

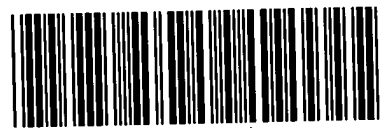
**Company Registration No: 04985584**

**SMBC AVIATION CAPITAL (UK) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 March 2023**

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## **SMBC AVIATION CAPITAL (UK) LIMITED**

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## **SMBC AVIATION CAPITAL (UK) LIMITED**

### **DIRECTORS AND OTHER INFORMATION**

<b>DIRECTORS:</b>	P Barrett	(Irish)
	A Kenny	(Irish)
	K Kawamura	(Japanese)
	K Tanaka	(Japanese)
	L Butcher	(British)
	A Mitton	(British)
	M Yorke	(British)

**REGISTERED OFFICE:** c/o TMF Group  
8th Floor  
20 Farringdon Street  
London  
EC4A 4AB  
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

<b>BANKS:</b>	SMBC Bank International plc 100 Liverpool Street London EC2M 2AT 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 SMBC Aviation Capital (UK) Limited ("the 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 Company also provides financial solutions and brokerage services to the airline and airline related industry in connection with financing and refinancing.

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

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

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

The 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.

The Covid-19 pandemic has had a significant impact on the aircraft leasing industry due to the widespread grounding of our airline customers' fleets. Separately, while no direct exposure for this Company, management also continues to monitor the impact of sanctions imposed on the Russian Federation with the risks noted above heightened until the impact of the Russian crisis subsides.

For further detail on the principal financial risks and the Company's policy for minimising these financial risks, refer to note 18.

## **SMBC AVIATION CAPITAL (UK) LIMITED**

### **STRATEGIC REPORT - continued**

#### **FINANCIAL KEY PERFORMANCE INDICATORS**

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

##### **PROFIT FROM OPERATING ACTIVITIES**

Profit from operating activities for the year was \$23.0m (31 March 2022: \$24.6m). The primary cause of this decrease was additional maintenance income earned on the return of an aircraft to the Company at the end of its lease negated by higher overall depreciation.

##### **PROPERTY, PLANT AND EQUIPMENT**

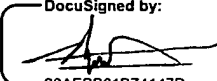
There was a decrease of \$178.1m in the carrying value of property, plant and equipment during the year. This was mainly due to the sale of six aircraft during the year.

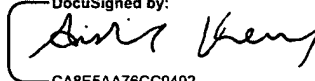
The Company has one aircraft on lease (comprising \$32.0 million or 12.9% of net book value) which is scheduled to complete its lease term within the next twelve months. All of the Company's aircraft are on lease at year-end.

##### **FUTURE OUTLOOK**

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

The Strategic Report for the year ended 31 March 2023 was approved by the Board of Directors on 14 July 2023.

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L Butcher  
Director

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A Kenny  
Director

## **SMBC AVIATION CAPITAL (UK) LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and the financial statements of the Company for the year ended 31 March 2023. The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of Companies Act 2006.

### **RESULTS AND DIVIDENDS**

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

The Company's financial performance is presented in the statement of comprehensive income.

At the end of the financial year 31 March 2023, income was \$81.2m (31 March 2022: \$63.2m) while depreciation, asset and credit impairment and other operating expenses totalled \$58.2m (31 March 2022: \$38.6m). The total comprehensive income for the year was \$16.6m (31 March 2022: \$8.1m).

At the end of the financial year, the financial position showed total assets of \$377.8m (at 31 March 2022: \$495.5m). The net book value of property, plant and equipment was \$248.9m at the financial year end (at 31 March 2022: \$426.9m).

The Company did not pay a dividend during the period (31 March 2022: \$nil).

### **GOING CONCERN**

The 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 Company. In addition, also as noted above, note 18 to the financial statements includes: the objectives, policies and processes for managing capital; the financial risk management objectives; details of financial instruments; and the exposures to credit risk and liquidity risk, to the extent that these were in place at 31 March 2023 and the preceding year.

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

The Directors have considered the cash position and resources available to the Company, which, along with related forecasts, provide comfort over the sustainability of the Company given the strong financial position. The Directors also continue to monitor the impact of the Covid-19 outbreak and the Russia crisis, along with the support of the key service providers.

## **SMBC AVIATION CAPITAL (UK) LIMITED**

### **DIRECTORS' REPORT - continued**

#### **GOING CONCERN - continued**

As at 31 March 2023, the Company had access to \$6.5bn of undrawn credit approved shareholder funding, which is also available to its associate company, SMBC Aviation Capital Limited. At the same date, the Company also had short-term debt repayment obligations (due within 12 months) totalling \$65.3m and other current liabilities of \$21.8m. The short-term debt obligations are shareholder funding repayments, which will become available as additional capacity on repayment. Other current liabilities include prepaid lease rentals and fee income of \$1.6m and amounts payable to direct affiliates and other parent group undertakings of \$6.1m. Maintenance reserves and lessor contributions totalling \$31.1m are also included and fall due during the remaining term of each respective lease based on the timing of expected maintenance events. These events may occur later than expected due to the high level of grounding of lessee aircraft at the moment.

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

#### **SUBSEQUENT EVENTS**

The Company have evaluated the events that have occurred subsequent to 31 March 2023. The evaluation includes a review of leasing activity and payment performance of lessees.

On 14 July 2023, Mr. R. Matsuo was appointed as Director while Mr. K. Kawamura also resigned on this date.

The Company is not aware of any other material events that would require recognition in the 31 March 2023 financial statements, other than the matters presented elsewhere in the financial statements.

#### **POLITICAL DONATIONS**

The Company did not make any political donations in the year ended 31 March 2023 (2022: \$Nil).

#### **BOOKS OF ACCOUNT**

The Directors are responsible for ensuring that proper books and accounting records are kept by the 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 Company are maintained c/o TMF Group, 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom.

