

Company Registration No: 04985584

SMBC AVIATION CAPITAL (UK) LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018

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SMBC AVIATION CAPITAL (UK) LIMITED

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SMBC AVIATION CAPITAL (UK) LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS:	P Barrett	(Irish)
	B Flannery	(Irish)
	K Kawamura	(Japanese)
	K Tanaka	(Japanese)
	T Yamana	(Japanese)
	L Butcher	(British)
	M Rutherford	(British)

REGISTERED OFFICE: 99 Queen Victoria Street
London
EC4V 4EH
United Kingdom

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

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

BANKS:	Sumitomo Mitsui Banking Corporation Europe Limited 99 Queen Victoria Street London EC4V 4EH United Kingdom	Sumitomo Mitsui Banking Corporation New York Branch 277 Park Avenue New York, NY10172 USA
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SMBC AVIATION CAPITAL (UK) LIMITED

STRATEGIC REPORT

ACTIVITIES AND BUSINESS REVIEW

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. The consolidated financial statements are therefore presented in US Dollars.

The Group and Company is a member of the Japanese consortium of Sumitomo Mitsui Financial Group ("SMFG") and Sumitomo Corporation ("SC") (the "Consortium"). The annual reports of these entities can be obtained at:

Sumitomo Corporation - http://www.sumitomocorp.co.jp/english/ir/report/annual_report.html

Sumitomo Mitsui Financial Group - http://www.smfg.co.jp/english/investor/financial/latest_statement.html.

PRINCIPAL RISKS AND UNCERTAINTIES

The airline industry is cyclical and highly competitive. The Group and Company's aircraft are under operating leases where the cost of the aircraft is substantially recovered over the term of the leases. The oversupply of a specific type of aircraft in the market could depress aircraft lease rates and values, which would affect re-lease rates. The supply and demand of aircraft is affected by various cyclical factors including:

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

The Group and Company seek to mitigate the risk of deteriorating aircraft lease rates and values by a strategy of negotiating long-term contracts with a number of customers, investing in modern and fuel efficient aircraft and employing personnel with significant experience of managing similar portfolios of aviation assets.

For further detail on the principal financial risks and the Group and Company's policy for minimising these financial risks, refer to note 19.

SMBC AVIATION CAPITAL (UK) LIMITED

STRATEGIC REPORT - continued

FINANCIAL KEY PERFORMANCE INDICATORS

The Group and Company's key financial performance indicators during the year were as follows:

PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities for the year was \$50.48m (31 March 2017: \$62.51m). The primary cause of this decrease was the impact of aircraft sales in the current and prior year.

PROPERTY, PLANT AND EQUIPMENT

There was an increase of \$18.1m in the carrying value of property, plant and equipment during the year. This was mainly due to additional pre-delivery payments during the year, partly offset by the disposal of 1 aircraft (31 March 2017: 3 aircraft). In addition, aircraft purchases in the prior year resulted in the depreciation charge increasing by \$5.1m to \$26.4m (31 March 2017: \$21.3m).

FUTURE OUTLOOK

The Directors will continue to seek to grow the Group and Company's existing business and to develop new opportunities for the Group and Company, particularly by cooperation with other companies in the SMBC Aviation Capital group and the ultimate ownership Consortium. The Directors are satisfied that the Group and Company is well placed with adequate resources and support to avail of any such opportunities.

In addition, on 6 November 2017, the Group's shareholders announced their intention to reorganise their joint leasing partnership whereby the primary leasing vehicle between SMFG and SC, Sumitomo Mitsui Finance and Leasing Company, Ltd. ("SMFL"), will become a 50:50 joint venture. This process is expected to complete by January 2019.

The Strategic Report for the year ended 31 March 2018 was approved by the Board of Directors on 19 June 2018.



Director

LAWRENCE BUTCHER



Director

PETER BARRETT

SMBC AVIATION CAPITAL (UK) LIMITED

DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

The Directors are satisfied with the Group and Company's performance in the financial year. The Group and Company will be assisted by its shareholders in seeking further opportunities for growth.

The Group's financial performance is presented in the consolidated statement of profit or loss and other comprehensive income.

At the end of the financial year 31 March 2018, income was \$81.4m (31 March 2017: \$87.5m) and operating expenses were \$30.9m (31 March 2017: \$24.9m). The total comprehensive income for the year was \$19.0m (31 March 2017: \$25.2m).

At the end of the financial year, the financial position showed total assets of \$867.8m (at 31 March 2017: \$867.0m). The net book value of property, plant and equipment was \$845.3m at the financial year end (at 31 March 2017: \$827.2m).

The Group and Company did not pay a dividend during the period (31 March 2017: \$nil).

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 19 to the financial statements includes: the objectives, policies and processes for managing capital; the financial risk management objectives; details of financial instruments and hedging activities; and the exposures to credit risk and liquidity risk, to the extent that these were in place at 31 March 2018 and the preceding year.

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

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

SUBSEQUENT EVENTS

The Group and Company have evaluated the events that have occurred subsequent to 31 March 2018. The evaluation includes a review of leasing activity and payment performance of lessees. During this period, the Group and Company is not aware of any material events that would require recognition in the 31 March 2018 consolidated financial statements, other than the matters presented elsewhere in the consolidated financial statements.

On 23 April 2018, Mr. B. Haga and Mr. I. Sakata resigned as Directors and Mr. K. Kawamura and Mr. K. Tanaka were appointed as Directors. On 24 April 2018, Mr. T. Yoneyama resigned as a Director and Mr. T. Yamana was appointed as Director.

POLITICAL DONATIONS

The Group and Company did not make any political donations in the year ended 31 March 2018 (2017: \$Nil).

BOOKS OF ACCOUNT

The Directors are responsible for ensuring that proper books and accounting records are kept by the Group and Company. To achieve this, the Directors have appointed SMBC Aviation Capital Limited to provide accounting services, who regularly report to the Board. The books of account of the Group and Company are maintained at 99 Queen Victoria Street, London, EC4V 4EH, United Kingdom.

SMBC AVIATION CAPITAL (UK) LIMITED

DIRECTORS' REPORT - continued

INDEPENDENT AUDITOR

KPMG, Chartered Accountants, have indicated their willingness to continue in office as independent auditor to the Group and Company.

