounting is applied;
- Hedge documentation showing that there is a sufficient economic relationship between the hedge item and the hedging instrument.
- The hedge is effective at inception and on an ongoing basis.

Cash flow hedges
Changes in the fair value of derivatives that are designated and qualify as cash flow hedges, and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income and in the cash flow hedge reserve within equity. The ineffective portion of the changes in the fair value of the derivatives is recognised immediately in profit or loss.

If a cash flow hedge no longer meets the criteria for hedge accounting or the hedging derivative expires or is sold, terminated or exercised, then the hedge accounting is discontinued, and the amount recognised in other comprehensive income remains in the hedging reserve until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in other comprehensive income is reclassified to profit or loss.

In the prior year, the Group early adopted the Phase 1 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty, before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

2 (o) Other receivables

Other receivables are initially recorded at cost, which is the equivalent of the fair value. Other receivables also include long term loans which are accounted for at FVTPL.

2 (p) Other payables

Other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments, within 12 months from the date of the consolidated statement of financial position, in respect of the purchase of these goods and services. In addition, this balance includes accrued interest on borrowings and derivative financial instruments.

2 (q) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 (r) Taxation

The Group consists of a number of tax paying and non-tax paying entities due to tax laws applicable in each entity's respective domicile. Unless stated below, each entity within the Group is liable to tax assessment in the relevant jurisdiction of that entity.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2 (s) Share capital

Ordinary shares and preference shares are classified as equity. Preference shareholders are paid dividends at the discretion of the Directors of the Company. In the event of liquidation, preference share equity ranks lower than other contractual debt agreements.

Incremental costs directly attributable to the issuance of shares are recognised as a deduction from equity, net of tax effects.

2 (t) Significant accounting judgements, estimates and assumptions

General

In preparing the financial statements management is required to make judgements, estimates and assumptions that are essential to the understanding of operations and financial condition and affect the reported amount of assets, liabilities, net income, expenses and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed reasonable, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

The Group has established procedures to ensure the accounting policies are consistently applied and that the processes for changing methodologies, determining estimates, and adopting new accounting standards are well-controlled and occur in an appropriate and systematic manner.

The following are critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in the financial statements.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant Judgements:

The most significant judgements made in applying the Group’s accounting policies that have the most significant effects on the amounts recognised in the financial statements are described below:

The COVID-19 pandemic continued to evolve through 2021 and impact the economic environment in which the Group operates. The virus is considered a fading risk to ongoing global recovery in 2023. While a diminishing risk, this could continue to negatively impact our financial results as the aviation sector continues to recover to pre COVID 2019 performance.

While the global economic outlook is positive there remains continued uncertainty. As a result, the current environment requires particularly complex judgements and estimates in certain areas. Management is continuing to closely monitoring the situation and potential impacts.

Lease Classification

Determining the classification of lease arrangements entered into by the Group requires the application of judgement as to whether these are operating or finance leases (see ‘2(i) Leases’). All leases entered into by the Group as lessor have been classified as operating leases.

(ii) Estimates:

Assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are described below:

Estimation of impairment of assets
The Group's aircraft and related lease incentive assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the aircraft may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. In such circumstances an impairment charge is recognised as a write down of the carrying value of the aircraft to its recoverable amount, being the higher of value in use and fair value less cost to sell.

The fair value less cost to sell is based on current market values from independent appraisers. The market value of aircraft and related assets is the estimated amount for which an aircraft could be exchanged on the date of valuation between a willing buyer and willing seller, in an arm's length transaction after marketing, wherein the parties each had acted knowledgeably, prudently and without compulsion.

The calculation of value in use requires the use of judgement in the assessment of estimated future cash flows associated with the aircraft, including an eventual disposition of the aircraft. The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, estimated residual values, estimated future lease rates for similar aircraft, economic conditions, technology and airline demand for particular aircraft types. These estimated cash flows are discounted at 5.2% per annum, which management believe is appropriate for each individual aircraft assessed (2020: 5.2%).

Allowance for lease receivable losses under IFRS 9
The Group recognises ECL for financial assets in accordance with IFRS 9 Financial Instruments, which requires estimation of both the timing and quantum of the expected loss.

In determining the loss allowance, the Group uses a provision matrix to apply an estimated loss rate, taking account of collateral received, including collateral in the form of cash security deposits and letters of credit. The Group applies judgement in determining the level of provision required for each debtor, based on a number of factors including the airline customer credit grade, historical airline customer payment and default rates, the financial strength and position of the airline customer and the experienced credit judgement of the dedicated Risk Management team.

Estimation of useful lives and residual values of assets
In estimating useful lives and residual values of aircraft the Group relies upon actual industry experience, supported by estimates received from independent appraisers, with the same or similar aircraft types and considering our anticipated utilisation of the aircraft (see '2(i) Aircraft and related assets – Depreciation/Amortisation').

In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life.

Determination of fair values
A number of the Group's accounting policies and disclosures require the determination of fair values, for financial and non-financial assets and liabilities. Fair value is the price that would be

received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. Fair values have been determined for measurement and/or disclosure purposes based on the method below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

Derivatives – interest rate swaps
The market fair value of the interest rate swaps is based on a discounted cash flow calculation taking into account scheduled repayments using an estimated forward interest rate curve and discounted to its present value.

2 (u) Operating segments

The Group operates one operating segment, in accordance with IFRS 8 Operating Segments for the purchase and leasing of aircraft.

In line with IFRS 8, the Group reports revenue from external customers for each major group of product and service. The main products from which the Group earns external revenue includes aircraft leasing, trading assets, asset management servicing and treasury assets.

The Executive Committee, as the Chief Operating Decision Maker, is responsible for implementing the strategic management of the Group as guided by the Board. The Executive Committee reviews key performance indicators and internal management reports on a monthly basis.

2 (v) Business combinations and goodwill

With the exception of business combinations of entities under common control, which are accounted for using the merger basis of accounting, business combinations are otherwise accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating unit ("CGU") which has been determined to be the total aircraft asset portfolio at the date of testing, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Management is required to use judgement in estimating the recoverable amount of CGUs, and the use of different assumptions and estimates in the calculations could influence the determination of the existence of impairment and the valuation of goodwill. Management believes that the assumptions and estimates used are reasonable and supportable. Where possible, assumptions generated internally are compared to relevant market information.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the asset when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the asset disposed of and the portion of the CGU retained.

3. Finance income and expense

	2021 US$'000	2020 US$'000
Finance income	-	695
Finance income from related parties	1,367	30,730
Gains on repurchase of financial instruments	2,095	1,158
Total finance income	**3,462**	**32,583**
Finance expense on financial liabilities		
- External finance expense	(226,002)	(240,168)
- Finance expense to related parties	(14,011)	(53,480)
- Interest on lease liabilities	(460)	(449)
- Amortisation of fair value adjustments	(5,065)	(4,668)
Total finance expense	**(245,538)**	**(298,765)**
Net gain/(loss) on derivative financial instruments		
Net gain/(loss) on financial instruments at fair value through profit or loss	13,902	(21,902)
Net finance costs	**(228,174)**	**(288,084)**

Finance income reflects interest earned on cash on deposit and cash at bank. Cash at bank earns interest at floating rates based on daily bank deposit rates. Cash on deposit earns interest at fixed rates as agreed with the bank. During the year ended 31 December 2021, the Group crystallised a gain on the repurchase of financial instruments of US$2.1m (2020: US$1.2m).

