DORIC NIMROD AIR TWO LIMITED

Consolidated Annual Financial Report

From 1 April 2022 to 31 March 2023

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Definitions

"Administrative Shares"	Subordinated administrative shares
"AED"	United Arab Emirates dirham
"AGM"	Annual general meeting
"ANZ"	The Australia and New Zealand Banking Group Limited
"AR Committee"	Audit and Risk Committee
"Articles"	Company's Articles of Incorporation
"ASKs"	Available seat kilometers
"Asset(s)" or the "Aircraft"	Airbus A380 Aircraft
"ATAG"	Air Transport Action Group
"Board"	Company's Board of directors
"CDSs"	Credit Default Swaps
"Certificates"	DNAFA Pass Through Certificates issued in July 2012
"Chair"	Chair of the Board
"Code"	The UK Corporate Governance Code
"CORSIA"	Carbon Offsetting and Reduction Scheme for International Aviation
"DTRs"	Disclosure Guidance and Transparency Rules
"DNA2" or the "Company"	Doric Nimrod Air Two Limited
"DNAFA"	Doric Nimrod Air Finance Alpha Limited
"Doric LLP"	Doric Partners LLP
"Doric" or the "Asset Manager"	Doric GmbH
"DWC"	Dubai World Central International Airport
"EETC" or "Certificates"	Enhanced equipment trust certificates
"Emirates" or the "Lessee"	Emirates Airline
"EPS or LPS"	Earnings / loss per Share
"Equity"	C Share issue
"ESG"	Environmental, Social and Governance
"EU"	European Union
"EU ETS"	European Union Emissions Trading System
"FCA"	Financial Conduct Authority
"FRC"	Financial Reporting Council
"FVOCI"	Fair value through other comprehensive income
"FVTPL"	Fair value through profit or loss

Definitions (continued)

"GBP", "£" or "Sterling"	Pound Sterling
"Grant Thornton"	Grant Thornton Limited
"GFSC"	Guernsey Financial Services Commission
"GHG"	Greenhouse gas
"Group"	the Company and its subsidiaries
"IAS 1"	International Accounting Standard 1 - Presentation of financial statements
"IAS 8"	International Accounting Standard 8 - Accounting policies
"IAS 16"	International Accounting Standard 16 - Property, Plant and Equipment
"IAS 36"	International Accounting Standard 36 - Impairment of Assets
"IASB"	International Accounting Standards Board
"IATA"	International Air Transport Association
"ICAO"	International Civil Aviation Organization
"IFRIC"	International Financial Reporting Interpretations Committee
"IFRS"	International Financial Reporting Standards
"IFRS 13"	IFRS 13 - Fair value measurement
"IFRS 16"	IFRS 16 - Leases
"IPCC"	Intergovernmental Panel on Climate Change
"ISAE 3402"	International Standard on Assurance Engagement 3402
"ISTAT"	International Society of Transport Aircraft Trading
"JTC" or "Secretary" or "Administrator"	JTC Fund Solutions (Guernsey) Limited
"Law"	The Companies (Guernsey) Law, 2008, as amended
"Lease(s)"	Lease of Aircraft to Emirates
"Loan(s)"	Borrowings obtained by the Group to part-finance the acquisition of Aircraft
"LSE"	London Stock Exchange
"NBV"	Net Book Value or Depreciated Cost
"Nimrod" or "Corporate and Shareholder Adviser"	Nimrod Capital LLP
"Pandemic"	COVID-19 pandemic
"Period"	1 April 2022 until 31 March 2023
"PIEs"	Public Interest Entities
"PLF"	Passenger Load Factor
"PPS"	Profit per share

Definitions (continued)

"Registrar"	JTC Registrars Limited
"RPKs"	Revenue passenger kilometers
"SAF"	Sustainable Aviation Fuel
"SDGs"	Sustainable Development Goals
"SFS"	Specialist Fund Segment
"Shareholders" or "Members"	Shareholders of the Company
"Shares"	Ordinary Preference Shares of the Company
"Share Capital"	Share capital of the Company
"Subsidiaries"	MSN077 Limited, MSN090 Limited, MSN105 Limited and DNAFA
"UAE"	United Arab Emirates
"UK"	United Kingdom
"USD" or "$"	US dollars
"VIU"	Value-in-use
"Westpac"	Westpac Banking Corporation