DIRECTORS' DISCLOSURE TO AUDITORS

Each of the Directors at the date of approval of this report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

DIRECTORS AND SECRETARY

The present Directors and Secretary are listed on page 3. The following changes took place during the year:

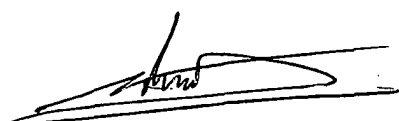
Directors	Appointed
B Haga	Appointed 25 April 2017
K Kawamura	Appointed 23 April 2018
K Tanaka	Appointed 23 April 2018
T Yamana	Appointed 24 April 2018
Directors	Resigned
N Hiruta	Resigned 25 April 2017
B Haga	Resigned 23 April 2018
I Sakata	Resigned 23 April 2018
T Yoneyama	Resigned 24 April 2018

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

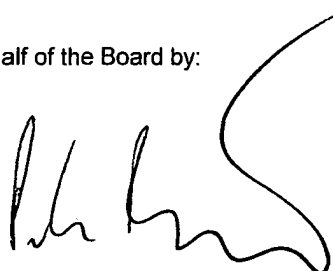
The following Directors had an interest in the shares of the shareholders of the Company:

Director:	Description of shares	Shares held at 31 March 2018	Shares held at 1 April 2017 or date of appointment, if later
N Hiruta	Sumitomo Corporation Ordinary Shares	2,400	2,400
B Haga	Sumitomo Corporation Ordinary Shares	11,000	12,500
T Yamana	Sumitomo Corporation Ordinary Shares	7,000	7,000

Approved by the Board of Directors and signed on behalf of the Board by:



Director LAURENCE BUTCHER
Date: 19 June 2018



Director PETER BARRETT
Date: 19 June 2018

SMBC AVIATION CAPITAL (UK) LIMITED

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

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

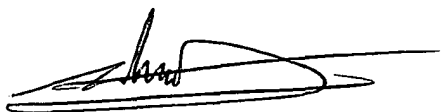
Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and applicable law.

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

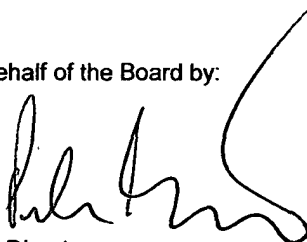
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the Group and Company financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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 are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the 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 2006.

Approved by the Board of Directors and signed on behalf of the Board by:



Director LAWRENCE BUTCHER
Date: 19 June 2018



Director PETER BARRETT
Date: 19 June 2018



KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

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

1 Report on the audit of the financial statements

Opinion

We have audited the Group and Company financial statements ("financial statements") of SMBC Aviation Capital (UK) Limited for the year ended 31 March 2018, which comprise the Group and Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Statement of Cash Flows, the Group and Company Statements of Changes in Equity 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 UK Law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2018 and of its profit for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2018;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006; and
- the Group and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have nothing to report on going concern

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMBC AVIATION CAPITAL (UK) LIMITED (*continued*)

Other information

The directors are responsible for the other information presented in the financial statements. The other information comprises the information included in the strategic and directors' report other than the financial statements and our auditor's report thereon. 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 the work undertaken in the course of the audit, we report that

- we have not identified material misstatements in the directors report or the strategic report;
- in our opinion, the information given in the directors' report and the strategic report is consistent with the financial statements;
- in our opinion, the directors' report and the strategic report have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report on these matters/in regard to these matters.

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and 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 the directors 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SMBC AVIATION CAPITAL (UK) LIMITED (*continued*)

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 (UK) 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 the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dobey
for and on behalf of
KPMG
Statutory Auditor
1 Harbourmaster Place
IFSC
Dublin 1

19 June 2018

SMBC AVIATION CAPITAL (UK) LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2018

	Note	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
CONTINUING OPERATIONS			
Income			
Revenue	2	80,207	82,387
Other operating income	3	<u>1,206</u>	<u>5,063</u>
		81,413	87,450
Expenses			
Depreciation	10	(26,360)	(21,296)
Impairment	10	(1,286)	-
Operating expenses	4	<u>(3,289)</u>	<u>(3,647)</u>
PROFIT FROM OPERATING ACTIVITIES	5	50,478	62,507
Finance costs			
Interest income	7	2,835	157
Interest expense	7	(30,405)	(31,982)
Break losses	7	<u>(3)</u>	<u>(850)</u>
NET FINANCE COSTS		<u>(27,573)</u>	<u>(32,675)</u>
PROFIT BEFORE TAXATION		22,905	29,832
Tax expense	8	<u>(3,946)</u>	<u>(4,592)</u>
PROFIT FROM CONTINUING OPERATIONS		18,959	25,240
OTHER COMPREHENSIVE INCOME			
Effective portion of changes in fair value of cash flow hedges		-	-
Tax on other comprehensive income		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,959	25,240

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



Director **LAWRENCE BUTCHER**
Date: 19 June 2018



Director **PETER BARRETT**
Date: 19 June 2018


SMBC AVIATION CAPITAL (UK) LIMITED

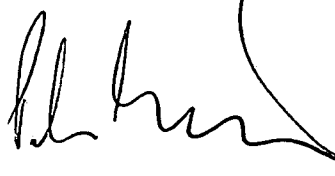
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

	Note	31 March 2018 \$'000	31 March 2017 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	845,279	827,210
Other Receivables	12	14,417	11,198
		<u>859,696</u>	<u>838,408</u>
CURRENT ASSETS			
Trade and other receivables	12	2,377	3,875
Cash and cash equivalents	13	5,770	24,758
Lease incentive asset	14	-	-
		<u>8,147</u>	<u>28,633</u>
TOTAL ASSETS		<u><u>867,843</u></u>	<u><u>867,041</u></u>
EQUITY			
Share capital	21	11,748	11,748
Other components of equity	22	10,443	10,443
Retained earnings		138,419	119,460
TOTAL EQUITY		<u><u>160,610</u></u>	<u><u>141,651</u></u>
NON-CURRENT LIABILITIES			
Trade and other payables	15	59,324	80,707
Obligations under finance leases	17	16,153	22,412
Borrowings	18	560,580	575,802
Deferred tax liabilities	20	16,380	12,443
		<u>652,437</u>	<u>691,364</u>
CURRENT LIABILITIES			
Trade and other payables	15	31,219	11,630
Accruals, deferred income and other liabilities	16	2,097	2,456
Obligations under finance leases	17	6,258	5,917
Borrowings	18	15,222	14,023
		<u>54,796</u>	<u>34,026</u>
TOTAL LIABILITIES		<u><u>707,233</u></u>	<u><u>725,390</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>867,843</u></u>	<u><u>867,041</u></u>