The fair value release relates to identifiable liabilities assumed through business combinations that are measured at fair value as at acquisition date. The fair value adjustment is amortised and included as fair value release within finance expenses in the statement of profit and loss and other comprehensive income.

4. Lease revenue

Lease revenue from operating leases
Lease revenue is derived from leasing commercial aircraft to various operators around the world.

During the year ended 31 December 2021, the Group recognised lease revenue on 161 aircraft (2020: 161 aircraft) on lease contracts with 62 operators (2020: 62 operators).

The largest exposure to one individual lessee is 11% and 11% of the total lease revenue in 2020 and 2021, respectively.

During the year ended 31 December 2021, the Group recorded the following lease rentals from operators in the following regions:

	2021 US$'000	2020 US$'000
Asia (ex-China & India)	207,549	213,690
Europe	122,642	136,703
India	119,126	119,703
Americas	113,903	108,363
Middle East	72,910	75,272
China	44,956	55,460
Africa	19,514	27,021
Australia	18,787	23,328
Total	**719,387**	**759,540**

Included in lease revenue is variable lease revenue linked to utilisation of aircraft of US$15.1m (2020: US$1.5m).

As at the end of each reporting period, the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases in the following regions:

31 December 2021	Due within one year US$'000	Due between one and five years US$'000	Due after five years US$'000	Total US$'000
Asia (ex-China & India)	201,362	682,817	269,775	1,153,954
Europe	111,140	339,241	178,455	628,836
Americas	108,504	346,616	129,602	584,722
Middle East	71,280	250,144	181,066	502,490
India	102,980	189,624	42,057	334,661
China	41,062	88,159	1,943	131,164
Africa	21,159	76,078	6,568	103,805
Australia	13,277	51,908	7,888	73,073
Total	**670,764**	**2,024,587**	**817,354**	**3,512,705**

31 December 2020	Due within one year US$'000	Due between one and five years US$'000	Due after five years US$'000	Total US$'000
Asia (ex-China & India)	209,449	752,262	409,116	1,370,827
Europe	130,384	398,646	239,745	768,775
Americas	100,006	345,664	186,929	632,599
Middle East	74,368	264,436	232,620	571,424
India	121,453	275,812	60,745	458,010
China	54,193	158,745	6,938	219,876
Africa	17,793	71,172	23,181	112,146
Australia	8,694	59,616	22,332	90,642
Total	**716,340**	**2,326,353**	**1,181,606**	**4,224,299**

5. Other income

During the year ended 31 December 2021, the Group recognised other income in relation to the following items:

	2021 US$'000	2020 US$'000
Other income from lessees	13,745	9,201
Maintenance reserves released (note 17)	1,970	-
Total	**15,715**	**9,201**

Other income from lessees primarily relates to security deposit releases and default and late payment interest from lessees.

Net impairment of aircraft assets is presented net of maintenance reserves released in conjunction with impairment charges on aircraft, see note 6 'Net impairment of aircraft assets' for further detail. Maintenance reserves released in the normal course of the lease is recorded as other income.

6. Net Impairment of aircraft assets

The Group recorded a net impairment charge after release of related maintenance reserves during the year ended 31 December 2021 of US$44.8m (2020: US$72.1m). The gross impairment charge during the year ended 31 December 2021 was US$48.3m (2020: US$96.8m).

Aircraft are assessed for recoverability in accordance with IAS 36 - Impairment of Assets ("IAS 36") at each reporting date or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. During the year to 31 December 2021, management assessed the Group's aircraft and related assets for impairment due to a deterioration in the inherent value of these aircraft as evidenced by the significant declines in current market values, primarily as a result of the effects of COVID-19.

Management develops the key assumptions used in the recoverability assessment based on their knowledge of active lease contracts, current and future expectations of the global demand for aircraft types and historical experience in the aircraft leasing market and aviation industry, as well as estimates of market values, taking into consideration current independent external appraiser valuation data. When recoverability is measured on a value in use basis, a discount rate of 5.2% (2020: 5.2%) is applied to future cash flows, which is considered to reflect the risks inherent in the cash flows.

A sensitivity analysis was performed to determine the potential impact of the below movements;

- 40bps increase in the discount rate used to determine discounted future cash flows
- 40bps decrease in the discount rate used to determine discounted future cash flows

None of the above movements in the discount rate would have led to a material adjustment to the Group's impairment charge for the year ended 31 December 2021.

Estimates of current market values, future cash flows and discount rates are by their nature uncertain and require significant management judgement, particularly in the current economic environment where the COVID-19 pandemic, while a fading risk, continues to add uncertainty. The factors considered in estimating the future cash flows are impacted by future lessee performance under active lease contracts (including agreed deferral arrangements), changes/modifications in contracted lease rates, changes in future projected lease rates, transition costs, estimated downtime, estimated residual values, economic conditions and airline demand for aircraft types. These estimates reflect the best estimate of management at the reporting date, using all currently available information.

	2021 US$'000	2020 US$'000
Impairment charge (note 11,13)	48,309	96,848
Maintenance reserves released (note 17)	(3,551)	(24,706)
Net impairment of aircraft assets	**44,758**	**72,142**

7. Other fees and expenses

	2021 US$'000	2020 US$'000
Employee compensation and benefits	26,293	29,659
Assurance and tax fees	1,531	2,487
Professional and administrative fees	9,296	17,469
Insurance	1,807	382
Travel	314	507
Office costs	527	681
Other operating costs	7,278	5,130
	47,046	**56,315**

The Group had 87 permanent employees as at 31 December 2021 (2020: 91). Other operating costs are primarily made up of fleet management costs, lease transition expenses, aircraft valuation fees and bank charges.

Notes to the non-statutory financial statements for the year ended 31 December 2021

Employment costs:	**2021 US$'000**	**2020 US$'000**
Salaries and other short-term employee benefits	23,746	26,990
Social welfare costs	1,539	1,492
Post -employment benefits	1,008	1,177
	26,293	**29,659**

Operating profit is stated after charging directors emoluments and auditors remunerations. Key management personnel are considered to be the directors. The compensation paid or payable to key management is shown below:

Directors' emoluments	**2021 US$'000**	**2020 US$'000**
Salaries and other short-term employee benefits	2,025	2,846
Directors' pension contributions	80	637
	2,105	**3,483**

8. Taxation

	2021 US$'000	**2020 US$'000**
a) Analysis of tax charge/(credit) for the year		
Current tax:		
Foreign corporation tax charge/(credit) on net profit for the year	355	1,479
Income tax expense/(credit) for the year on ordinary activities	355	1,479
Deferred tax:		
Origination and reversal of temporary differences	633	(1,089)
Deferred tax expense for the year on ordinary activities	633	(1,089)
Income tax expense	**988**	**390**

b) Factors affecting current tax charge for the year

The Company's' subsidiaries are primarily tax resident in Ireland.

The reconciliation of current tax on profits on ordinary activities to prima facie tax receivable/payable. The prima facie tax on profit differs from the income tax provided in the financial statements as follows:

	2021 US$'000	**2020 US$'000**
Profit on ordinary activities before taxation	51,392	(9,209)
Irish tax at statutory corporation tax rate of 12.5%	6,424	(1,151)

Effects of:		
Prior year (over)/under provision of tax	(788)	(338)
Non-taxable income / non-deductible expenses	236	1,165
Movement on unrecognised deferred tax assets / valuation allowance	(6,937)	(392)
Impact of change in tax rates	-	373
Income taxable at higher rate	1,130	1,402
Impact of additional foreign taxes	652	-
Impact of tax rate differential in foreign jurisdictions	271	(669)
Income tax expense	**988**	**390**

Deferred tax represents the amount of tax recoverable in respect of tax losses available in the current year which are available for carry forward and an excess of capital allowances over accounting depreciation.