#### **INDEPENDENT AUDITOR**

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

**SMBC AVIATION CAPITAL (UK) LIMITED****DIRECTORS' REPORT - continued****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 2006.

**DIRECTORS AND SECRETARY**

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

<b>Directors</b>	<b>Appointed</b>
A Kenny	Appointed 9 June 2022
M Yorke	Appointed 9 June 2022
A Mitton	Appointed 4 October 2022
R Matsuo	Appointed 14 July 2023

<b>Directors</b>	<b>Resigned</b>
T Yamana	Resigned 1 April 2022
B Flannery	Resigned 9 June 2022
M Rutherford	Resigned 26 August 2022
K Kawamura	Resigned 14 July 2023

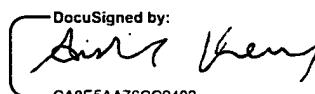
None of the Directors held an interest in the share capital or the loan capital of the Company, or in the shares or loan capital of any of the subsidiary undertakings of the Company.

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

Director:	Description of shares	Shares held at 31 March 2023	Shares held at 1 April 2022 or date of appointment, if later
R Matsuo	Sumitomo Corporation Ordinary Shares	12,000	12,000
K Tanaka	Sumitomo Mitsui Financial Group Ordinary Shares	1,400	1,400

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

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**L Butcher**  
 Director  
 Date: 14 July 2023

DocuSigned by:  
  
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**A Kenny**  
 Director  
 Date: 14 July 2023



## 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 annual report and the financial statements in accordance with applicable law and regulations.


Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

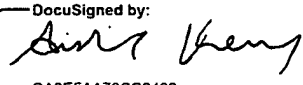
Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

DocuSigned by:  
  
28AE8B01B74147D...  
L Butcher  
Director  
Date: 14 July 2023

DocuSigned by:  
  
CABE5AA76CC9402...  
A Kenny  
Director  
Date: 14 July 2023



KPMG  
Audit  
1 Harbourmaster Place  
IFSC  
Dublin 1  
D01 F6F5  
Ireland

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

### **Report on the audit of the financial statements**

#### ***Opinion***

We have audited the financial statements of SMBC Aviation Capital (UK) Limited ('the Company') for the year ended 31 March 2023 set out on pages 14 to 42, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and UK adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been 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 the 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.

#### ***Conclusions relating to going concern***

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.



Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

### **Detecting irregularities including fraud**

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included: inquiring with the directors as to the Company's policies and procedures regarding compliance with laws and regulations and prevention and detection of fraud; inquiring whether the directors have knowledge of any actual or suspected non-compliance with laws or regulations or alleged fraud; inspecting the Company's regulatory and legal correspondence; and reading Board minutes.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

The Company is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

The Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, environmental law. Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition

In response to risk of fraud, we also performed procedures including: identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; evaluating the business purpose of significant unusual transactions; assessing significant accounting estimates for bias; and assessing the disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly



planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### ***Other information***

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic report and the directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### **Opinions on other matters prescribed by the Companies Act 2006**

Based solely on our work on the other information undertaken during the course of the audit:

- 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 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 in these respects.

### **Respective responsibilities and restrictions on use**

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a



true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities or error, and to issue an opinion in an auditor's report. 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, other irregularities 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](http://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.

**Killian Croke (Senior Statutory Auditor)**  
**for and on behalf of**  
**KPMG Statutory Auditor**  
*1 Harbourmaster Place*  
*IFSC*  
*Dublin 1*  
*Ireland*

**14 July 2023**

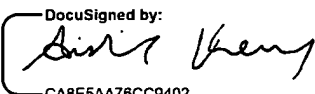
SMBC AVIATION CAPITAL (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 March 2023

	Note	Year ended 31 March 2023 US \$'000	Year ended 31 March 2022 US \$'000
<b>CONTINUING OPERATIONS</b>			
<b>Income</b>			
Revenue	2	79,875	63,100
Other operating income	3	1,288	78
		<b>81,163</b>	<b>63,178</b>
<b>Expenses</b>			
Depreciation	9	(54,945)	(34,762)
Asset impairment charge	9	(1,580)	(2,497)
Credit impairment (charge) / credit	12	0	416
Operating expenses	4	(1,682)	(1,762)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	5	<b>22,956</b>	<b>24,573</b>
Finance income	7	1,105	68
Finance expense	7	(5,261)	(11,038)
<b>NET FINANCE COSTS</b>		<b>(4,156)</b>	<b>(10,970)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>18,800</b>	<b>13,603</b>
Tax expense	8	(2,231)	(5,493)
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>16,569</b>	<b>8,110</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>16,569</b>	<b>8,110</b>

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

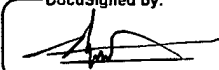
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L Butcher  
Director  
Date: 14 July 2023

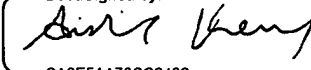
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A Kenny  
Director  
Date: 14 July 2023

**SMBC AVIATION CAPITAL (UK) LIMITED****STATEMENT OF FINANCIAL POSITION  
as at 31 March 2023**

		31 March 2023 US \$'000	31 March 2022 US \$'000
	Note		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	248,863	426,932
Loan receivables	10	55,896	-
Lease incentive asset	14	13,063	5,625
Other receivables	12	-	534
		<u>317,822</u>	<u>433,091</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	54,043	60,139
Cash and cash equivalents	13	2,373	666
Lease incentive asset	14	3,588	1,624
		<u>60,004</u>	<u>62,429</u>
<b>TOTAL ASSETS</b>		<u><u>377,826</u></u>	<u><u>495,520</u></u>
<b>EQUITY</b>			
Share capital	20	11,748	11,748
Other components of equity	21	26,783	26,783
Retained earnings		<u>184,083</u>	<u>167,514</u>
<b>TOTAL EQUITY</b>		<u><u>222,614</u></u>	<u><u>206,045</u></u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	15	32,544	8,759
Borrowings	17	22,024	87,305
Deferred tax liabilities	19	<u>13,598</u>	<u>26,481</u>
		<u>68,166</u>	<u>122,545</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	19,761	26,457
Accruals, deferred income and other liabilities	16	2,005	3,026
Borrowings	17	<u>65,280</u>	<u>137,447</u>
		<u>87,046</u>	<u>166,930</u>
<b>TOTAL LIABILITIES</b>		<u><u>155,212</u></u>	<u><u>289,475</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>377,826</u></u>	<u><u>495,520</u></u>