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

The financial statements were approved by the Board of Directors and authorised for issue on June 19th 2018 and signed on its behalf by:


Director
LAWRENCE BUTCHER

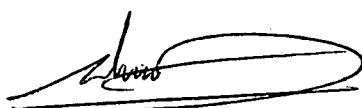

Director
PETER BARRETT

SMBC AVIATION CAPITAL (UK) LIMITED

**COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 March 2018**

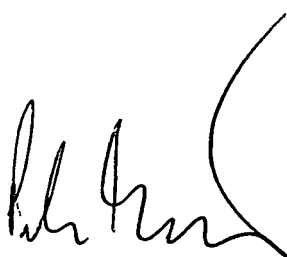
	Note	31 March 2018 \$'000	31 March 2017 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	773,541	827,210
Investments in subsidiaries	9	-	-
Other Receivables	12	86,155	11,198
		<u>859,696</u>	<u>838,408</u>
CURRENT ASSETS			
Trade and other receivables	12	2,377	3,875
Cash and cash equivalents	13	5,770	24,708
Lease incentive asset	14	-	-
		<u>8,147</u>	<u>28,583</u>
TOTAL ASSETS		<u><u>867,843</u></u>	<u><u>866,991</u></u>
EQUITY			
Share capital	21	11,748	11,748
Other components of equity	22	10,443	10,443
Profit and loss account		<u>138,401</u>	<u>119,439</u>
TOTAL EQUITY		<u><u>160,592</u></u>	<u><u>141,630</u></u>
NON-CURRENT LIABILITIES			
Trade and other payables	15	59,324	80,707
Obligations under finance leases	17	16,153	22,412
Borrowings	18	560,580	575,802
Deferred tax liabilities	20	<u>16,380</u>	<u>12,443</u>
		<u>652,437</u>	<u>691,364</u>
CURRENT LIABILITIES			
Trade and other payables	15	31,239	11,627
Accruals, deferred income and other liabilities	16	2,095	2,430
Obligations under finance leases	17	6,258	5,917
Borrowings	18	<u>15,222</u>	<u>14,023</u>
		<u>54,814</u>	<u>33,997</u>
TOTAL LIABILITIES		<u><u>707,251</u></u>	<u><u>725,361</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>867,843</u></u>	<u><u>866,991</u></u>

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



Director

LAWRENCE BUTCHER



Director

PETER BARRETT

SMBC AVIATION CAPITAL (UK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31 March 2018

	Note	Share Capital \$'000	Other Reserves \$'000	Cash Flow Hedge Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
BALANCE AT 1 APRIL 2016		11,748	10,443	-	94,220	116,411
Profit for the year		-	-	-	25,240	25,240
Cash flow hedge reserve	22	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>25,240</u>	<u>25,240</u>
BALANCE AT 31 MARCH 2017		11,748	10,443	-	119,460	141,651
Profit for the year		-	-	-	18,959	18,959
		<u>-</u>	<u>-</u>	<u>-</u>	<u>18,959</u>	<u>18,959</u>
BALANCE AT 31 MARCH 2018		<u>11,748</u>	<u>10,443</u>	<u>-</u>	<u>138,419</u>	<u>160,610</u>

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

SMBC AVIATION CAPITAL (UK) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
as at 31 March 2018

	Note	Share Capital \$'000	Other Reserves \$'000	Cash Flow Hedge Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
BALANCE AT 1 APRIL 2016		11,748	10,443	-	93,994	116,185
Profit for the year		-	-	-	25,445	25,445
Cash flow hedge reserve	22	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>25,445</u>	<u>25,445</u>
BALANCE AT 31 MARCH 2017		11,748	10,443	-	119,439	141,630
Profit for the year		-	-	-	18,962	18,962
		<u>-</u>	<u>-</u>	<u>-</u>	<u>18,962</u>	<u>18,962</u>
BALANCE AT 31 MARCH 2018		<u>11,748</u>	<u>10,443</u>	<u>-</u>	<u>138,401</u>	<u>160,592</u>

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

SMBC AVIATION CAPITAL (UK) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

	Note	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
PROFIT BEFORE TAX		22,905	29,832
Adjustments for:			
Depreciation and impairment on property, plant and equipment		27,646	21,296
Lease incentive amortisation		-	656
Interest expense		30,492	31,976
Gain on disposal of assets held under operating leases		7	(4,977)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		81,050	78,783
Increase in receivables		(1,488)	(5,481)
(Decrease) / increase in payables		(1,889)	7,827
CASH GENERATED BY OPERATIONS		77,673	81,129
Income taxes paid		1	(2)
Interest paid		(30,887)	(32,402)
NET CASH FROM OPERATING ACTIVITIES		46,787	48,725
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		26,142	95,259
Purchases of property, plant and equipment		(71,863)	(26,267)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(45,721)	68,992
FINANCING ACTIVITIES			
Receipts from restricted cash accounts		-	100
Repayment of obligations under finance leases		(6,026)	(5,588)
Repayment of indebtedness		(14,023)	(112,874)
NET CASH USED IN FINANCING ACTIVITIES		(20,049)	(118,362)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(5)	184
NET DECREASE IN CASH AND CASH EQUIVALENTS		(18,988)	(461)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		24,758	25,219
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	5,770	24,758

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

SMBC AVIATION CAPITAL (UK) LIMITED

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

	Note	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
PROFIT BEFORE TAX		22,907	30,038
Adjustments for:			
Depreciation and impairment on property, plant and equipment		27,646	21,296
Lease incentive amortisation		-	656
Dividend income		-	(220)
Interest expense		27,927	31,976
Gain on disposal of assets held under operating leases		7	(4,977)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		78,487	78,769
Increase in receivables		(73,457)	(5,491)
(Decrease) / increase in payables		(1,862)	9,391
CASH GENERATED BY OPERATIONS		3,168	82,669
Income taxes paid		(2)	(2)
Interest paid		(28,322)	(32,402)
NET CASH FROM OPERATING ACTIVITIES		(25,156)	50,265
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		26,142	95,259
Purchases of property, plant and equipment		(126)	(26,267)
Dividends received		-	220
NET CASH FROM INVESTING ACTIVITIES:		26,016	69,212
FINANCING ACTIVITIES			
Receipts from restricted cash accounts	13	-	100
Repayment of obligations under finance leases		(6,026)	(5,588)
Repayment of indebtedness		(13,767)	(112,874)
NET CASH USED IN FINANCING ACTIVITIES		(19,793)	(118,362)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(5)	194
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(18,938)	1,309
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		24,708	23,399
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	5,770	24,708

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

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

SMBC Aviation Capital (UK) Limited ("The Group and Company") is incorporated in the UK and registered in England and Wales.