The reconciliation of deferred tax assets and liabilities for the year is as follows:

	2021 US$'000	**2020 US$'000**
Deferred tax assets		
At beginning of the year	298,272	216,056
Movement during the year	76,212	82,216
At end of the year	**374,484**	**298,272**
Deferred tax liabilities		
At beginning of the year	318,058	241,831
Movement during the year	87,074	76,227
At end of the year	**405,132**	**318,058**
Net deferred tax liabilities	**30,648**	**19,786**

The Group's net deferred tax liability is attributable to temporary differences arising on aircraft and related assets at year-end, partially offset by deferred tax assets in respect of the carry forward of unused tax losses and amounts recognised directly in equity in relation to cash flow hedges.

9. Cash and restricted cash

Cash at bank and deposits earn interest at floating rates based on daily bank deposit rates.

	2021 US$'000	**2020 US$'000**
Unrestricted bank balances		
Cash and cash equivalents	76,183	73,469
Restricted cash		
Bank balances subject to withdrawal restrictions	104,972	77,911

Total cash and restricted cash	**181,155**	**151,380**

Under certain of the Group's debt arrangements, payments received from lessees may be subject to withdrawal restrictions and are thus classified as restricted cash.

10. Trade and other receivables

	2021 US$'000	2020 US$'000
Trade and other receivables		
Other taxes (i)	8,352	10,436
Loan receivables (ii)	4,136	3,502
Loan receivables from related party (iii)	13,857	13,857
Other receivables	9,996	6,591
Other receivables from related party	86,115	103,790
Trade receivables (iv)	161,297	167,382
Prepaid expenses	2,461	2,793
Current tax receivable	1,514	1,212
	287,728	**309,563**
Current	282,715	290,802
Non-current	5,013	18,761

(i) Other taxes includes a receivable of US$8.2m (2020: US$10.3m) in relation to Value Added Tax ("VAT"), the majority of which relates to VAT on historical asset management fees. This is expected to be recovered in 2022.

(ii) The Group has recognised a receivable of US$3.5m (2020: US$3.5m) in relation to loans provided to third parties on the sale of aircraft. These loans are classed as non-current, being repayable in 2029. A receivable of $0.6m is also recognised from an airline customer who has recently restructured, payment for which will commence in 2023.

(iii) The Group has recognised a receivable of US$13.9m (2020: US$13.9m) and in relation to a loan receivable from a related party, expected to be paid in 2022.

(iv) Trade receivables comprise of overdue amounts in respect of lease rentals from lessees.

Expected credit loss

During the year to 31 December 2021, the Group recognised a charge related to allowance for impairment of trade and other receivables of US$38.4m (2020: US$33.1m). The charge during the year relates to a number of lessees and is based on net lease exposure and the continued impact of the COVID-19 pandemic through 2021.

The movement in the loss allowance for impairment for trade receivables is as follows:

	2021 US$'000	2020 US$'000
Expected credit allowance on doubtful receivables		
At beginning of the year	36,419	4,559
Loss allowance for trade receivables	38,432	33,146
Loss allowance offset against trade receivables	(30,441)	(1,286)
At end of the year	**44,410**	**36,419**

As at 31 December, the receivables balance, net of expected credit allowance, by geographic region was:

	2021 US$'000	%	2020 US$'000	%
Asia (ex-China & India)	93,585	58%	66,301	40%
India	24,851	16%	18,827	11%
Europe	11,579	7%	42,862	28%
China	11,176	7%	13,717	8%
Africa	7,029	4%	9,817	6%
Australia	6,647	4%	6,612	4%
Americas	5,754	4%	7,230	4%
Middle East	676	0%	2,016	1%
Total	**161,297**	**100%**	**167,382**	**100%**

The Group's exposure to credit risk relates to the leasing of aircraft. The recovery of trade receivables is highly dependent on the financial strength of the commercial aviation industry. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the expected credit losses, the Group considers all reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical credit experience, an informed credit assessment and incorporating forward-looking information.

The Group prepared an analysis of each lessee based on historic loss rates and certain publicly available information to estimate a credit rating on a scale of one to ten, with one being minimal risk. The Group then uses this risk rating to assign a percentage expected loss rate to determine the expected credit loss ("ECL"). The percentage expected loss rate is applied to outstanding trade receivable balances at period end.

In accordance with section B5.5.55 of IFRS 9, security deposits and letters of credit received have been treated as credit enhancements and are included in the measurement of ECL. Credit enhancements are integral to the contractual terms of the lease and are not required under IFRS standards to be recognised separately.

The percentage expected loss provision rate has been applied based on the risk rating determined. The percentage is multiplied by the outstanding trade receivables balance at year end to calculate an expected loss over the life of the lease.

The gross amount of a financial asset is written off, (either partially or in full,) to the extent that there is no realistic prospect of recovery. This arises when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. Financial assets that are written off could, however, still be subject to enforcement actions in compliance with the Group's procedures for recovery of amounts due.

11. Aircraft and related assets

The Group has disposed of nil aircraft during the year ended 31 December 2021 (2020: nil). No aircraft were held for sale at 31 December 2021 (2020: nil).

Depending on the financing arrangements, aircraft may be pledged as security where required in accordance with the financing documents (see note 16).

Maintenance rights assets

As at 31 December 2021, the carrying value of the maintenance rights assets is US$400.6m (2020: US$414.1m). In accordance with our leases, the lessee is obligated to comply with certain return conditions which may require them to undertake maintenance on the aircraft prior to its re-delivery or to make a cash compensation sufficient to allow such work to be undertaken.

Lease premium assets

As at 31 December 2021, the carrying value of lease premium assets is US$117.4m (2020: US$146.6m). Market rates at the time of acquisition of the aircraft have been compared to the rate agreed under the contracted lease acquired in order to calculate the lease premium assets.

	Aircraft and engines	**Maintenance rights assets**	**Lease premium**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cost				
Balance at 1 January 2020	**7,565,389**	**475,988**	**231,564**	**8,272,941**
Additions	60,854	-	-	60,854
Transfers	8,394	(8,394)	-	-
Derecognition	-	(13,254)	-	(13,254)
Balance at 31 December 2020	**7,634,637**	**454,340**	**231,564**	**8,320,541**
Additions	32,122	630	-	32,752
Transfers	7,064	(7,064)	-	-
Derecognition	-	(1,968)	-	(1,968)
Balance at 31 December 2021	**7,673,823**	**445,938**	**231,564**	**8,351,325**

Accumulated depreciation and amortisation

Balance at 1 January 2020	**(615,487)**	**-**	**(46,494)**	**(661,981)**
Depreciation/ amortisation charge	(299,237)	-	(30,189)	(329,426)
Impairment charge	(48,284)	(40,256)	(8,308)	(96,848)
Balance at 31 December 2020	**(963,008)**	**(40,256)**	**(84,991)**	**(1,088,255)**
Depreciation/ amortisation charge	(298,682)	-	(27,183)	(325,865)
Impairment charge	(31,996)	(5,057)	(2,038)	(39,091)
Balance at 31 December 2021	**(1,293,686)**	**(45,313)**	**(114,212)**	**(1,453,211)**
Net book value				
At 31 December 2020	**6,671,629**	**414,084**	**146,573**	**7,232,286**
At 31 December 2021	**6,380,137**	**400,625**	**117,352**	**6,898,114**