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA2
Share Price	101.5 pence (as at 31 March 2023) 99.00 pence (as at 17 July 2023)
Market Capitalisation	GBP171.02 million (as at 17 July 2023)
Current Dividend	4.5 pence per quarter per Share (18 pence per annum)
Dividend Payment Dates	April, July, October, January
Currency	Sterling
Launch Date / Share Price	14 July 2011 / 200 pence
Incorporation and Domicile	Guernsey
Aircraft Registration Numbers (Lease Expiry Dates including the 2 year extension)	A6-EDP (14 October 2023) A6-EDT (2 December 2023) A6-EDX (1 October 2024) A6-EDY (1 October 2024) A6-EDZ (12 October 2024) A6-EEB (9 November 2024) A6-EEC (30 November 2024)
Asset Manager	Doric GmbH
Corporate and Shareholder Adviser	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Limited
Auditor	Grant Thornton Limited
Market Makers	finnCap Ltd Investec Bank Plc Jefferies International Ltd Numis Securities Ltd Shore Capital Limited Winterflood Securities Ltd
SEDOL, ISIN, LEI	B3Z6252,GG00B3Z62522, 213800ENH57LLS7MEM48
Year End	31 March
Website	www.dnairtwo.com

COMPANY OVERVIEW

The Company is a Guernsey company incorporated on 31 January 2011.

Pursuant to the Company's prospectus dated 30 June 2011, the Company, on 14 July 2011, raised approximately £136 million by the issue of Shares at an issue price of £2 each. The Company's Shares were admitted to trading on the SFS at 14 July 2011.

The Company raised a further £188.5 million from a C Share fundraising, which closed on 27 March 2012 with the admission of 100,250,000 convertible preference shares to trading on the SFS.

On 6 March 2013, the Company's C Shares converted into an additional 100,250,000 Shares. These additional Shares were admitted to trading on the SFS and rank *pari passu* with the Shares already in issue.

As at 17 July 2023, the last practicable date prior to the publication of this report, the Company's total issued Share capital consisted of the Administrative Shares and 172,750,000 Shares. The Shares were trading at 99.00 pence per Share.

Investment Objectives and Policy

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft. The Company receives income from the lease rentals paid to it by Emirates, the national carrier owned by The Investment Corporation of Dubai, based in Dubai, United Arab Emirates, pursuant to the Leases.

Subsidiaries

The Company has four wholly owned subsidiaries: MSN077 Limited, MSN090 Limited, MSN105 Limited and DNAFA which collectively hold the Assets for the Company.

The first Asset was acquired by MSN077 Limited on 14 October 2011 for a purchase price of $234 million and has been leased to Emirates for an expected initial term of 10 years to October 2021, with an extension period of 2 years ending October 2023, with fixed lease rentals for the duration.

The second Asset was acquired by MSN090 Limited on 2 December 2011 for a purchase price of $234 million and has been leased to Emirates for an expected initial term of 10 years to December 2021, with an extension period of 2 years ending December 2023, with fixed lease rentals for the duration.

The third Asset was acquired by MSN105 Limited on 1 October 2012 for a purchase price of $234 million and has been leased to Emirates for an expected initial term of 10 years to October 2022, with an extension period of 2 years ending October 2024, with fixed lease rentals for the duration.

The fourth Asset, MSN 106, was acquired by DNAFA on 1 October 2012 for a purchase price of $234 million and has been leased to Emirates for an expected initial term of 10 years ending October 2022, with an extension period of 2 years ending October 2024, with fixed lease rentals for the duration.

The fifth Asset, MSN 107, was acquired by DNAFA on 12 October 2012 for a purchase price of $234 million and has been leased to Emirates for an expected initial term of 10 years ending October 2022, with an extension period of 2 years ending October 2024, with fixed lease rentals for the duration.