The address of the Company's registered office is 99 Queen Victoria Street, London EC4V 4EH.

The Group Financial Statements have been prepared as Consolidated Financial Statements, which present information about the group as a whole, comprising this Company and its subsidiary undertaking.

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 2006 applicable to companies reporting under IFRS.

a BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The Consolidated Financial Statements contain information about SMBC Aviation Capital (UK) Limited as an individual company and information about SMBC Aviation Capital (UK) Limited and SMBC Aviation Capital Labuan Leasing 1 Limited as a Group.

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

b ESTIMATES AND JUDGEMENTS

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

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

Note 10 - Property, Plant and Equipment: The material judgements in respect of property, plant and equipment include the identification and subsequent measurement of impairment such as triggers and estimates of cash flow including residual values and discounts rates. Estimates also include the intervals used (currently 5 years) to determine future market values for the purposes of setting depreciation rates for individual aircraft.

Note 20 - Deferred Tax: Deferred tax assets and liabilities are measured using enacted tax laws and based on the rates expected to be in effect in the years in which those temporary differences are expected to reverse. Any change in the tax rates can result in a substantial impact on the tax charge in the consolidated income statement and tax payments.

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.

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

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

c BASIS OF CONSOLIDATION

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.

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.

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

Rentals received, but unearned under lease agreements are recorded as 'Payments received on account' in trade and other payables.

f FEE INCOME

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

g BORROWING COSTS

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

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

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/year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the reporting date.

i FOREIGN CURRENCY

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the profit or loss for the period.

j PROPERTY, PLANT AND EQUIPMENT

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

Assets are depreciated to the Consolidated Statement of Profit and 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 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 useful economic life 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 as a change in estimate 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.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

k PRE-DELIVERY PAYMENTS

Pre-delivery payments ("PDPs") are recorded in the Statement of Financial Position at cost and are not depreciated. Borrowing costs associated with PDPs and aircraft that are yet to be delivered are capitalised as incurred. As aircraft which are subject to PDPs, are delivered all applicable PDPs and financing costs are re-classified to Property, Plant and Equipment.

l 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.

m FINANCIAL INSTRUMENTS

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

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

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

n DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

The Group and Company designates certain derivatives held for risk management as well as certain 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.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

n DERIVATIVES AND HEDGE ACCOUNTING - continued

The Group and Company makes an assessment both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in cash flows or fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group and Company makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

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

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.

Determination of fair values of derivative financial instruments

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.

o 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.

p 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.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

q 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.

r 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.

s OBLIGATIONS UNDER FINANCE LEASES

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

t 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.

u PROFIT FROM OPERATING ACTIVITIES

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

v 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.

w NEW STANDARDS ADOPTION AND AMENDMENTS TO IFRS

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

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

IFRS 9 consists of the following key areas which represent changes from that of IAS 39:

- Revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities, mainly relating to the recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in other comprehensive income ("OCI") as opposed to the income statement.
- An expected credit loss ("ECL") impairment model.
- Revised requirements and simplifications for hedge accounting.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES - continued

w NEW STANDARDS ADOPTION AND AMENDMENTS TO IFRS - continued

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

IFRS 15 Revenue from Contracts with Customers

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

The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.

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

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

IFRS 16 Leases

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

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

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

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

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

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 REVENUE

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Operating leases:		
Rentals receivable	80,222	83,042
Lease incentive amortisation	-	(656)
Other maintenance (charges) / income	(15)	1
	<u>80,207</u>	<u>82,387</u>
Included in the above are the following amounts:		
Contingent rentals	<u>915</u>	<u>146</u>

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

The Company derives more than 86% of its lease revenue from Asian airline customers, with the balance from airline customers in Emerging Europe.

3 OTHER OPERATING INCOME

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
(Loss) / profit on disposal of property, plant and equipment	(7)	4,977
Other operating income	<u>1,213</u>	<u>86</u>
	<u>1,206</u>	<u>5,063</u>

Loss on disposal of property, plant and equipment reflects the loss on disposal of one aircraft in the current year (2017: gain on disposal of 3 aircraft). Other operating income include fees earned for arranging the sale of third party aircraft and fees earned for arranging PDP financing for a number of aircraft.

4 OPERATING EXPENSES

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Management fees paid to group undertaking - immediate parent company	189	217
Management fees paid to group affiliates	2,993	3,226
Other costs	<u>107</u>	<u>204</u>
	<u>3,289</u>	<u>3,647</u>

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5 PROFIT FROM OPERATING ACTIVITIES

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Operating profit has been arrived at after charging/(crediting):		
Depreciation on assets held for hire under operating leases	26,360	21,296
Auditors remuneration	65	142
Other operating expenses	42	62
Foreign exchange gain	(234)	(155)
	<u>Year ended 31 March 2018 \$'000</u>	<u>Year ended 31 March 2017 \$'000</u>
Auditors remuneration exclusive of VAT		
- Audit of individual company accounts	27	42
- Tax advisory services	38	100
	<u>65</u>	<u>142</u>
Of which related to the Company	<u>65</u>	<u>125</u>

6 STAFF COSTS

The Group has no employees and the Directors of the Company do not receive remuneration for specific services provided to the Company.