(i) Geographic concentration

The distribution of net book value of aircraft and related assets by operators' geographic region:

	2021 US$'000	**%**	**2020 US$'000**	**%**
Asia (ex-China & India)	2,041,209	30%	2,066,659	29%
Americas	1,125,657	16%	1,214,379	17%
Europe	1,115,749	16%	1,174,541	16%
India	1,021,146	15%	1,103,408	15%
Middle East	748,185	11%	784,609	11%
China	407,460	6%	426,729	6%
Africa	274,439	4%	287,001	4%
Australia	164,269	2%	174,960	2%
Total	**6,898,114**	**100%**	**7,232,286**	**100%**

12. (a) Other property assets

	Leasehold improvements US$'000	**Right of use assets US$'000**	**Total US$'000**
Balance at 1 January 2020			
Cost	**6,563**	**8,391**	**14,954**
Additions	248	-	248
Balance at 31 December 2020	**6,811**	**8,391**	**15,202**
Additions	-	-	-
Balance at 31 December 2021	**6,811**	**8,391**	**15,202**

	Leasehold improvements US$'000	**Right of use assets US$'000**	**Total US$'000**
Accumulated depreciation and amortisation			
Balance at 1 January 2020	(1,096)	(457)	(1,553)

Depreciation/ amortisation charge	(1,048)	(937)	(1,985)
Balance at 31 December 2020	**(2,144)**	**(1,394)**	**(3,538)**
Depreciation/ amortisation charge	(1,107)	(937)	(2,044)
Balance at 31 December 2021	**(3,251)**	**(2,331)**	**(5,582)**
Net book value			
At 31 December 2020	**4,667**	**6,997**	**11,664**
At 31 December 2021	**3,560**	**6,060**	**9,620**

12.(b) Right of use assets and lease liabilities

At 31 December 2021, the Group was party to property leases in scope on IFRS 16 for which it recognised a right of use asset and related lease liability as set out below.

Right of use assets	**Offices US$'000**	**Total US$'000**
Balance at 1 January 2020	**7,934**	**7,934**
Depreciation	(937)	(937)
Balance at 31 December 2020	**6,997**	**6,997**
Depreciation	(937)	(937)
Balance at 31 December 2021	**6,060**	**6,060**

Set out below are the carrying amounts of lease liabilities (included in loans and borrowings) and the movement during the year ended 31 December 2021 and 2020:

	2021 US$'000	**2020 US$'000**
Lease liabilities		
At beginning of the year	8,309	8,519
Accretion of interest	459	449
FX revaluations	(587)	596
Payments	(1,291)	(1,255)
At end of the year	**6,890**	**8,309**
Current	730	880
Non-current	6,160	7,429

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

Lease liabilities	**Carrying amount US$'000**	**Contractual Cash flow US$'000**	**Less than 1 year US$'000**	**Less than 5 years US$'000**	**More than 5 years US$'000**
As at 31 December 2020	8,309	9,236	972	3,299	4,965
As at 31 December 2021	**6,890**	**8,264**	**972**	**3,299**	**3,993**

13. Lease incentive asset

Lease incentive asset represents contributions made by the Group towards the lessees' cost of maintenance events. The lease incentive asset is amortised on a straight-line basis over the life of the lease and recorded as a reduction in lease rental income.

	2021 US$'000	2020 US$'000
Cost		
At beginning of year	22,648	20,997
Additions during the year	15,259	1,651
At end of year	37,907	22,648
Accumulated amortisation		
At beginning of year	(6,688)	(3,079)
Amortisation charge during the year	(4,515)	(3,609)
Impairment charge during the year	(9,218)	-
At end of year	(20,421)	(6,688)
Carrying value at end of the year	**17,486**	**15,960**

Lessor contribution liabilities have been recognised in line with the above lease incentive assets, amounting to US$59.7m and US$48.0m at 31 December 2021 and 2020, respectively.

	2021 US$'000	2020 US$'000
Cost		
At beginning of year	47,906	46,306
Movement during the year	11,783	1,600
At end of year	**59,689**	**47,906**
Current	27,324	-
Non-current	32,365	47,906

14. Aircraft purchase deposits

As at the end of each reporting period, the Group recognised a deposit in relation to payments made for the purchase of aircraft in accordance with payment schedules set out in the relevant purchase agreements.

	2021 US$'000	2020 US$'000
Aircraft purchase deposits		
At beginning of the year	164,231	135,127
Payments during the year	-	29,104
At end of the year	**164,231**	**164,231**
Current	-	-
Non-current	164,231	164,231

The recoverability of aircraft purchase deposits has been assessed, and there was no indicators of impairment in the current or prior period.

15. Other payables

	2021 US$'000	2020 US$'000
Trade payables and other accrued liabilities	10,356	15,080
Amounts payable to related parties	31,056	59,691
Interest payable	31,448	33,403
Payroll costs payable	12,420	13,293
	85,280	**121,467**
Current	85,280	121,467
Non-current	-	-

Notes to the non-statutory financial statements for the year ended 31 December 2021

16. Loans and borrowings

The balance of borrowings as at 31 December 2021 is US$6,103.7m (2020: US$6,459.9m). Aircraft lease rentals are structured to ensure that lease payments are sufficient to meet the Group's obligations under debt funding over the term of the lease.

	2021 US$'000	2020 US$'000
Loans and borrowings - current		
Secured loans and borrowings from external parties	134,247	218,885
Unsecured loans and borrowings from external parties	-	173,000
Unsecured loans and borrowings from related parties	993,772	1,050,761
Debt issuance costs	(10,063)	(9,945)
Lease liabilities	730	880
	1,118,686	**1,433,581**
Loans and borrowings - non-current		
Secured loans and borrowings from external parties	1,743,401	1,944,596
Unsecured loans and borrowings from external parties	3,251,798	3,093,454
Debt issuance costs	(16,376)	(19,142)
Lease liabilities	6,160	7,429
	4,984,983	**5,026,337**
Total	**6,103,669**	**6,459,918**

Unsecured debt facilities:
The Group holds 101 (2020: 97) aircraft with a total net book value of US$5,329m (2020: US$4,317.2m) which were unencumbered as at 31 December 2021 and were being financed by unsecured facilities. The outstanding balance of unsecured debt which includes terms loans, revolving credit facilities and bonds as at 31 December 2021 was US$3,251.8m (2020: US$3,266.5m), and the key terms of these facilities are set out below.

Secured debt facilities:
As at 31 December 2021, 61 aircraft (2020: 65 aircraft) were encumbered, financed by secured debt facilities. The Group had outstanding secured debt of US$1,877.6m as at 31 December 2021 (2020: US$2,163.5m) which consisted of 9 facilities, financed by 57 institutions. Under the terms of these facilities, the aircraft are pledged as security, as required in the financing documents. The aircraft may have also been pledged as collateral to the financing parties as outlined in the proceeds and intercreditor deed. The recourse of the lenders and the other parties to the transaction documents is limited to the assets secured by the aircraft owning entities and to any monies received by the aircraft owning entities pursuant to the transaction documents. US$236.4m of the outstanding secured debt at as 31 December 2021, is jointly guaranteed by the Group's shareholders. The carrying value of secured aircraft and related assets pledged as security, are set out below:

SMBC Aviation Capital Management Limited
(formerly Goshawk Management Limited)

Notes to the non-statutory financial statements for the year ended 31 December 2021

Assets pledged as security

	2021 US$'000	2020 US$'000
Non-current		
Aircraft and related assets	2,657,380	2,926,713
	2,657,380	**2,926,713**

Key terms of debt facilities
The terms of outstanding unsecured and secured loans before the impact of derivatives are outlined below (excluding capitalised loan fees).