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

DocuSigned by:  
  
 28AE8B01B74147D...  
**L Butcher**  
 Director

DocuSigned by:  
  
 CA8E5AA76CC9402...  
**A Kenny**  
 Director

**ABC AVIATION CAPITAL (UK) LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**as at 31 March 2023**

	Share Capital US \$'000	Other Reserves (incl. Share Premium) US \$'000	Retained Earnings US \$'000	Total Equity US \$'000
<b>BALANCE AT 1 APRIL 2021</b>	11,748	26,783	159,404	197,935
<b>total comprehensive income</b>				
profit for the year	-	-	8,110	8,110
	-	-	8,110	8,110
<b>BALANCE AT 31 MARCH 2022</b>	11,748	26,783	167,514	206,045
<b>total comprehensive income</b>				
profit for the year	-	-	16,569	16,569
	-	-	16,569	16,569
<b>BALANCE AT 31 MARCH 2023</b>	<u>11,748</u>	<u>26,783</u>	<u>184,083</u>	<u>222,614</u>

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



**SMBC AVIATION CAPITAL (UK) LIMITED****STATEMENT OF CASH FLOWS**  
**for the year ended 31 March 2023**

		Year ended 31 March 2023 US \$'000	Year ended 31 March 2022 US \$'000
	Note		
<b>PROFIT BEFORE TAX</b>		18,800	13,603
Adjustments for:			
Depreciation of property, plant and equipment	9	54,945	34,762
Impairment of property, plant and equipment	9	1,580	2,497
Lease incentive asset amortisation	14	2,377	1,609
Credit impairment (charge) / credit	12	-	(416)
Interest expense	7	5,261	11,038
		<u>83,234</u>	<u>63,093</u>
Increase in receivables		(46,622)	(32,705)
Increase / (decrease) in payables		<u>16,495</u>	<u>(3,552)</u>
<b>CASH GENERATED BY OPERATIONS</b>		53,107	26,836
Income taxes paid		(16,571)	(1,285)
Interest paid		<u>(6,381)</u>	<u>(11,074)</u>
<b>NET CASH FROM OPERATING ACTIVITIES:</b>		30,155	14,477
<b>INVESTING ACTIVITIES</b>			
Proceeds on disposal of property, plant and equipment		109,573	-
Purchases of property, plant and equipment		<u>(79)</u>	<u>(38)</u>
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>		<u>109,494</u>	<u>(38)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of indebtedness		<u>(137,448)</u>	<u>(14,839)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(137,448)</u>	<u>(14,839)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		(494)	(37)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,707	(437)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<u>666</u>	<u>1,103</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	13	<u><u>2,373</u></u>	<u><u>666</u></u>

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 Company") is incorporated in the UK and registered in England and Wales.

The address of the Company's registered office is c/o TMF Group, 8th Floor, 20 Farringdon Street, London, EC4A 4AB.

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

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

The Company's activities are capital intensive by their nature, and have been funded with a combination of equity and debt capital provided by its shareholders. The ability of the Company to continue to operate is dependent upon (among other matters) its ability to meet (i) its debt repayment obligations under the respective loan agreements as set out in note 17 'Borrowings' and (ii) its future aircraft purchases as set out in note 24 'Capital Commitments'. The Company has considerable financial resources (see undrawn facilities as described in note 18 'Financial Risk Management') together with long-term lease contracts with airline operators across different geographic areas (see note 22 'Operating Lease Arrangements as Lessor'). As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

In determining the going concern basis of preparation of the financial statements, the Directors have also considered the impact of current developments in the Covid-19 situation as well as the sanctions imposed on Russia on the Company and its customers. The Directors have considered the cash position and resources available to the Company, which, along with related forecasts, provide comfort over the sustainability of the Company given the strong financial position. The Directors continue to monitor the impact of the Covid-19 outbreak and the Russia crisis, along with the support of the key service providers.

##### b ESTIMATES AND JUDGEMENTS

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

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

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

**SMBC AVIATION CAPITAL (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**1 SIGNIFICANT ACCOUNTING POLICIES - continued**

**b ESTIMATES AND JUDGEMENTS - continued**

*Note 12 – Credit impairment provisions:* The Company recognizes an expected credit loss for financial assets in accordance with IFRS 9 – Financial Instruments. The material judgements in respect of lease receivables include the estimation of both the timing and quantum of expected losses. The Company assigns a credit rating to each counterparty which is determined to be predictive of the probability of default and loss given default, having considered collateral arrangements, relevant external ratings, the financial result and position of the airline customer and the experienced credit judgment of the dedicated credit analyst team.

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

**c INCOME UNDER FINANCE AND OPERATING LEASES**

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

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

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

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

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

**d FEE INCOME**

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

**e 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.

**f 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.

## **SMBC AVIATION CAPITAL (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **f TAXATION - continued**

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.

##### **g 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.

##### **h LEASES**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

###### **i. As a lessor**

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Company's net investment outstanding in respect of the leases.

###### **ii. As a lessee**

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

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

## SMBC AVIATION CAPITAL (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 SIGNIFICANT ACCOUNTING POLICIES - continued

##### h LEASES - continued

###### ii. As a lessee - continued

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

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

##### i 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 Statement of 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 Company's practice to hold aircraft for an average period of 5 years. Because of this, the 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 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.