7 FINANCE COSTS

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
Finance income:		
Interest income on swaps	-	-
Interest income on deposits	2,601	2
FX gains or losses	234	155
Total interest income	<u>2,835</u>	<u>157</u>
Finance costs:		
Interest payable on swaps	-	-
Interest payable on borrowings	(29,973)	(31,473)
Bank charges, guarantee & other fees on borrowings	(432)	(509)
Total interest payable and related charges	<u>(30,405)</u>	<u>(31,982)</u>
Net interest payable	<u>(27,570)</u>	<u>(31,825)</u>
Break costs related to disposal of aircraft	<u>(3)</u>	<u>(850)</u>

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 TAXATION

	Year ended 31 March 2018 \$'000	Year ended 31 March 2017 \$'000
a ANALYSIS OF TAX CHARGE FOR THE YEAR		
Current tax charge:		
- Current year	<u>9</u>	<u>-</u>
Deferred tax - origination and reversal of temporary differences:		
- Current year	<u>3,937</u>	<u>4,592</u>
Tax charge	<u><u>3,946</u></u>	<u><u>4,592</u></u>

- b The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (31 March 2017: 20%) as follows:

Profit before tax	<u>22,905</u>	<u>29,832</u>
Tax on profit at the rate of 19% (year to 31 March 2017: 20%)	4,352	5,966
Expenses not deductible for tax purposes	43	(57)
Reduction in rate of UK corporation tax on opening deferred tax asset	(449)	(1,322)
Adjustments to tax charge in respect of prior periods	<u>-</u>	<u>5</u>
Tax charge	<u><u>3,946</u></u>	<u><u>4,592</u></u>

9 INVESTMENT IN SUBSIDIARIES

31 March 2018 \$	31 March 2017 \$
<u>100</u>	<u>100</u>

At 31 March 2018, the Company had one subsidiary undertaking, the capital of which consists of ordinary shares as shown below. All share capital is wholly owned.

Owned by the Company:	Nature of business:	Country of incorporation:
SMBC Aviation Capital Labuan Leasing 1 Limited (in liquidation) (1)	Leasing	Malaysia

During the year, SMBC Aviation Capital Labuan Leasing 1 Limited commenced wind-down procedures with the appointment of a liquidator on 30 August 2017. The liquidation process is expected to be completed during 2018, at which stage the Company expects to receive a final distribution.

Interest in structured entities:

Luzon Aviation Limited (2)	PDP financing company	Cayman Islands
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Luzon Aviation Limited is a PDP financing company, which was set up during the year for the purpose of financing two aircraft from Airbus set to deliver on various dates during 2018.

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

1) Unit Level 13(A) Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia

2) c/o Walkers Fiduciary Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

	Company Aircraft for hire under operating leases \$'000	Group Pre- Delivery Payments \$'000	Group Total \$'000
Cost:			
At 1 April 2016	994,581	-	994,581
Additions	28,414	-	28,414
Disposals	(98,745)	-	(98,745)
At 31 March 2017	924,250	-	924,250
At 1 April 2017	924,250	-	924,250
Additions	126	71,738	71,864
Disposals	(28,439)	-	(28,439)
At 31 March 2018	895,937	71,738	967,675
Accumulated Depreciation:			
At 1 April 2016	83,225	-	83,225
Charge for the year	21,296	-	21,296
Disposals	(7,481)	-	(7,481)
At 31 March 2017	97,040	-	97,040
At 1 April 2017	97,040	-	97,040
Charge for the year	26,360	-	26,360
Impairment charge for the year	1,286	-	1,286
Disposals	(2,290)	-	(2,290)
At 31 March 2018	122,396	-	122,396
Net Book Value at 31 March 2018	773,541	71,738	845,279
Net Book Value at 31 March 2017	827,210	-	827,210

Depreciation charge is shown on the face of the statement of profit or loss and other comprehensive income for assets for hire under operating leases.

The carrying amount of assets included above subject to obligations under finance leases is \$54,516,616 (31 March 2017: \$56,959,483).

During the year, assets in the Group with a carrying value of \$26,148,882 (Company: \$26,148,882) and average age of 10.0 years (Company: 10.0 years) were subject to impairment due to a deterioration in the inherent value of these aircraft and an assessment of the value of the leases attached to them, when assessed at discount rates ranging between 5%-6% depending on the nature of the cash flows assessed.

In the impairment assessment, the carrying amount of \$27,434,747 of aircraft was determined to be higher than the value in use of \$26,148,882 and an impairment loss of \$1,285,865 was recognised. No impairment charge was recognised in the prior year.

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

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCIAL INSTRUMENTS

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

	Group Carrying Value \$'000	Group Fair Value \$'000	Company Carrying Value \$'000	Company Fair Value \$'000
31 March 2018				
Financial assets measured at amortised cost				
Trade and other receivables	16,794	16,794	88,532	88,532
Cash and cash equivalents	5,770	5,770	5,770	5,770
Financial assets	<u>22,564</u>	<u>22,564</u>	<u>94,302</u>	<u>94,302</u>
Financial liabilities measured at amortised cost:				
Obligations under finance leases	(22,411)	(23,327)	(22,411)	(23,327)
Accruals & trade and other payables	(92,640)	(92,640)	(92,658)	(92,658)
Borrowings	(575,802)	(618,418)	(575,802)	(618,418)
Financial liabilities	<u>(690,853)</u>	<u>(734,385)</u>	<u>(690,871)</u>	<u>(734,403)</u>
31 March 2017				
Financial assets measured at amortised cost				
Trade and other receivables	15,073	15,073	15,073	15,073
Cash and cash equivalents	24,758	24,758	24,708	24,708
Financial assets	<u>39,831</u>	<u>39,831</u>	<u>39,781</u>	<u>39,781</u>
Financial liabilities measured at amortised cost:				
Obligations under finance leases	(28,329)	(30,370)	(28,329)	(30,370)
Accruals & trade and other payables	(94,793)	(94,793)	(94,764)	(94,764)
Borrowings	(589,825)	(658,822)	(589,825)	(658,822)
Financial liabilities	<u>(712,947)</u>	<u>(783,985)</u>	<u>(712,918)</u>	<u>(783,956)</u>

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

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

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCIAL INSTRUMENTS - continued

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

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

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

Debt securities - are traded in active markets are based on quoted market prices or dealer price quotations. For non-traded securities, the Group and Company determine fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond price, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

Derivative assets and liabilities - the Group and Company use widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities of the parent, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial market. Derivatives are shown gross on balance sheet as they are not subject to master netting agreement.

Other assets and other liabilities - For all other assets and other liabilities, the carrying value has been determined to be a good approximation of fair value.