At 31 December 2021

	Range of average nominal interest rates (%)	Year of maturity	2021 US$'000
Floating rate loans			
Secured loans and borrowings	LIBOR +1.25 to 2.15	2023-2029	1,104,525
Unsecured loans and borrowings	LIBOR +1.5 to 1.625	2023-2024	1,935,098
Fixed rate loans			
Secured loans and borrowings	3.40 – 7.02	2024 - 2032	773,123
Unsecured loans and borrowings	0* – 5.19	2023 - 2031	2,310,472
			6,123,218

At 31 December 2020

	Range of average nominal interest rates (%)	Year of maturity	2020 US$'000
Floating rate loans			
Secured loans and borrowings	LIBOR +1.25 to 2.25	2022 - 2029	1,332,987
Unsecured loans and borrowings	LIBOR +1.25 to 2.40	2021 - 2024	2,039,254
Fixed rate loans			
Secured loans and borrowings	2.89 – 7.02	2022 - 2032	830,494
Unsecured loans and borrowings	0* – 5.19	2021 - 2030	2,277,961
			6,480,696

*0% relates to the non interest bearing loan of US$993.8m as at 31 December 2021 (2020: US$1.05bn) by Hera Leasing Holdco Limited to Goshawk Aviation Finance Limited ("GAFL").

As at 31 December 2021 and 2020, the loans and borrowings were repayable as follows:

	2021 US$'000	2020 US$'000
Within 1 year or on demand	1,128,019	1,442,646
After 1 year but within 2 years	1,077,830	835,670
After 2 years but within 5 years	2,905,783	3,236,622
After 5 years	1,011,586	965,758
	6,123,218	**6,480,696**

See note 21 for details of contractual maturities of debt.

17. Maintenance reserves

	2021 US$'000	2020 US$'000
At beginning of the year	374,979	375,925
Additions	67,331	46,981
Release against maintenance intangible (note 11)	-	(13,254)
Maintenance reserves released (note 5, 6)	(5,521)	(24,706)
Lessee claims against reserves	(2,774)	(13,749)
Maintenance reserves offset against rental arrears	(27,734)	-
Amortisation of fair value adjustments	3,949	3,782
At end of the year	**410,230**	**374,979**
Current	94,034	76,940
Non-current	316,196	298,039

18. Security deposits

	2021 US$'000	2020 US$'000
At beginning of the year	56,281	70,968
Deposits received during the year	5,731	15,193
Amortisation of fair value adjustments	1,116	886
Repaid/released during the year	(14,084)	(30,766)
At end of the year	**49,044**	**56,281**
Current	796	2,902
Non-current	48,248	53,379

In addition, the Group holds security on lease obligations in the form of letters of credit of US$61.2m as at 31 December 2021 (2020: US$69.6m).

19. Financial instruments – fair values and financial risk management

The Group employs a combination of equity, borrowings and cash resources to finance operations. In addition, the Group uses derivative financial instruments, principally interest rate swaps, to manage its' exposure to variable interest rate payments on variable rate debt instruments. Derivatives are measured at fair value.

Fair value of financial assets and liabilities
The carrying value and fair value of the Group's financial assets and liabilities by class and category were as follows:

At 31 December 2021	Fair Value Hierarchy Level	Carrying amount 2021 US$'000	Fair value 2021 US$'000
Financial assets at amortised cost			
Cash and cash equivalents	2	76,183	76,183
Restricted cash	2	104,972	104,972
Other receivables - Current	2	282,715	282,715
		463,870	**463,870**
Financial assets at fair value through profit or loss			
Other receivables - Non-current	3	5,013	5,013
		5,013	**5,013**

	Fair Value Hierarchy Level	Carrying amount 2021 US$'000	Fair value 2021 US$'000
Financial liabilities at amortised cost			
Maintenance reserves	2	410,230	410,230
Security deposits	2	49,044	49,044
Loans and borrowings	3	6,103,669	6,078,966
Other payables	2	85,280	85,280
		6,648,223	**6,623,520**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	2	113,641	113,641
		113,641	**113,641**

At 31 December 2020	**Fair Value Hierarchy Level**	**Carrying amount 2020 US$'000**	**Fair value 2020 US$'000**
Financial assets at amortised cost			
Cash and cash equivalents	2	73,469	73,469
Restricted cash	2	77,911	77,911
Other receivables - Current	2	290,802	290,802
		442,182	**442,182**
Financial assets at fair value through profit or loss			
Other receivables - Non-current	3	18,761	18,761
		18,761	**18,761**

	Fair Value Hierarchy Level	**Carrying amount 2020 US$'000**	**Fair value 2020 US$'000**
Financial liabilities at amortised cost			
Maintenance reserves	2	374,979	374,979
Security deposits	2	56,281	56,281
Loans and borrowings	3	6,459,918	6,451,966
Other payables	2	121,467	121,467
		7,012,645	**7,004,693**
Financial liabilities at fair value through profit or loss			
Derivative financial instruments	2	218,822	218,822
		218,822	**218,822**

The different fair value hierarchy levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset/liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined by using other valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Group's valuation technique is discounted cash flows using market rates allowing for credit risk for derivatives.

All of the Group's derivatives are carried at fair value and are classified as Level 2.

The fair value measurements for loans and borrowings have been classified as Level 3 fair values based on the inputs to the valuation techniques used (i.e., all inputs are not based on observable market data, some require informed assumptions). The fair value of the loans and borrowings at amortised cost has been estimated by discounting estimated future cash flows using the market interest rates prevailing at each year-end.

The fair value of the loan assets arising upon the sale of aircraft to third parties has been estimated in line with the valuation analysis of the underlying aircraft assets. Proceeds from the sale of these assets will fund the repayment of the loan assets. The Group has not recognised a fair value adjustment of the total value of the loans at December 2021 (as outlined in note 10) but a further change in valuations of these assets may be required in the future in line with potential fluctuations of the underlying associated aircraft.

The Directors have determined that the fair value of all other financial assets and liabilities not measured at fair value are considered to fall within Level 2 of the fair value hierarchy. Fair values are estimated on the basis that the carrying value has been determined to be a good approximation of fair value.

Derivative financial instruments

All derivative financial instruments entered into are for hedging purposes and are carried at fair value. Those derivatives that do not meet IFRS hedge accounting criteria are held for economic purposes.

Derivative assets	**2021 US$'000**	**2020 US$'000**
Interest rate swap assets		
Derivative instruments in designated hedging relationships	-	-
Fair value through profit or loss (FVTPL)	-	-
	-	**-**
Derivative liabilities		
Interest rate swap liabilities		
Derivative instruments in designated hedging relationships	91,031	179,120
Fair value through profit or loss (FVTPL)	22,610	39,702
	113,641	**218,822**

Cash flow hedging reserve	2021 US$'000	2020 US$'000
Balance at the beginning of the year	(162,282)	(89,624)
Changes in fair value	88,139	(81,042)
Tax movements during the year	(10,230)	5,034
Amounts reclassified to profit or loss	3,141	3,350
Balance at year end	**(81,232)**	**(162,282)**

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, consistent with the Group's accounting policy.

Cash flow hedges

Interest rate risk

Disclosed within Derivative Financial Assets/Liabilities in the Consolidated Statement of Financial Position.