##### j IMPAIRMENT OF NON-FINANCIAL ASSETS

Long-term tangible and intangible assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Value in use includes cash flow projections of contracted and estimated lease rentals, with probabilities assigned to such cash flows where expected outcomes may vary. When assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have suffered impairment losses are reviewed for possible reversal of the impairment at each reporting date.

## **SMBC AVIATION CAPITAL (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1 SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **k FINANCIAL INSTRUMENTS**

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

The 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.

A financial asset is recognised in the Statement of Financial Position only when the Company becomes party to its contractual provisions. 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 substantially all the risks and rewards of ownership. Financial liabilities are initially recognised at fair value, less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

##### **l PROVISIONS**

A provision is recognised if, as a result of a past event, the 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.

##### **m 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.

##### **n 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 Company to contribute to the lessee's cost of the next planned major maintenance events, expected to occur during the lease.

## SMBC AVIATION CAPITAL (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 SIGNIFICANT ACCOUNTING POLICIES - continued

##### o MAINTENANCE RESERVES

All cash maintenance reserves collected under the lease agreements are recognised on the 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 Company settles the full obligation in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

##### p PROFIT FROM OPERATING ACTIVITIES

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

##### q 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.

##### r NEW STANDARDS ADOPTION AND AMENDMENTS TO IFRS

There were no new accounting standards / amendments to standards effective for annual periods beginning 1 January 2022 apart from minor amendments to IFRSs through both standalone amendments and through the *Annual Improvements to IFRS Standards 2018 – 2020* cycle. None of these had a significant impact on reported results or disclosures.

The Company has not early adopted any other standard or amendment that has been issued but is not yet effective.

*Other standards, amendments to standards and interpretations not yet effective*

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

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

These are all effective for annual periods beginning on or after 1 January 2023 (unless otherwise noted). The Group and Company have taken the decision not to adopt these amended standards and interpretations early. The impact of these amended standards and interpretations is not expected to be material.

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****2 REVENUE**

	Year ended 31 March 2023 US \$'000	Year ended 31 March 2022 US \$'000
Operating leases:		
Rentals receivable	38,474	46,143
Lease incentive amortisation (note 14)	(2,377)	(1,609)
Other maintenance income / (expense)	<u>43,778</u>	<u>18,566</u>
	<u><u>79,875</u></u>	<u><u>63,100</u></u>
Included in the above are the following amounts:		
Contingent rentals	<u><u>-</u></u>	<u><u>1,067</u></u>

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

The Company derives almost 100% of its lease revenue from Asian airline customers.

**3 OTHER OPERATING INCOME**

	Year ended 31 March 2023 US \$'000	Year ended 31 March 2022 US \$'000
Loss on disposal of property, plant and equipment	(271)	-
Other operating income	<u>1,559</u>	<u>78</u>
	<u><u>1,288</u></u>	<u><u>78</u></u>

Other operating income include amortising fees earned for arranging the sale of third party aircraft.

**4 OPERATING EXPENSES**

	Year ended 31 March 2023 US \$'000	Year ended 31 March 2022 US \$'000
Management fees paid to group undertaking - immediate parent	117	181
Management fees paid to group affiliates	1,189	1,362
Other costs	<u>376</u>	<u>219</u>
	<u><u>1,682</u></u>	<u><u>1,762</u></u>



**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****5 PROFIT FROM OPERATING ACTIVITIES**

Year ended	Year ended
31 March	31 March
2023	2022
US \$'000	US \$'000

Operating profit has been arrived at after charging / (crediting):

Depreciation on assets held for hire under operating leases	54,945	34,762
Asset impairment charge	1,580	2,497
Credit impairment (credit) / charge	-	(416)
Auditors remuneration	57	113
Other operating expenses	319	106
Foreign exchange gain	(361)	(59)

Year ended	Year ended
31 March	31 March
2023	2022
US \$'000	US \$'000

Auditors remuneration exclusive of VAT

- Audit of individual company accounts	29	27
- Other assurance services	-	-
- Other non-audit services	-	-
- Tax advisory services	28	86
	57	113

**6 STAFF COSTS**

Year ended	Year ended
31 March	31 March
2023	2022
US \$'000	US \$'000

Staff costs	275	58
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The average number of employees for the financial year was one (year ended 31 March 2022: one). The Directors of the Company do not receive remuneration for specific services provided to the Company.

**7 FINANCE COSTS**

Year ended	Year ended
31 March	31 March
2023	2022
US \$'000	US \$'000

Finance income:

Interest income on deposits	744	9
FX gain	361	59
Total interest income	1,105	68

Finance costs:

Interest payable on borrowings	(5,261)	(11,038)
Interest payable on maintenance reserves	-	-
Total interest payable and related charges	(5,261)	(11,038)
Net interest payable	(4,156)	(10,970)

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****8 TAXATION**

	Year ended 31 March 2023 US \$'000	Year ended 31 March 2022 US \$'000
<b>a ANALYSIS OF TAX CHARGE FOR THE YEAR</b>		
Current tax charge:		
- Current year	<u>15,114</u>	<u>2,476</u>
Deferred tax - origination and reversal of temporary differences:		
- Current year	<u>(12,883)</u>	<u>3,017</u>
Tax charge	<u><u>2,231</u></u>	<u><u>5,493</u></u>
<b>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 2022: 19%) as follows:</b>		
Profit before tax	<u><u>18,800</u></u>	<u><u>13,603</u></u>
Tax on profit at the rate of 19% (year to 31 March 2022: 19%)	3,572	2,585
Expenses not deductible for tax purposes	-	1,581
Tax losses utilised / (carried forward)	(791)	-
Impact of rate change of UK corporation tax on opening deferred tax liability	162	3,100
Adjustments to tax charge in respect of prior periods	<u>(712)</u>	<u>(1,773)</u>
Tax charge	<u><u>2,231</u></u>	<u><u>5,493</u></u>

The UK tax rate increased to 25% from 1 April 2023. The UK deferred tax liability as at 31 March 2023, which is expected to unwind post 1 April 2023, has therefore been calculated at this rate.