Loans and advances from Group affiliates - The fair value of issued loans is estimated from the present value of the cash flows, using current market rates from similar loans.

The financial assets and liabilities measured at amortised cost all fall within Level 2. Fair values are estimated based on a discounted cash flow analysis using observable market inputs.

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.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND OTHER RECEIVABLES

	Group 31 March 2018 \$'000	Group 31 March 2017 \$'000	Company 31 March 2018 \$'000	Company 31 March 2017 \$'000
Prepaid expenses	2,119	1,054	2,119	1,054
Other receivables	258	-	258	-
VAT receivable	-	2,821	-	2,821
Trade and Other Receivables - Current	2,377	3,875	2,377	3,875
Other debtors - Non current	14,417	11,198	86,155	11,198
	<u>16,794</u>	<u>15,073</u>	<u>88,532</u>	<u>15,073</u>

Other debtors in respect of the Group and Company consist of balances receivable from an associate company, SMBC Aviation Capital Limited, while amounts due respect of the Company also include balances receivable from the structured entity which has been utilised as PDP finance vehicles (note 9). Collection of the amounts is expected in line with the underlying operating leases and delivery contracts they relate to, which has resulted in their classification as non-current.

13 CASH AND CASH EQUIVALENTS

	31 March 2018 \$'000	31 March 2017 \$'000
Group		
Bank account	5,770	24,758
Restricted cash: Short-term deposits with group undertakings	-	-
	<u>5,770</u>	<u>24,758</u>
	31 March 2018 \$'000	31 March 2017 \$'000
Company		
Bank account	5,770	24,708
Restricted cash: Short-term deposits with group undertakings	-	-
	<u>5,770</u>	<u>24,708</u>

14 LEASE INCENTIVE ASSET

	31 March 2018 \$'000	31 March 2017 \$'000
Group and Company		
Lease incentive asset	-	2,803
Amortised during the year	-	(656)
Release of lease incentive asset on disposal of aircraft	-	(2,147)
	<u>-</u>	<u>-</u>
Current lease incentive asset (amortising within 12 months)	-	-
Non-current lease incentive asset (amortising after 12 months)	-	-
	<u>-</u>	<u>-</u>

The lease incentive asset is amortised over the respective lease term and recorded as a reduction of lease income.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15 TRADE AND OTHER PAYABLES

	Group 31 March 2018 \$'000	Group 31 March 2017 \$'000	Company 31 March 2018 \$'000	Company 31 March 2017 \$'000
Security Deposits	4,768	3,768	4,768	3,768
Maintenance Reserves	81,543	78,351	81,543	78,351
Payments received on account	4,123	6,053	4,123	6,053
Other creditors	13	3,700	10	3,696
VAT Payable	-	361	-	362
Amounts due to group undertakings	96	104	119	104
	<u>90,543</u>	<u>92,337</u>	<u>90,563</u>	<u>92,334</u>
Analysed as:				
Non-current trade and other - payables (payable after 12 months)	59,324	80,707	59,324	80,707
Current trade and other - payables (payable within 12 months)	<u>31,219</u>	<u>11,630</u>	<u>31,239</u>	<u>11,627</u>
	<u>90,543</u>	<u>92,337</u>	<u>90,563</u>	<u>92,334</u>

Analysis of Group trade and other payables:

	Due < 12 months \$'000	Due > 12 months \$'000	Total \$'000
As at 31 March 2018			
Security Deposits	1,000	3,768	4,768
Maintenance Reserves	26,304	55,239	81,543
Payments received on account	3,806	317	4,123
Other creditors	13	-	13
VAT Payable	-	-	-
Amounts due to group undertakings	96	-	96
	<u>31,219</u>	<u>59,324</u>	<u>90,543</u>
As at 31 March 2017			
Security Deposits	-	3,768	3,768
Maintenance Reserves	1,815	76,536	78,351
Payments received on account	5,650	403	6,053
Other creditors	3,700	-	3,700
VAT Payable	361	-	361
Amounts due to group undertakings	104	-	104
	<u>11,630</u>	<u>80,707</u>	<u>92,337</u>

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

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 ACCRUALS, DEFERRED INCOME AND OTHER LIABILITIES

	31 March 2018 \$'000	31 March 2017 \$'000
Group		
Accruals	2,097	2,456
	<u>2,097</u>	<u>2,456</u>
Company		
Accruals	2,095	2,430
	<u>2,095</u>	<u>2,430</u>

All Accruals, deferred income and other liabilities of both the Group and the Company are payable within 12 months.

17 OBLIGATIONS UNDER FINANCE LEASES

	31 March 2018 \$'000	31 March 2017 \$'000
Group and Company		
Amounts payable under finance leases		
Minimum lease payments:		
Within one year	7,264	7,214
In the second to fifth years inclusive	17,279	24,543
After five years	-	-
	<u>24,543</u>	<u>31,757</u>
Less: future finance charges	<u>(2,132)</u>	<u>(3,428)</u>
Present value of lease obligations	<u>22,411</u>	<u>28,329</u>
Present value of minimum lease payments:		
Within one year	6,258	5,917
In the second to fifth years inclusive	16,153	22,412
After five years	-	-
	<u>22,411</u>	<u>28,329</u>
Analysed as:		
Amounts due within 12 months	6,258	5,917
Amounts due after 12 months	<u>16,153</u>	<u>22,412</u>
	<u>22,411</u>	<u>28,329</u>

These fixed rate, secured finance lease obligations relate to export credit financing (net of unamortised facility fees) which were used to finance 2 aircraft (2017: 2). These facilities are provided by banks against the guarantees of the export credit agencies, will mature in 2021 (2017: 2021) and have an average interest rate of 4.73% (2017: 4.73%).

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 BORROWINGS

	31 March 2018 \$'000	31 March 2017 \$'000
Group and Company		
Loan amount due to group undertakings		
Floating rate, unsecured	37,106	38,648
Fixed rate, unsecured	538,696	551,177
	<u>575,802</u>	<u>589,825</u>
The borrowings are repayable as follows:		
Amounts due for settlement within 12 months	15,222	14,023
Amounts due for settlement after 12 months	560,580	575,802
	<u>575,802</u>	<u>589,825</u>

The floating rate facilities will mature in 2024 (2017: 2024) with a weighted average interest rate of 5.05% (2017: 4.36%). The fixed rate facilities will mature between 2019-2023 (2017: 2019-2023) with a weighted average interest rate of 4.64% (2017: 4.64%).