As at 31 December 2021

Nominal amounts of the hedging instrument	Carrying value of the hedging instrument		Change in fair value used when calculating hedge ineffectiveness	Carrying amount of hedged item	Amounts held in hedging reserve relating to de-designated swaps	Cash flow hedge reserve	Amount of cash flow hedge reserve no longer in a hedge relationship
	Assets	Liabilities					
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2,126,710	-	(91,030)	88,139	2,126,710	2,566	81,232	2,566

As at 31 December 2020

Nominal amounts of the hedging instrument	Carrying value of the hedging instrument		Change in fair value used when calculating hedge ineffectiveness	Carrying amount of hedged item	Amounts held in hedging reserve relating to de-designated swaps	Cash flow hedge reserve	Amount of cash flow hedge reserve no longer in a hedge relationship
	Assets	Liabilities					
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2,182,572	-	(179,120)	(81,932)	2,182,572	3,630	(162,282)	3,630

The amount reclassified to the consolidated statement of profit or loss in respect of de-designated hedge relationships during the year was US$2.6m (2020: US$(3.6m)), which has been recorded in the net loss on the FVPTL or line on the consolidated statement of profit or loss. This represents the amortisation of the amount held in the cash flow hedge reserve over the life of the related hedged item.

At 31 December 2021, the Group held the following instruments to hedge exposures to changes in interest rates.

Interest Rate Risk	Net Exposure US$'000
Up to 1 Year	59,384
1-2 Years	647,786
2-5 Years	1,148,448
5+ Years	271,092
Total	**2,126,710**

Risk management strategy

The Group has issued debt instruments at a floating rate of interest (LIBOR) plus a fixed spread. To manage the exposure to variations in cash flows due to changes in the underlying benchmark interest rate (LIBOR), the Group generally enters into interest rate swaps to exchange the contractual floating rate on the debt instrument to a fixed rate. The decision to enter into a hedging instrument is guided by IFRS hedge accounting considerations and the Group's overall interest rate risk position.

Changes in the fair value of derivatives designated as cash flow hedging instruments under IFRS accounting rules are recognised in other comprehensive income and included within the cash flow hedge reserve in total equity.

Ineffectiveness may arise as a result of mismatches in the timing of cash flows between the hedged item and hedging instrument as well as changes to the credit quality of the Group or swap counterparty. Those derivatives that do not meet IFRS hedge accounting criteria are held for economic purposes and are reported at fair value through profit or loss.

Amounts accumulated in equity are recycled in the non-statutory statement of profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When, or if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss.

20. Share capital

Share capital	**Number of shares**	**US$**
Authorised		
Ordinary shares of US$1 each	2	2
Issued and unpaid		
Ordinary share of US$1 each	-	-
Ordinary shares as at 31 December 2020	2	2
Ordinary share issued during the year at US$1 each	**-**	**-**
Total ordinary shares as at 31 December 2021	**2**	**2**

Share premium	**31 December 2021 US$'000**	**31 December 2020 US$'000**
Balance at the beginning and end of the year	**747,186**	**747,186**

Dividend distribution
Included in equity for the year are dividends of US$nil (2020 US$12.2m) paid during the year.

	Dividend declared and paid (US$'000)
As at 31 December 2020	
Dividend distribution (April 2020)	12,154
Total dividend distributions	**12,154**

Reconciliation of movement in capital and reserves:

	Share premium US$'000	**Retained earnings US$'000**	**Hedging reserve US$'000**	**Total equity US$'000**
Balance at 1 January 2020	**747,186**	**165,307**	**(89,624)**	**822,869**
Total comprehensive income for 2020		(9,599)	(72,658)	(82,257)
Dividend distribution	-	(12,154)	-	(12,154)
Balance at 31 December 2020	**747,186**	**143,554**	**(162,282)**	**728,458**
Total comprehensive income for 2021		50,404	81,050	131,454

	-			
Balance at 31 December 2021	**747,186**	**193,958**	**(81,232)**	**859,912**

21. Risk management

Any of the following risks could adversely affect the financial performance, position and/or growth potential of the Group.

Geopolitical and economic risks
The Group leases aircraft to customers in multiple jurisdictions exposing it to (i) many and varying economic, social, legal and geopolitical risks, (ii) instability in key markets and (iii) global health pandemics.

The Directors continue to monitor the development of the COVID-19 global pandemic and are continuing to assess and monitor the potential impact on the Group. Exposure to multiple jurisdictions may adversely affect the Group's future performance, position and growth potential. The adequacy and timeliness of the Group's response to emerging risks in these jurisdictions are of critical importance to the mitigation of their potential impact on the Group's results and financial position.

Exposure to the commercial airline industry
As a supplier to and partner of the airline industry, the Group is exposed to the financial condition of the airline industry as it leases all of its aircraft to commercial airline customers. The financial condition of the airline industry is affected by, among other things, geopolitical events, outbreaks of communicable pandemic diseases and natural disasters, fuel costs and the demand for air travel.

COVID-19
The COVID-19 global pandemic has had a significant impact on both domestic and international travel. While air travel has rebounding to pre-COVID levels in several countries and continuing to recover in others, the timeframe for full market wide recovery is still uncertain.

As a supplier to, and partner of the airline industry, an adverse development in the severity, extent and time to full market recovery from the COVID-19 pandemic and the rate of recovery in air travel negatively impact our business and operational results. Many of our airline customers significantly curtailed their commercial operations during the COVID 19 pandemic and as a result some airline customers remain under financial stress, which could result in further lease defaults, lease terminations and related aircraft repossessions.

To the extent that any of these COVID-19 driven factors crystallise they could adversely impact the Group's financial condition and cash flows, potentially putting (i) downward pressure on lease rates and aircraft values, (ii) higher incidences of lessee defaults, restructuring, and repossessions and (iii) an inability to lease aircraft on commercially acceptable terms.

Debt market volatility
In times of financial or economic uncertainty, the availability of new debt and refinancing of existing debt may not be assured or may not be available on acceptable terms. This may adversely impact on the future value of aircraft and the ability of the Group to re-lease or dispose of the aircraft or the price at which it can do so.

Leverage risk
The capital structure of the Group's aircraft owning entities involves significant leverage and the Group generally takes the equity risk of financing across all the aircraft, which will rank behind the secured bank loan and bridging debt financiers. While investments in leveraged assets offer the opportunity for capital appreciation, such investments may also involve a high degree of risk and magnify the Group's exposure to adverse economic conditions.

Financiers of the secured bank loans will require operating and financial covenants which, in certain circumstances, may restrict the ability of the Group to pay distributions. The covenants in the financing documents may also restrict the sale of aircraft in certain circumstances.

Financial risks
The principal financial risks and uncertainties to which the Group is exposed, including the associated hedging activities, are addressed below. These include:
- Asset risk
- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk

Asset risk
Asset risk is the risk associated with fluctuations in the market value of aircraft assets. The Group bears the risk of re-leasing or selling the aircraft in its fleet at the end of their lease terms. If demand for aircraft decreases market lease rates may fall and should such conditions continue for an extended period, it could affect the market value of aircraft in the fleet and may result in an impairment charge. The Directors have engaged management/advisors with appropriate experience of the aviation industry to manage the fleet and remarket or sell aircraft, as required, in order to reduce this risk.

The Group is highly dependent upon the continuing financial strength of the commercial airline industry. A significant deterioration in this sector could adversely affect the Group through a reduced demand for aircraft in the fleet and/or reduced market rates, higher incidences of lessee default and an increase in aircraft on the ground. The Group periodically performs reviews of the carrying values of aircraft, receivables and the recoverable amount of deferred tax assets and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties.