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****9 PROPERTY, PLANT AND EQUIPMENT**

Aircraft for  
hire under  
operating  
leases  
US \$'000

**Cost:**

At 1 April 2021  
Additions

580,379  
38

At 31 March 2022

580,417

At 1 April 2022  
Additions  
Disposals

580,417  
331  
(246,785)

At 31 March 2023

333,963

**Accumulated Depreciation:**

At 1 April 2021  
Charge for the year  
Impairment charge for the year

116,226  
34,762  
2,497

At 31 March 2022

153,485

At 1 April 2022  
Charge for the year  
Impairment charge for the year  
Disposals

153,485  
54,945  
1,580  
(124,910)

At 31 March 2023

85,100

Net Book Value at 31 March 2023

248,863

Net Book Value at 31 March 2022

426,932

Depreciation charge is shown on the face of the statement of comprehensive income for assets for hire under operating leases.

During the year, assets in the Company with a carrying value of \$61,868,798 (year ended 31 March 2022: \$116,019,862) and average age of 10.1 years (year ended 31 March 2022: 8.3 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 a discount rate of 6% (year ended March 2022: 5%) depending on the nature of the cash flows assessed, as well as restructured lease cash flows related to aircraft where lessees were in default or restructuring processes.

In the impairment assessment, the carrying amount of \$63,449,037 (year ended 31 March 2022: \$118,516,868) of aircraft was determined to be higher than the value in use of \$61,868,798 (year ended 31 March 2022: \$116,019,862) and an impairment loss of \$1,580,239 (year ended 31 March 2022: \$2,497,006) was recognised.

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****9 PROPERTY, PLANT AND EQUIPMENT - continued**

Value in use includes cash flow projections of contracted and estimated lease rentals in line with market participant expectations, including reduced lease rentals for airlines that have entered restructuring processes. In certain instances these cash flow projections may also include potential cash outflows in respect of near-term scheduled maintenance events. Cash flow assumptions applied for these lease restructurings and for customers with ongoing restructuring negotiations, have been assessed and the highly probable outcomes have been included in line with the customer specific circumstances. If future cash flows were to deviate from current negotiations to worst-case cash flows at market rates, the impact on impairment would be deemed not material. Residual values are projected based on management's view of expected return conditions of the aircraft which is based on current or expected lease redelivery conditions, or in the case of potential reposessions on an 'as is' physical condition. The impairment loss recognised takes account of both the value in use and the maintenance adjusted current market value of the relevant aircraft.

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, future projected lease rates, transition costs, estimated time on the ground, estimated residual values, economic conditions, technology and airline demand for particular aircraft variants. These estimated cashflows were discounted at 6% (year ended 31 March 2022: 5%) per annum.

A sensitivity analysis was performed to determine the potential impact of the below movements in the various risk variables:

- 0.5% increase in the discount rate used
- 5% decrease in the future lease rental cashflows of each aircraft
- 5% decrease in the residual value of aircraft at end of its useful economic life
- 3 month increase in the estimated time on the ground between leases

None of the above movements in risk variables would have resulted in a material impact on the impairment charge for property, plant and equipment for the current or prior year.

On 31 March 2023, the Company had no qualifying assets classified as assets held for sale.

**10 LOAN RECEIVABLES**

	31 March 2023 US \$'000	31 March 2022 US \$'000
Loan amount due from parent group undertakings	<u>55,896</u>	<u>-</u>
Total loan receivables	<u><u>55,896</u></u>	<u><u>-</u></u>

During the year the Company also extended three unsecured, interest-bearing loans (average rate 6.94%) to an associated group entity, SMBC Aviation Capital Limited, with full settlement at maturity dates in 2025.

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****11 FINANCIAL INSTRUMENTS**

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

31 March 2023	Carrying Value US \$'000	Fair Value US \$'000
Financial assets measured at amortised cost		
Loan receivables	55,896	55,896
Trade and other receivables	51,934	51,934
Cash and cash equivalents	2,373	2,373
Financial assets	<u>110,203</u>	<u>110,203</u>
Financial liabilities measured at amortised cost:		
Accruals & trade and other payables	(54,310)	(54,310)
Borrowings	(87,304)	(97,163)
Financial liabilities	<u>(141,614)</u>	<u>(151,473)</u>
31 March 2022	Carrying Value US \$'000	Fair Value US \$'000
Financial assets measured at amortised cost		
Trade and other receivables	60,556	60,556
Cash and cash equivalents	666	666
Financial assets	<u>61,222</u>	<u>61,222</u>
Financial liabilities measured at amortised cost:		
Accruals & trade and other payables	(38,242)	(38,242)
Borrowings	(224,752)	(229,032)
Financial liabilities	<u>(262,994)</u>	<u>(267,274)</u>

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

The levels have been defined as follows:

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

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

**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.

**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 Company 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.

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

<b>12 TRADE AND OTHER RECEIVABLES</b>	<b>31 March 2023 US \$'000</b>	<b>31 March 2022 US \$'000</b>
Corporation tax recoverable	2,109	-
Trade debtors	290	325
Prepaid expenses	-	117
Other receivables	<u>51,644</u>	<u>59,697</u>
Trade and Other Receivables - Current	54,043	60,139
Trade and Other Receivables - Non current	<u>-</u>	<u>534</u>
	<u><u>54,043</u></u>	<u><u>60,673</u></u>

Trade debtors is shown net of credit impairment provisions of \$nil (31 March 2022: \$nil). During the prior year, receivables totalling \$1.15m (previously fully provided against) were written off after the completion of restructured leases with certain airline customers (current year \$nil). Further credit impairment provisions of \$0.4m were also released during the prior period (current year \$nil) due to the improved payment performance of airline customers.