The sixth Asset, MSN 109, was acquired by DNAFA on 9 November 2012 for a purchase price of $234 million and has been leased to Emirates for an expected initial term of 10 years ending November 2022, with an extension period of 2 years ending November 2024, with fixed lease rentals for the duration.

The seventh Asset, MSN 110, was acquired by DNAFA on 30 November 2012 for a purchase price of $234 million and has been leased to Emirates for an expected initial term of 10 years ending November 2022, with an extension period of 2 years ending November 2024, with fixed lease rentals for the duration.

COMPANY OVERVIEW (continued)

The leases for all aircraft will run for the extended period of twelve years as the lessee has in all cases made use of the extension options.

The fourth, fifth, sixth and seventh Assets were acquired by DNAFA using the proceeds of the issue of the C Shares, together with the proceeds of equipment notes with an aggregate face amount of approximately $587.5 million issued by DNAFA. The equipment notes were fully repaid in November 2022.

In order to complete the purchase of the related Assets, MSN077 Limited, MSN090 Limited and MSN105 Limited entered into separate Loan agreements with a number of banks (see note 15), each of which will be fully amortised with quarterly repayments in arrears over 12 years. A fixed rate of interest applies to the Loans except for 50 percent of the Loan in MSN090 Limited which has a related interest rate swap entered into, to fix the interest rate. MSN077 Limited drew down $151,047,059 under the terms of the first loan agreement to complete the purchase of the first Asset; MSN090 Limited drew down $146,865,575 in accordance with the second loan agreement to finance the acquisition of the second Asset; and MSN105 Limited drew down $145,751,153 in accordance with the third loan agreement to finance the acquisition of the third Asset. The first loan agreement, the second loan agreement and the third loan agreement are on materially the same terms.

Emirates bears all costs (including maintenance, repair and insurance) relating to the Aircraft during the lifetime of the Leases.

Further information about the construction of these Leases is available in note 12 to the financial statements.

Distribution Policy
The Company currently targets a distribution of 4.50 pence per Share per quarter.

There can be no guarantee that dividends will be paid to Shareholders and, if dividends are paid, the timing and amount of such dividend cannot be assured. There can also be no guarantee that the Company will, at all times, satisfy the solvency test pursuant to section 304 of the Law, which enables the directors to effect the payment of dividends. The Distribution Policy remains under constant review with the upcoming lease expiries of MSN077 and MSN090.

Performance Overview
All payments by Emirates have, to date, been made in accordance with the terms of the respective Leases.

During the financial year under review, and in accordance with the Distribution Policy, the Company declared four interim dividends of 4.50 pence per Share. Two interim dividends of 4.50 pence per Share have been declared after the reporting period. Further details of dividend payments can be found on page 25.

Return of Capital
The Company intends to return to Shareholders net capital proceeds if and when the Company is wound up (pursuant to a Shareholder resolution, including the liquidation resolution below), subject to compliance with the Articles and the applicable laws (including any applicable requirements of the solvency test contained therein).

Liquidation Resolution
Although the Company does not have a fixed life, the Articles require that the directors convene a general meeting of the Company in June 2025 where an ordinary resolution will be proposed that the Company proceed to an orderly wind-up. In the event that the liquidation resolution is not passed, the directors will consider alternatives for the future of the Company, including re-leasing the Assets, or selling the Assets and reinvesting the capital received from the sale of the Assets in other aircraft.

CHAIR'S STATEMENT

I am delighted to deliver to you my first report as Chair of the Company.

During the Period, the Company has declared and paid four quarterly dividends of 4.50 pence per Share each, a rate of dividend payment amounting to 18 pence per Share per annum.

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft. The structures of the operating Leases relating to the Company's seven Aircraft are described on pages 63 and 70.