19 FINANCIAL RISK MANAGEMENT

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the risk management framework of the Group and Company. The Board of Directors, in conjunction with the Aviation & Maritime Planning Department ("AMPD") of the ultimate ownership Consortium, develops and monitors the risk management policies of the Group and Company 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.

It is the Group and Company's policy to match fund the structural foreign currency exposure arising from net asset value with borrowings in the same currency.

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

	Group 31 March 2018 \$'000	Group 31 March 2017 \$'000	Company 31 March 2018 \$'000	Company 31 March 2017 \$'000
Sterling assets	4	17	4	17
Malaysian ringgit assets	-	56	-	-
Japanese yen assets	4,761	4,034	4,761	4,034
Sterling liabilities	(6)	-	(6)	-
Japanese yen liabilities	(1)	(1,115)	(1)	(1,115)
Malaysian ringgit liabilities	-	(67)	-	-
Euro liabilities	(173)	(28)	(173)	(3)
Australian dollar liabilities	(3)	(4)	(3)	(4)

At 31 March 2018, if the foreign currency, on the balances disclosed above, weakened/strengthened against the US dollar by 5% with all other variables held constant, the underlying post-tax profit for the Group for the year would have been \$229,057 higher/lower, and for the Company would have been \$229,057 higher/lower mainly as a result of foreign exchange gains/losses on retranslation of JPY bank accounts and prepaid consumption tax balances.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL RISK MANAGEMENT - continued

b Interest Rate Risk

The Group and Company is exposed to cash flow and structural 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.

Structural interest rate risk arises where assets and liabilities have different re-pricing maturities. The Group and Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches.

At the end of the reporting period the interest rate profile of the Group and Company's interest-bearing financial instruments was as follows:

Interest rate risk:	Group 31 March 2018 \$'000	Group 31 March 2017 \$'000	Company 31 March 2018 \$'000	Company 31 March 2017 \$'000
Financial assets				
- non-interest bearing	22,564	39,831	94,302	39,781
Total Financial Assets	22,564	39,831	94,302	39,781
Financial liabilities				
- variable rate	37,106	38,648	37,106	38,648
- fixed rate	561,107	579,506	561,107	579,506
- non-interest bearing	92,640	94,793	92,658	94,764
Total Financial Liabilities	690,853	712,947	690,871	712,918

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. The Group and Company currently have no active floating-to-fixed interest rate swaps as all active contracts matured during the previous year. At 31 March 2018, if interest rates on financial assets or liabilities with variable interest rates shifted by 10bps, the underlying post-tax profit for the year would have been \$166,908 lower/higher; other components of equity would not have been materially lower/ higher as a result of a decrease/increase in the fair value of cash flow hedge reserve.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL RISK MANAGEMENT - continued

c Liquidity Risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due. The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Any maturity mis-match within the overall long-term structure of the Group and Company's assets and liabilities is managed to ensure that term asset commitments may be funded on an economic basis over their life. The short-term maturity structure of the Group and Company's liabilities and assets is managed on a daily basis to ensure that all cash flow obligations can be met as they arise.

The following are the remaining contractual maturities for the Group and Company at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Group Carrying value 31 March 2018 \$'000	Group Contracted cashflows 31 March 2018 \$'000	Group Carrying value 31 March 2017 \$'000	Group Contracted cashflows 31 March 2017 \$'000
Trade and other payables	90,543	90,543	92,337	92,337
Obligations under finance leases	22,411	24,543	28,329	31,757
Bank borrowings	575,802	679,992	589,825	720,486
Total	688,756	795,078	710,491	844,580
31 March 2018	Group Less than 1 year \$'000	Group 1 to 3 years years \$'000	Group 4 to 5 years \$'000	Group Over 5 years \$'000
Non-derivative financial instruments				
Trade and other payables	31,219	35,431	14,254	9,639
Obligations under finance leases	7,264	15,172	2,107	-
Bank borrowings	41,731	224,190	319,113	94,958
Total non-derivative financial instruments outflows	80,214	274,793	335,474	104,597
Total Outflows	80,214	274,793	335,474	104,597

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL RISK MANAGEMENT - continued

c Liquidity Risk - continued

31 March 2017	Group Less than 1 year \$'000	Group 1 to 3 years years \$'000	Group 4 to 5 years \$'000	Group Over 5 years \$'000
Non-derivative financial instruments				
Trade and other payables	11,630	48,309	21,986	10,412
Obligations under finance leases	7,214	14,576	9,967	-
Bank borrowings	41,046	165,564	205,163	308,713
Total non-derivative financial instruments outflows	59,890	228,449	237,116	319,125
Total Outflows	59,890	228,449	237,116	319,125

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

	Company Carrying value 31 March 2018 \$'000	Company Contracted cashflows 31 March 2018 \$'000	Company Carrying value 31 March 2017 \$'000	Company Contracted cashflows 31 March 2017 \$'000
Trade and other payables	90,563	90,563	92,334	92,334
Obligations under finance leases	22,411	24,543	28,329	31,757
Bank borrowings	575,802	679,992	589,825	720,486
Total	688,776	795,098	710,488	844,577

31 March 2018	Company Less than 1 year \$'000	Company 1 to 3 years years \$'000	Company 4 to 5 years \$'000	Company Over 5 years \$'000
Non-derivative financial instruments				
Trade and other payables	31,239	35,431	14,254	9,639
Obligations under finance leases	7,264	15,172	2,107	-
Bank borrowings	41,731	224,190	319,113	94,958
Total non-derivative financial instruments outflows	80,234	274,793	335,474	104,597
Total Outflows	80,234	274,793	335,474	104,597

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL RISK MANAGEMENT - continued

c Liquidity Risk - continued

31 March 2017	Company Less than 1 year \$'000	Company 1 to 3 years years \$'000	Company 4 to 5 years \$'000	Company Over 5 years \$'000
Non-derivative financial instruments				
Trade and other payables	11,627	48,309	21,986	10,412
Obligations under finance leases	7,214	14,576	9,967	-
Bank borrowings	41,046	165,564	205,163	308,713
Total non-derivative financial instruments outflows	59,887	228,449	237,116	319,125
Total Outflows	59,887	228,449	237,116	319,125

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.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCIAL RISK MANAGEMENT - continued

d Credit Risk - continued

The Group and Company's maximum credit exposure is as follows:

	31 March 2018 \$'000	31 March 2017 \$'000
Amounts with Group undertakings	20,147	35,782
Other including trade debtors	-	-
Credit Exposure	<u>20,147</u>	<u>35,782</u>

Credit risk with respect to trade receivables is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2018, the Group and Company was not exposed to any trade debtors (31 March 2017: \$Nil). The amounts presented in the consolidated Statement of Financial Position are net of allowances for doubtful receivables and gross of collateral held.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The table below provides an analysis of the age of trade debtors for the Group and Company that are due at the end of the reporting period. There were no assets that were individually determined to be impaired as at the end of the reporting period.