Other receivables consist of balances receivable from an associate company, SMBC Aviation Capital Limited, and consist mainly of cash balances held at period-end on the Company's behalf in accordance with existing cash pooling agreements. These amounts are due on demand and are not interest bearing.

<b>13 CASH AND CASH EQUIVALENTS</b>	<b>31 March 2023 US \$'000</b>	<b>31 March 2022 US \$'000</b>
Bank account	<u>2,373</u>	<u>666</u>
	<u><u>2,373</u></u>	<u><u>666</u></u>

The Company does not hold any restricted cash at period-end (31 March 2022: \$nil).

<b>14 LEASE INCENTIVE ASSET</b>	<b>31 March 2023 US \$'000</b>	<b>31 March 2022 US \$'000</b>
Lease incentive asset	7,249	8,708
Additions of lease incentive assets	11,779	150
Amortised during the year	<u>(2,377)</u>	<u>(1,609)</u>
	<u><u>16,651</u></u>	<u><u>7,249</u></u>
Current lease incentive asset (amortising within 12 months)	3,588	1,624
Non-current lease incentive asset (amortising after 12 months)	<u>13,063</u>	<u>5,625</u>
	<u><u>16,651</u></u>	<u><u>7,249</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**

	31 March 2023 US \$'000	31 March 2022 US \$'000
Security Deposits	1,447	2,860
Maintenance Reserves	9,925	12,707
Lessor Contributions	21,172	9,393
Payments received on account		
Other creditors	13,630	9,500
VAT Payable	-	-
Amounts due to group undertakings	<u>6,131</u>	<u>756</u>
	<u>52,305</u>	<u>35,216</u>
Analysed as:		
Non-current trade and other - payables (payable after 12 months)	32,544	8,759
Current trade and other - payables (payable within 12 months)	<u>19,761</u>	<u>26,457</u>
	<u>52,305</u>	<u>35,216</u>

Analysis of trade and other payables:	Due < 12 months US \$'000	Due > 12 months US \$'000	Total US \$'000
As at 31 March 2023			
Security Deposits	-	1,447	1,447
Maintenance Reserves	-	9,925	9,925
Lessor Contributions	-	21,172	21,172
Other creditors	13,630	-	13,630
Amounts due to group undertakings	<u>6,131</u>	<u>-</u>	<u>6,131</u>
	<u>19,761</u>	<u>32,544</u>	<u>52,305</u>
As at 31 March 2022			
Security Deposits	1,033	1,827	2,860
Maintenance Reserves	5,775	6,932	12,707
Lessor Contributions	9,393	-	9,393
Other creditors	9,500	-	9,500
Amounts due to group undertakings	<u>756</u>	<u>-</u>	<u>756</u>
	<u>26,457</u>	<u>8,759</u>	<u>35,216</u>

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

Amounts due to group undertakings are repayable within twelve months, unsecured and do not accrue interest.

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

<b>16 ACCRUALS, DEFERRED INCOME AND OTHER LIABILITIES</b>	<b>31 March 2023 US \$'000</b>	<b>31 March 2022 US \$'000</b>
Accruals	409	644
Deferred income	<u>1,596</u>	<u>2,382</u>
	2,005	3,026
Deferred income in relation to periods after 12 months	<u>-</u>	<u>-</u>
	<u><u>2,005</u></u>	<u><u>3,026</u></u>

All Accruals, deferred income and other liabilities of the Company are payable within 12 months unless indicated otherwise above.

<b>17 BORROWINGS</b>	<b>31 March 2023 US \$'000</b>	<b>31 March 2022 US \$'000</b>
Loan amount due to group undertakings		
Fixed rate, unsecured	<u>87,304</u>	<u>224,752</u>
	<u><u>87,304</u></u>	<u><u>224,752</u></u>
The borrowings are repayable as follows:		
Amounts due for settlement within 12 months	65,280	137,447
Amounts due for settlement after 12 months	<u>22,024</u>	<u>87,305</u>
	<u><u>87,304</u></u>	<u><u>224,752</u></u>

Reconciliation of movements of borrowings:	1 April 2022 US \$'000	Proceeds from new borrowings	Repayment of borrowings	31 March 2023 US \$'000
Loan amount due to group undertakings				
Fixed rate, unsecured	<u>224,752</u>	<u>-</u>	<u>(137,448)</u>	<u>87,304</u>
	<u><u>224,752</u></u>	<u><u>-</u></u>	<u><u>(137,448)</u></u>	<u><u>87,304</u></u>

The fixed rate facilities will mature between 2023-2026 (2022: 2022-2026) with a weighted average interest rate of 4.63% (2022: 4.76%).



**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****18 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 Company. The Board of Directors, in conjunction with the Transportation Business Planning Department ("TBPD") on behalf of the Consortium, develops and monitors the risk management policies of the Company which are established to identify and analyse the risks faced by the 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 Company seek to minimise cash flow currency risk by ensuring its leases and associated financing are in the same currency.

It is the 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:

	31 March 2023 US \$'000	31 March 2022 US \$'000
Sterling assets	2,734	3,429
Euro assets	-	-
Japanese yen assets	2,814	700
Sterling liabilities	(26)	(3,404)
Japanese yen liabilities	(2,339)	(1,021)
Euro liabilities	(79)	(137)
Australian dollar liabilities	(4)	(7)

At 31 March 2023, if the foreign currency, on the balances disclosed above, weakened/strengthened against the US dollar by 5% with all other variables held constant, the underlying post-tax profit for the Company for the year would have been \$155,035 higher/lower as a result of foreign exchange gains/losses on retranslation of prepaid GBP-denominated corporation tax and net JPY-denominated Japanese Consumption Tax liability balances respectively.

**b Interest Rate Risk**

The 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 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.

Structural interest rate risk arises where assets and liabilities have different re-pricing maturities. The 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.