The debt portion of the funding is designed to be fully amortised over the term of the Leases, which would leave the Aircraft unencumbered on the conclusion of the ultimate Lease. Emirates bears all costs (including maintenance, repair and insurance) relating to the Aircraft during the lifetime of the Leases. At 17 July 2023, the latest practicable date prior to this report, the Company had total outstanding debt associated with three of the Aircraft totalling USD 7,667,544.61 million (99% of the initial balance). At the time of writing, the share price was 99.00 pence, representing a market capitalisation of GBP 171.02 million based on the 172,750,000 Shares in issue. All payments by Emirates during the Period and throughout the Leases have been made in accordance with the respective terms of the Leases. Due to the effects of the Pandemic, three Aircraft are temporarily stored, currently at DWC. The Company's first scheduled lease expiry falls due in October this year. No decision has yet been made as to the future use of the Aircraft, while negotiations with Emirates are still ongoing.

Market conditions

Air passenger travel first gained momentum in 2022 and has recovered substantially according to IATA. In April 2023 industry-wide revenue passenger kilometres (RPKs) stood 9.5% below the prepandemic level achieved in April 2019. Airlines' capacities, measured in ASKs, recovered to 92.5% of the pre-pandemic value while the average passenger load factor (PLF) sits only 1.8 percentage points below the pre-pandemic level. IATA does sound a note of caution however, describing the outlook as: "...while the current stage in the business cycle is slowing but still holding up close to the average, the world is facing high levels of uncertainty on multiple fronts, many of which might be rather structural in nature. This skews the risks to the overall outlook decidedly to the downside, both in the near and in the longer term."

Emirates results for the year to 31 March 2023 reported an 81% increase in revenue and its most profitable year ever with a profit of USD 2.9 billion compared with a USD 1.1 billion loss in the previous year. The airline reported a PLF of 79.50%. Emirates ended the financial year with cash assets of USD 10.2 billion, 79% higher than 31 March 2022.

Whilst Emirates do not have a formal credit rating, they have previously issued unsecured USD bonds with maturities in 2025 and 2028. As at 17 July 2023 these instruments are trading at approximately 98.50 and 96.70 cents respectively, equivalent to USD running yields in the range of roughly 3.90% to 4.60%.

Further details on Emirates and the A380 can be found in the Asset Manager's Report on pages 10 to 16.

Stakeholder Engagement

Our Asset Manager, Doric, continues to monitor the Leases, is in frequent contact with the Lessee and reports regularly to the Board. Nimrod, our Corporate Adviser, continues to liaise with Shareholders alongside or on behalf of the Board and has provided valuable feedback on the views of Shareholders.

The Board encourages Shareholders to read the Company's quarterly fact sheets which we believe provide a great deal of interesting information. We hope these regular reports, in addition to the communication you receive from Nimrod, are useful and informative. The directors welcome Shareholder engagement and feedback and encourage you to contact Nimrod to request a meeting or to relay any feedback.

Further information on stakeholder engagement s172 of the UK's Companies Act 2006 can be found on page 27.

CHAIR'S STATEMENT (continued)

The Board

As part of the Board's succession planning arrangements, Charles Wilkinson will step down from his position as a non-executive director of the Company with effect from 31 July 2023, having been a member of the Board since inception in 2011. Theresa Oldham was appointed on 1 April 2023, allowing for an orderly transition and maintaining the Company's focus on delivering value for its Shareholders.

On behalf of the Board, I would like to express our deep appreciation for Mr. Wilkinson's dedication, service and commitment over the years. Mr Wilkinson's vast experience and unique perspective have been invaluable and he will be greatly missed by his fellow Board members. In addition, we are delighted to welcome Mrs Oldham who brings a wealth of experience from her background in aircraft financing and leasing.

Lastly, I succeeded Geoffrey Hall as Chair with effect from 1 March 2023 and, as a result, stepped down from the AR committee with effect from 28 February 2023. I would like to thank Mr Hall, who remains on the Board, for his years of service as Chair.

Accounting treatment

Shareholders should note that although the underlying cash flows received and paid during the Period have been received and paid as anticipated and, in accordance with contractual obligations, it may not be obvious that this is so because of the application of the accounting treatments for foreign exchange, rental income and finance costs mandated by IFRS.