Foreign exchange risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group and the Company have a minimum exposure to foreign exchange risk as the majority of transactions are denominated in US dollars. The quantum of exposure to currency movements are small in nature and as such no sensitivity analysis has been performed. Periodically minimal foreign exchange gain/loss derives from non-US operational transactions.

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's main interest rate risk arises from long-term borrowings at variable market interest rates. The Group's policy is to seek to minimise cash flow interest rate risk when entering in to leasing transactions through a combination of matched funding and the use of derivative financial instruments. The Group primarily uses floating-to-fixed interest rate swaps to manage this cash flow exposure. Some accounting volatility can arise from fair value through profit or

loss movements where these derivatives, entered into as an economic hedge, do not qualify for hedge accounting under IFRS standards.

2021	50 BPS US$'000	100 BPS US$'000
Variable rate debt – Finance expense	16,636	33,272
Swaps – Finance expense	(12,696)	(25,391)

2020	50 BPS US$'000	100 BPS US$'000
Variable rate debt – Finance expense	17,744	35,488
Swaps – Finance expense	(13,153)	(26,306)

The net effect on the Group's overall Finance expense in 2021 of a +50bps and a +100bps increase in variable interest rates would have been -US$3.9m (2020: -US$4.6m) and -US$7.8m (2020: -US$9.2m), respectively. Lease contracts that involve matched variable funding would further mitigate this exposure.

Credit risk
Credit risk is the risk that counterparties will fail to meet their obligations as they fall due, resulting in unexpected loss in cash and earnings. The Group is subject to the credit risk of its lessees as to collection of rental payments under its operating leases. The effective monitoring and controlling of airline customer credit risk is a competency of the Group.

Creditworthiness of each new customer is assessed prior to entering into any transaction with the customer. The Group seeks security deposits in the form of cash or a letter of credit to mitigate overall financial exposure from its lessees.

The counterparties to the Group's interest rate and foreign currency derivatives are all long-established regulated international financial institutions. Although the Group could be exposed to loss in the event of non-performance by a counterparty, the use of multiple financial institutions mitigates this exposure, and no significant credit risk arises.

The Group's principal financial assets that are subject to the ECL model are trade receivables arising from its leasing activities. The value of trade receivables and other receivables is highly dependent upon the financial strength of the commercial aviation industry as described in the asset risk section above. Defaults by one or more of the Group's major customers could have a material adverse effect on the Group's cash flow and earnings and its ability to meet its debt obligations. The table below shows the ageing of financial assets that are past due and the corresponding expected credit losses at the end of the reporting period.

	Less than one month	One to two months	Two to three months	Three to twelve months	More than twelve months	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2021						
Amounts past due						
Trade receivables	19,800	10,442	11,816	87,772	75,877	205,707
Expected Credit loss	2,153	2,124	2,092	16,744	21,297	44,410
As at 31 December 2020						
Amounts past due						
Trade receivables	20,731	20,060	20,201	132,060	10,749	203,801
Expected Credit loss	2,924	3,624	3,753	21,550	4,568	36,419

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	2021 US$'000	2020 US$'000
Cash and cash equivalents	9	76,183	73,469
Restricted cash	9	104,972	77,911
Trade and other receivables	10	287,728	309,563
Total		**468,883**	**460,943**

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has cash and cash equivalents on hand as at 31 December 2021 of US$76.2m (2020: US$73.5m). Additionally, the Group has access to revolving credit and warehouse facilities with total availability of US$1,313.5m as at 31 December 2021 (2020: US$1,380.7m).

The Group has funded a significant part of its operations with debt financing. The ability of the Group to continue to operate is dependent upon its ability to meet its payment obligations and adhere to covenant requirements under the respective loan agreements which are dependent, among other things, upon the factors outlined above.

The following are the contractual maturities of financial liabilities, including estimated interest payments, including the impact of netting agreements and excluding capitalised loan fees:

As at 31 December 2021

	Carrying amount	Contractual cash flows	12 months or less	1 - 2 years	2 - 3 years	3 - 4 years	After 4 years
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-derivative financial liabilities							
Secured bank loans (external)	1,877,648	(2,135,859)	(184,721)	(496,833)	(472,595)	(137,425)	(844,285)
Unsecured bank loans (external)	4,245,570	(4,613,876)	(1,083,538)	(722,595)	(1,686,886)	(308,755)	(812,102)
Other payables	85,280	(85,280)	(85,280)	-	-	-	-
Total	**6,208,498**	**(6,835,015)**	**(1,353,539)**	**(1,219,428)**	**(2,159,481)**	**(446,180)**	**(1,656,387)**
Derivative financial assets / (liabilities)							
Interest rate swaps	(113,641)	(124,697)	(55,921)	(32,543)	(15,133)	(6,230)	(14,870)
Total	**(113,641)**	**(124,697)**	**(55,921)**	**(32,543)**	**(15,133)**	**(6,230)**	**(14,870)**

As at 31 December 2020

	Carrying amount	Contractual cash flows	12 months or less	1 - 2 years	2 - 3 years	3 - 4 years	After 4 years
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-derivative financial liabilities							
Secured bank loans (external)	2,163,481	(2,404,687)	(273,086)	(494,638)	(256,541)	(470,382)	(910,040)
Unsecured bank loans (external)	3,266,454	(3,651,151)	(262,524)	(471,312)	(705,916)	(1,317,553)	(893,846)
Other payables	121,467	(121,467)	(121,467)	-	-	-	-

Total	**5,551,402**	**(6,177,305)**	**(657,077)**	**(965,950)**	**(962,457)**	**(1,787,935)**	**(1,803,886)**
Derivative financial assets / (liabilities)							
Interest rate swaps	(218,822)	(236,743)	(64,665)	(62,165)	(51,210)	(27,479)	(31,224)
Total	**(218,822)**	**(236,743)**	**(64,665)**	**(62,165)**	**(51,210)**	**(27,479)**	**(31,224)**

It is not expected that the cash flows in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency can be aggregated into a single net amount that is payable by one party to the other. The following table sets out the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

As at 31 December 2021:

Derivative financial instruments (gross)	Contractual cash flows	12 months or less	1 - 2 years	2 - 3 years	3 - 4 years	After 4 years
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Interest rate swaps						
Inflow	319	-	31	90	66	132
Outflow	(125,016)	(55,921)	(32,574)	(15,223)	(6,296)	(15,002)
Total	**(124,697)**	**(55,921)**	**(32,543)**	**(15,133)**	**(6,230)**	**(14,870)**

As at 31 December 2020

Derivative financial instruments (gross)	Contractual cash flows	12 months or less	1 - 2 years	2 - 3 years	3 - 4 years	After 4 years
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Interest rate swaps						
Inflow	76	-	-	-	-	76
Outflow	(236,819)	(64,665)	(62,165)	(51,210)	(27,479)	(31,300)
Total	**(236,743)**	**(64,665)**	**(62,165)**	**(51,210)**	**(27,479)**	**(31,224)**

Interest Rate Benchmark Reform

Interest rate benchmark reform and the Phase 1 and 2 IFRS amendments are relevant for the following types of hedging relationships and financial instruments:

- Cash flow hedges where US LIBOR-linked derivatives are designated as a cash flow hedge of US denominated borrowings with US LIBOR-linked cash flows

- US denominated borrowings and leases and which reference US LIBORs and are subject to the interest rate benchmark reform

Cash flow hedge accounting is applied to the majority of the Group's US LIBOR-linked floating rate borrowings. The IFRS amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reform and there is uncertainty about the replacement of the floating interest rate included in the interest rate swaps.