	Less than one month \$'000	One to two months \$'000	More than two months \$'000
31 March 2018			
Amounts past due but not impaired			
Lease receivables	-	-	-
31 March 2017			
Amounts past due but not impaired			
Lease receivables	-	-	-

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

At 31 March 2018, the Group and Company had cash deposits of \$5,770,068 with Sumitomo Mitsui Banking Corporation (Credit rating A (S&P)).

e Capital Management

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

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20 DEFERRED TAX

Group and Company

Movements during the year:	\$'000
At 1 April 2016	(7,851)
Charge to income from continuing operations	(4,592)
Charge to other comprehensive income	-
At 31 March 2017	<u>(12,443)</u>
Charge to income from continuing operations	(3,937)
Charge to other comprehensive income	-
At 31 March 2018	<u>(16,380)</u>

21 SHARE CAPITAL

Group and Company

	31 March 2018	31 March 2017
	Number of shares	
Authorised (in accordance with Section 551 of the Companies Act 2006):		
100 Deferred shares of £1	193	193
13,300,000 Ordinary shares of \$1	<u>13,300,000</u>	<u>13,300,000</u>
	<u>13,300,193</u>	<u>13,300,193</u>
	31 March 2018	31 March 2017
Issued, called up and fully paid:	\$	\$
Equity Shares		
11,748,420 Ordinary shares of \$1	11,748,420	11,748,420
Capital Redemption Reserves	<u>3</u>	<u>3</u>
	<u>11,748,423</u>	<u>11,748,423</u>

22 OTHER COMPONENTS OF EQUITY

	31 March 2018	31 March 2017
	\$'000	\$'000
Capital contribution	10,443	10,443
Cash flow hedge reserve	<u>-</u>	<u>-</u>
Total other reserves	<u>10,443</u>	<u>10,443</u>

In 2002 the Company's then immediate parent company, International Aviation Management (CI) Limited, made a non-repayable capital contribution of \$65,000,000 to the Company. The contribution was made absolutely and International Aviation Management (CI) Limited retained no rights, titles or interest

The capital contribution received is non-interest bearing and non-refundable.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

23 OPERATING LEASE ARRANGEMENTS

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

	Group 31 March 2018 \$'000	Group 31 March 2017 \$'000	Company 31 March 2018 \$'000	Company 31 March 2017 \$'000
Within one year	85,001	85,817	85,001	85,817
In the second to fifth years inclusive	306,149	338,995	306,149	338,995
After five years	61,413	55,508	61,413	55,508
	<u>452,563</u>	<u>480,320</u>	<u>452,563</u>	<u>480,320</u>

24 RELATED PARTIES

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

	Group 31 March 2018 \$'000	Group 31 March 2017 \$'000	Company 31 March 2018 \$'000	Company 31 March 2017 \$'000
SMBC Europe Limited				
Transactions during the period:				
Interest income on bank accounts	<u>35</u>	<u>-</u>	<u>35</u>	<u>-</u>
Balances at period end:				
Bank account with group undertakings	<u>2,366</u>	<u>9,758</u>	<u>2,366</u>	<u>9,714</u>
SMBC Aviation Capital Limited				
Transactions during the period:				
Service fees	<u>2,993</u>	<u>3,226</u>	<u>2,993</u>	<u>3,226</u>
Lease rental expense	<u>5,465</u>	<u>5,465</u>	<u>5,465</u>	<u>5,465</u>
Balances at period end:				
Headlease/Sublease arrangements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts due from group undertakings	<u>(14,377)</u>	<u>(11,024)</u>	<u>(14,377)</u>	<u>(11,024)</u>
SMBC (Japan)				
Transactions during the period:				
Other fees paid	<u>-</u>	<u>217</u>	<u>-</u>	<u>217</u>

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

24 RELATED PARTIES - continued

	Group 31 March 2018 \$'000	Group 31 March 2017 \$'000	Company 31 March 2018 \$'000	Company 31 March 2017 \$'000
SMBC (New York)				
Transactions during the period:				
Interest payable on borrowings	28,779	29,994	28,779	29,994
Guarantees and other fees paid	<u>297</u>	<u>312</u>	<u>297</u>	<u>312</u>
Balances at period end:				
Bank account with group undertakings	3,404	14,994	3,404	14,994
Loan amount due to group undertakings	575,802	589,825	575,802	589,825
Accruals	<u>1,443</u>	<u>1,466</u>	<u>1,443</u>	<u>1,466</u>
SMBC (Malaysia)				
Balances at period end:				
Bank account with group undertakings	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>

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

RELATED PARTY TRANSACTIONS - KEY MANAGEMENT PERSONNEL

Key management includes directors (executive and non-executive). No compensation was paid or is payable to key management personnel during the year (2017: \$Nil).

25 CAPITAL COMMITMENTS

The Group has existing pre-delivery payment commitments totalling \$10.2 million (31 March 2017: \$Nil). The Group has no other capital commitments as at 31 March 2018 (2017: \$Nil).

26 CONTINGENT LIABILITIES

Neither the Group nor Company had any contingent liabilities at 31 March 2018 (2017: \$Nil).

27 SUBSEQUENT EVENTS

On 23 April 2018, Mr. B. Haga and Mr. I. Sakata resigned as Directors and Mr. K. Kawamura and Mr. K. Tanaka were appointed as Directors. On 24 April 2018, Mr. T. Yoneyama resigned as a Director and Mr. T. Yamana was appointed as Director. There were no other significant post balance sheet events.

28 APPROVAL OF FINANCIAL STATEMENTS

The Directors approved these Financial Statements on 19 June 2018.