For instance, the entirety of the rental income that is receivable under the 12-year Leases (including advance rental received as part of the initial acquisition of the Assets) is credited evenly over each of the 144 months of the Leases. However, rental income has been received in advance of this uniform pattern in order to match and fund the accelerated payment down of debt. Thus, as at 31 March 2023, some 99% of a rent receivable under the Leases has been received, which has funded the payment down of 99% initial borrowings, whereas under the relevant accounting standard only some 89% may be recognised. This mismatch in timing between the receipt and recognition of rental income results in a deferred income creditor of £102 million or some 59 pence per Share in the 31 March 2023 Consolidated Statement of Financial Position. This is an artificial accounting adjustment in the sense that it does not represent a liability to pay £102 million to third parties. The faster that income is received and debt repaid the larger the resultant creditor producing a reduction in reported net asset value.

Similarly, the relevant accounting standards require that transactions denominated in currencies other than the presentation currency (including, most importantly, the cost of the Aircraft) are translated into the presentation currency at the exchange rate ruling at the date of the transaction whilst monetary items (including also very significantly, the outstanding borrowings and the deferred income creditor) are translated at the rate prevailing on the reporting date. The result is that the figures sometimes show large mismatches which are reported as unrealised foreign exchange differences – although the distortive effect becomes less pronounced over time as debt is paid down.

CHAIR'S STATEMENT (continued)

On an ongoing basis and assuming the Lease rental is received, and the loan payments are made as anticipated, such foreign exchange differences do not reflect the commercial substance of the situation in the sense that the key transactions denominated in USD are in fact closely matched. Rental income received in US dollars is used to make debt repayments due which are likewise denominated in US dollars. Furthermore, the US dollar lease rentals and debt repayments are fixed at the inception of the respective Leases and are very similar in amount and timing.

On behalf of the Board, I would like to thank our service providers for their ongoing assistance and, most importantly, all Shareholders for their continuing support.

Fiona Le Poidevin
Chair

21 July 2023

ASSET MANAGER'S REPORT

At the request of the directors of the Group, this commentary has been provided by the Asset Manager of the Company. The report reflects the information available at the end of June 2023 unless otherwise noted.

COVID-19 and external factors affecting the Company

In May 2023 the UN World Health Organization (WHO) declared an end to COVID-19 as a public health emergency, stressing that it does not mean the disease is no longer a global threat. WHO had declared COVID-19 a public health emergency of international concern at the end of January 2020 and counted more than 765 million confirmed cases with nearly seven million deaths since then. In a statement WHO noted the enormous damage inflicted on all aspects of global life by the virus, including enormous economic upheaval, "erasing trillions from GDP, disrupting travel and trade, shuttering businesses, and plunging millions into poverty."

Aviation was one of the sectors hardest hit as pandemic-induced travel restrictions and safety measures in many regions around the globe resulted in a historic slump in air passenger traffic. Highly effective vaccines increased immunity and allowed the reduction of containment measures over time. This permitted air passenger traffic to start an unprecedented recovery in 2022, which is still continuing. While industry-wide revenue kilometres reached more than 90% of its pre-pandemic levels in April 2023, domestic air travel can be said to have fully recovered in April 2023.

However, the aviation sector continues to be exposed to risks due to the current economic and geopolitical environment. To support economic growth during the pandemic, central banks had used quantitative easing which has triggered inflation across the globe. Appropriate countermeasures to contain these unwanted side-effects have resulted in dislocations in the financial markets and impacts on the real economy. Furthermore, airlines are directly impacted by continuing supply chain issues with aircraft and engine manufacturers not always able to deliver new aircraft or spare parts to maintain existing fleets on time. A significant number of airlines are also affected by an increased level of debt, taken out during the pandemic to finance the unprecedented corporate losses, and the resulting debt service requirements, impacting their free cash flow.

Asset Manager's Comment

1. The Assets

The Company acquired a total of seven Airbus A380-861 aircraft between October 2011 and November 2012. Each aircraft is leased to Emirates – the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates – for a term of 12 years from the point of delivery, with fixed lease rentals for the duration. In order to complete the purchase of the first three Aircraft, MSN077 Limited, MSN090 Limited and MSN105 Limited entered into three separate loans, each of which will be fully amortised with quarterly repayments in arrears over 12 years.