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****18 FINANCIAL RISK MANAGEMENT - continued****b Interest Rate Risk - continued**

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

Interest rate risk:	31 March 2023 US \$'000	31 March 2022 US \$'000
Financial assets		
- variable rate	55,896	-
- non-interest bearing	54,307	61,222
Total Financial Assets	<u>110,203</u>	<u>61,222</u>
Financial liabilities		
- fixed rate	87,304	224,752
- non-interest bearing	54,310	38,242
Total Financial Liabilities	<u>141,614</u>	<u>262,994</u>

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps where required. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Company currently have no active floating-to-fixed interest rate swaps. At 31 March 2023, if interest rates on financial assets or liabilities with variable interest rates shifted by 10bps, the underlying post-tax profit for the year would not have been materially different.

**c Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. As at 31 March 2023, the Company had put in place \$6.5 billion of available capacity through a combination of undrawn shareholder funding (\$6.5 billion), which is also available to its associate company, SMBC Aviation Capital Limited, and unrestricted cash balances. Any maturity mismatch within the overall long-term structure of the 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 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 Company at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying value 31 March 2023 US \$'000	Contracted cashflows 31 March 2023 US \$'000	Carrying value 31 March 2022 US \$'000	Contracted cashflows 31 March 2022 US \$'000
Trade and other payables	52,305	52,305	35,216	35,216
Bank borrowings	<u>87,304</u>	<u>92,303</u>	<u>224,752</u>	<u>237,062</u>
Total	<u>139,609</u>	<u>144,608</u>	<u>259,968</u>	<u>272,278</u>

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****18 FINANCIAL RISK MANAGEMENT - continued****c Liquidity Risk - continued**

31 March 2023	Less than 1 year US \$'000	1 to 3 years years US \$'000	4 to 5 years US \$'000	Over 5 years US \$'000
Non-derivative financial instruments				
Trade and other payables	19,759	-	10,565	21,981
Bank borrowings	67,795	3,874	20,634	-
Total non-derivative financial instruments outflows	87,554	3,874	31,199	21,981
Total Outflows	87,554	3,874	31,199	21,981
31 March 2022	Less than 1 year US \$'000	1 to 3 years years US \$'000	4 to 5 years US \$'000	Over 5 years US \$'000
Non-derivative financial instruments				
Trade and other payables	8,563	16,147	912	9,594
Bank borrowings	144,759	69,754	22,549	-
Total non-derivative financial instruments outflows	153,322	85,901	23,461	9,594
Total Outflows	153,322	85,901	23,461	9,594

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 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 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

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****18 FINANCIAL RISK MANAGEMENT - continued****d Credit Risk - continued**

The Company's principal financial assets that are subject to the expected credit loss ("ECL") model are lease receivables (\$0.3m) resulting from its leasing activities, amounts receivable from other Group undertakings (\$54.0m) and cash and cash equivalents (bank accounts totalling \$2.37m with Group companies). The Company applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables and has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Letters of credit and security deposits held are considered an integral part of trade receivables and considered in the calculation of impairment.

The Company calculates a 12-month expected credit loss ("ECL") to be recognised in line with IFRS 9 for amounts receivable from Group undertakings that are low credit risk at the reporting date. For balances receivable on demand, the Company assesses the level of highly liquid assets the counterparty has available at the reporting date in order to calculate the expected credit loss. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, but the credit risk is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company did not recognise an impairment allowance on cash and cash equivalents as the potential allowance was deemed to be immaterial.

The Company's maximum credit exposure is as follows:

	31 March 2023 US \$'000	31 March 2022 US \$'000
Amounts with Group undertakings	54,017	60,363
Loans to Group undertakings	55,896	-
Other including trade debtors (net of credit impairment)	<u>290</u>	<u>325</u>
Credit Exposure	<u>110,203</u>	<u>60,688</u>

The credit risk in respect of amounts receivables from Group undertakings is deemed to be limited due to the high credit rating, as assigned by international credit-rating agencies, of these Group undertakings. These Group undertakings include an associate company, SMBC Aviation Capital Limited, and SMBC rated A- and A respectively by S&P. The Company did not recognise an impairment allowance as the potential allowance was deemed to be immaterial.

The Company's leasing arrangements require lessees to pay rentals in advance and to provide security deposits and in many cases maintenance reserves. However, an early termination of a lease due to a credit event may expose the Company to consequential economic loss due to lower rentals being available from replacement lessees and also possible costs associated with repossession, repair and maintenance and transitioning of the aircraft to a new lessee. Credit risk with respect to trade receivables relating to lessees is generally mitigated due to the number of lessees and their dispersal across different geographical areas. At the financial year end March 2023, the Company was exposed to trade debtors of \$0.3m (2022: \$0.3m) and held no provision for expected credit losses against these (2022: \$nil). As at 31 March 2023, the Company held \$11.4m of cash security deposits and maintenance reserves (31 March 2022: \$15.6m; see note 15) in relation to lease rentals and maintenance exposures.

SMBC AVIATION CAPITAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18 FINANCIAL RISK MANAGEMENT - continued

d Credit Risk - continued

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

The table below provides an analysis of exposure to credit risk and ECLs for trade receivables as at 31 March 2023:

	Expected credit loss provision %		31 March 2023		31 March 2022	
	31 March 2023	31 March 2022	Gross carrying amount	Impairment loss	Gross carrying amount	Impairment loss
	%	%	US \$'000	US \$'000	US \$'000	US \$'000
Category 1	0.2%	0.2%	-	-	-	-
Category 2	1.1%	1.2%	-	-	-	-
Category 3	7.2%	8.4%	-	-	-	-
Category 4	33% - 100%	33% - 100%	290	-	325	-
			290	-	325	-

The Company classifies financial assets and calculate respective expected credit losses by reference to the categories noted above, with Category 1 being the lowest risk and Category 4 the highest risk. Classification is determined by a combination of previous default rates and estimated future losses based on credit grading, current economic situation and the increasing level of receivables of each lessee.