It is the Group's intention to transition all affected legacy contracts, on a phased basis, before the cessation of US LIBOR settings on 30 June 2023. In line with the Group's hedging objectives, the phased transition process will require bilateral negotiations with key counterparts to ensure that both non-derivative contracts and derivative instruments transition at the same time; otherwise, unwanted interest basis risk could arise. The Group expects the resulting changes to be executed on an economically equivalent basis.

Operationally, the Group is working closely with our treasury management system provider to ensure the required updates are available and functional in good time.

All newly transacted floating rate liabilities and interest rate derivative hedges will include appropriate fallback clauses.

Below are details of hedging instruments and the related hedged items along with additional financial instruments that will be impacted by transition to alternative benchmark interest rates. The financial instruments summarised below reference either 1-month or 3-month US LIBOR, both rate settings will cease to be published post 30 June 2023.

As at 31 December 2021

	Loans & Borrowings	Cash Flow Hedge Swaps	Interest Rate Swaps
	Carrying amount	Nominal amount	Nominal amount
	US$'000	US$'000	US$'000
Cash Flow Hedge Relationships			
Maturing pre 30/06/2023	607,294	607,294	N/A
Maturing post 30/06/2023	1,571,542	1,571,542	N/A
Other Financial Instruments			
Maturing pre 30/06/2023	-	N/A	9,547
Maturing post 30/06/2023	860,787	N/A	505,290
Total	**3,039,623**	**2,178,836**	**514,837**

As disclosed in note 16, the Group has principal repayments due under its existing loans from external parties which fall due during the next 12-month period. These will be financed via operational cash flows (rental and disposal of aircraft).

If the Group cannot meet its obligations or if it breaches certain covenants under the various debt arrangements, it may be subject to contract breach damages, it may be required to restrict or apply all cash flows from aircraft pledged as collateral for certain debt facilities to meet principal and interest payments, and/or to pay down such debt facilities on an accelerated basis. As set out in note 16, 101 of the Group's aircraft are unencumbered, 61 are pledged under secured financing facilities.

22. Related parties

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. As at 31 December 2021, the Group identified the following related parties which it had carried out transactions with during the year, as follows:

- No equity investments were made by the Group's former Shareholders; NWS Holdings Limited and Chow Tai Fook Enterprises Limited during the year ended 31 December 2021.
- Equity repayments by the Group to its former Shareholders: NWS Holdings Limited and Chow Tai Fook Enterprises Limited (US$40.2m during the year ended 31 December 2021).
- No dividends were paid by the Group to its former Shareholders: NWS Holdings Limited and Chow Tai Fook Enterprises Limited during the year ended 31 December 2021.
- Asset Management Services provided by GML to Pioneer (US$4.2m) during the year ended 31 December 2021.
- Payroll & Occupational Services were provided by the Group's former shareholder NWS Holdings Limited on behalf of the Group during the year ended 31 December 2021. The total amount paid by NWS Holdings Limited and subsequently reimbursed to them by the Group in respect of the year end 31 December 2021 was US$3.3m. The amount due to NWS Holdings Limited in respect of these services at 31 December 2021 was US$0.1m.
- Net finance expense to related parties of US$12.6m during the year ended 31 December 2021 (US$22.8m in respect of the year ended 31 December 2020) comprise interest paid on loans and borrowings to former Goshawk Group entities, refer to note 3 for further detail.
- Amounts payable to other parties of US$31.1m during the year ended 31 December 2021 (US$59.7m in respect of the year ended 31 December 2020) relates to payables to former Goshawk Group entities, refer to note 15 for further detail.
- Unsecured loans and borrowings from related parties of US$994m during the year ended 31 December 2021 (US$1.1m in respect of the year ended 31 December 2020) comprise loans and borrowings from former Goshawk Group entities, refer to note 16 for further detail.

(a) Key management remuneration

Key management are the Directors of the entity, as listed in the Directors' Report. Please refer to note 7 for details of Directors emoluments during the years ended 31 December 2021 and 31 December 2020.

(b) Aircraft purchases

The Group purchased nil (2020: nil) aircraft from a related party during 2021, with a total purchase price of US$nil (2020: US$nil).

23. Business combination and Goodwill

Acquisition of related entity Goshawk Management Holdings (Cayman Limited ("GMHC") in 2020

In 2020, the Group acquired GMHC, a related entity. The Group acquired 100% of the shares and voting interests in GMHC, granting it control. The accounts have been prepared on the merger accounting basis, where they are presented as if the newly merged Group had been in existence from the start of the prior year reporting period, 1 January 2020.

Goodwill

The Group acquired 100% of Sky Leasing in September 2018. Goodwill of US$185.7m was recognised as a result of the acquisition.

At 1 January 2020	**US$'000**
Cost	185,673
Additions	-
Disposals	-
At 31 December 2021	**185,673**

For the years ended 31 December 2021 and 2020, no impairment loss was recognised as the recoverable amount of the CGU is greater than the carrying amount.

The Group tests whether goodwill has suffered any impairment on an annual basis. Management have concluded that no reasonable change in key assumptions would result in an impairment being identified during the year ended 31 December 2021.

24. Events after the end of the reporting date

On 16 May 2022, the Group's shareholders announced they had reached agreement with SMBC AC to acquire the Group. The acquisition completed on 21 December 2022, when the Group's parent GAL sold its shareholding in the Company and disposed of its interest in its commercial aircraft leasing platform to SMBC AC, comprising substantially all of the assets, liabilities and contracts of the business.

While the transaction included substantially all of the aircraft leasing platform of the business, it excluded six entities owned by the Company which own six aircraft located in Russia, as well as some other non-operating subsidiaries of the GAL. See below for further detail on the aircraft located in Russia. As part of the transaction close, US$4.6bn of external debt was refinanced by SMBC AC (range of average nominal interest: SOFR Term 3 month plus 1.8%)

As at 31 December 2021, the Group has eight aircraft leased to airlines based in Russia, two of which are now in the possession of the Group. Subsequent to year end, the Group terminated the leasing of these aircraft as a result of sanctions imposed on the leasing of aircraft to Russian entities. In response to the sanctions imposed, the Government of the Russian Federation issued a number of decrees which provide, amongst other things, that Russian airlines are required to obtain governmental approval for the redelivery of aircraft to foreign lessors. Given this fact pattern, the Group has concluded it has no control over the 6 aircraft located in Russia. The Group is furthermore unable to determine if these aircraft will be returned at a future date.

Therefore, the Group has written-off its net exposure in respect of these six aircraft. This has resulted in a net impairment before tax of US$186.4m, after the release of cash security deposits, maintenance reserves, and the proceeds from letters of credit drawn.

The Group has insurance cover in respect of the six aircraft under a number of insurance policies and has commenced filing claims to recover amount due under the policies. Post year end those six entities and aircraft were sold by the Group to a related party.

There were no other events after the reporting period, that would require revision of the results or financial position of the Group, or disclosure in the financial statements.

25. Approval of consolidated non-statutory financial statements

The Board of Directors approved and authorised these consolidated non-statutory financial statements on 20 April 2023.

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SMBC Aviation Capital Finance DAC

% Senior Notes due 20
Guaranteed by SMBC Aviation Capital Limited

PRELIMINARY OFFERING MEMORANDUM

, 2023

Joint Book-Running Managers

SMBC Nikko	**Citigroup**	**Credit Agricole CIB**	**Goldman Sachs International**	**J.P. Morgan**	**RBC Capital Markets**