The Company continues to monitor the economic environment of its customers including those who have entered lease restructurings (both as part of or separate to formal restructuring processes) as well as taking actions to limit its credit exposures. Credit loss provisions were revised during the reporting period in line with the changing economic and lessee specific circumstances.

The table above reflects the improved trading conditions of our airline customers with the impact of Covid-19 less pronounced at year-end. The Company has no exposure to lessees in Russia.

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

Impairment Losses

The movement in the provision for expected credit losses in respect of financial assets is as follows:

	US \$'000
Balance at 1 April 2021	1,566
Trade debtors written off	(1,150)
Credit impairment release on financial assets	(416)
Balance at 31 March 2022	-
Credit impairment charge on financial assets	-
Balance at 31 March 2023	-

## **SMBC AVIATION CAPITAL (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **18 FINANCIAL RISK MANAGEMENT - continued**

**e Concentration risk**

Concentration risk is the risk that a high percentage of aircraft are on lease to a single lessee or region resulting in the returns on aircraft being less diverse and more correlated. The largest exposure to a single airline group based on net book value of delivered aircraft is 78%. Concentration risk is mitigated by only engaging in lease contracts with airlines of a high credit quality.

**f Technical, Maintenance and Environmental Risk**

Technical, maintenance and environmental risk is the risk that a lessee undertakes responsibility for ensuring that the aircraft complies with current environmental, technical and maintenance regulations and statutory obligations as applicable. The Directors monitor these risks on an ongoing basis.

**g Asset Value Risk**

Asset value risk is the risk that internal and external factors may adversely affect the inherent value of any asset held. Material judgements also apply in respect of property, plant and equipment and include the identification and subsequent measurement of impairment, which relies on a measurement of estimated cash flows and residual values. A decrease in estimated future cash flows or residual values may result in additional impairment of related assets.

**h Capital Management**

The Company is a member of a group with regulatory disciplines over the use of its capital. Although the 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****19 DEFERRED TAX**

Movements during the year:	US \$'000
At 1 April 2021	(23,464)
Impact of future increase in rate of UK corporation tax on opening deferred tax liability	(3,100)
Charge to income from continuing operations	<u>83</u>
At 31 March 2022	(26,481)
Credit to income from continuing operations	<u>12,883</u>
Deferred tax liability at 31 March 2023	<u><u>(13,598)</u></u>

The UK tax rate increased to 25% from 1 April 2023. The UK deferred tax liability as at 31 March 2023, which is expected to unwind post 1 April 2023, has therefore been calculated at this rate.

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

	31 March 2023 US \$'000	31 March 2022 US \$'000
Accelerated capital allowances on assets financed, less carried forward tax losses - net deferred tax liability	<u>13,598</u>	<u>26,481</u>

The Company has estimated tax losses of \$nil (31 March 2022: \$36.1m) which are available for set-off against future taxable income.

**20 SHARE CAPITAL**

	31 March 2023 Number of shares	31 March 2022
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>
Issued, called up and fully paid:		
Equity Shares		
11,748,450 Ordinary shares of \$1 (2019: 11,748,450)	11,748,450	11,748,450
Capital Redemption Reserves	<u>3</u>	<u>3</u>
	<u>11,748,453</u>	<u>11,748,453</u>

**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****21 OTHER COMPONENTS OF EQUITY**

	31 March 2023 US \$'000	31 March 2022 US \$'000
Share premium	<u>16,340</u>	<u>16,340</u>
	16,340	16,340
Capital contribution	<u>10,443</u>	<u>10,443</u>
Total other reserves	<u><u>26,783</u></u>	<u><u>26,783</u></u>

In 2012, the Company's then immediate parent company, International Aviation Management (CI) Limited, made a non-repayable capital contribution of \$10.4m to the Company. The contribution was made absolutely and International Aviation Management (CI) Limited retained no rights, titles or interest whatsoever in the contribution other than the rights it held as the sole shareholder.

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

**22 OPERATING LEASE ARRANGEMENTS**

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

	31 March 2023 US \$'000	31 March 2022 US \$'000
Within one year	31,854	41,787
In the second year	29,607	25,245
In the third year	29,607	21,092
In the fourth year	28,353	18,155
In the fifth year	27,207	16,901
After five years	<u>42,944</u>	<u>31,325</u>
	<u><u>189,572</u></u>	<u><u>154,505</u></u>



**SMBC AVIATION CAPITAL (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****23 RELATED PARTIES**

The 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.

	31 March 2023 US \$'000	31 March 2022 US \$'000
<b>SMBC Bank International plc</b>		
Balances at period end:		
Bank account with group undertakings	<u>2,373</u>	<u>666</u>
<b>SMBC Aviation Capital Limited</b>		
Transactions during the period:		
Service fees	1,189	1,362
Lease rental expense	<u>14,269</u>	<u>14,343</u>
Balances at period end:		
Loan amount due to group undertakings	55,896	-
Amounts due from group undertakings	<u>46,063</u>	<u>64,007</u>
<b>SMBC (New York)</b>		
Transactions during the period:		
Interest payable on borrowings	6,951	11,044
Interest income on bank accounts	<u>-</u>	<u>9</u>
Balances at period end:		
Loan amount due to group undertakings	87,304	224,752
Accruals	<u>146</u>	<u>507</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 (2022: \$Nil).

## **SMBC AVIATION CAPITAL (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **24 CAPITAL COMMITMENTS**

The Company has no existing pre-delivery payment commitments or other capital commitments as at 31 March 2023 (2022: \$Nil).

#### **25 CONTINGENT LIABILITIES**

The Company had no contingent liabilities at 31 March 2023 (2022: \$Nil).

#### **26 SUBSEQUENT EVENTS**

On 14 July 2023, Mr. R. Matsuo was appointed as Director while Mr. K. Kawamura also resigned on this date.

There were no other significant post balance sheet events.

#### **27 APPROVAL OF FINANCIAL STATEMENTS**

The Directors approved these Financial Statements on 14 July 2023.