To fund the acquisition of the other four Aircraft, DNAFA issued enhanced equipment trust certificates ("the Certificates" or "EETC") – a form of debt security – in June 2012 in the aggregate face value of USD 587.5 million. DNAFA used the proceeds from both the Equity and the Certificates to finance the acquisition of four new Airbus A380 aircraft which were then leased to Emirates. DNAFA has fully repaid all outstanding EETC obligations.

The seven Airbus A380 aircraft bear the manufacturer's serial numbers (MSN) 077, 090, 105, 106, 107, 109 and 110.

Due to the effects of COVID-19, three of the DNA2 Aircraft are temporarily in storage, currently at DWC.

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of May 2023 for Aircraft not currently in storage was as follows:

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
106	01/10/2012	37,416	4,569	8h 11m
107	12/10/2012	35,666	4,222	8h 30m
109	09/11/2012	32,657	5,160	6h 20m
110	30/11/2012	33,040	5,386	6h 8m

ASSET MANAGER’S REPORT (continued)

Maintenance Status

Emirates maintains its A380 Aircraft fleet based on a maintenance programme according to which minor maintenance checks are performed every 1,500 flight hours and more significant maintenance checks (C checks) at 36-month or 18,000-flight hour intervals, whichever occurs first.

Notwithstanding the increasing number of A380s, Emirates has returned to service in response to the increased demand for air travel since the pandemic has eased, Emirates still has three of the seven Aircraft owned by the Group in storage in Dubai. The lessee has “a comprehensive aircraft parking and reactivation programme [in place], that strictly follows manufacturer’s guidelines and maintenance manuals”. In addition, Emirates has enhanced standards and protocols of their own, to protect and preserve the asset during downtime. This includes the watertight sealing of all apertures and openings through which environmental factors – sand, water, birds and insects – can find their way inside an aircraft. During parking, maintenance teams complete periodic checks at different intervals. Depending on the reactivation date of a specific aircraft, Emirates might defer due maintenance checks, which are calendar-based, until that time. This would allow the airline to make use of the full maintenance interval once the operation of a specific aircraft resumes. Three Aircraft of the Company are in deep storage condition at this time and could be reactivated within months.

Emirates bears all costs relating to the aircraft during the lifetime of the Leases (including maintenance, repairs and insurance).

In May 2023 the European Union Aviation Safety Agency (EASA) issued an airworthiness directive (AD) mandating the inspection of wing rear spars between certain wing ribs. This is the latest action taken by the authority, which – in a series of ADs starting in 2019 – is addressing concerns of potential cracks in these areas. However, the aircraft owned by the Company were not due for inspection until recently. Based on the data and evidence collected during the inspections over the last four years or so, contributing factors in addition to the age of the wing were identified. The probability of a crack, for example, does also depend on the amount of time an aircraft has spent on the ground (stored, parked) in severe environmental conditions. The phenomenon underlying this relationship is called Hydrogen Environmental Assisted Cracking (HEAC). It affects specific aluminium alloys used in the A380. The inputs to calculate the threshold for the inspection date are published by Airbus and shows that Emirates aircraft are more severely affected than those of other A380 operators due mainly to the hot desert climate in the UAE and prolonged storage periods during the pandemic in that environment.

Emirates schedules 60 days for the initial inspection. Teams from Airbus have already inspected the aircraft with MSNs 106 and 107 which returned to service immediately after the work had been completed in Toulouse, France. Another two aircraft (MSNs 109, 110) are undergoing inspections now. Repeat inspections are currently scheduled at an interval of 36 months.

Inspections

Doric, the Asset Manager, conducted physical inspections and records audits of the Aircraft as per the below table. Due to the storage of some of the Aircraft and the protective measures associated with, inspections of these Aircraft were limited to viewing the outside of the Aircraft from ground level.

The condition of the Aircraft – to the extent visible – and the records were in compliance with the provisions of the respective Aircraft lease agreements, taking into account that some Aircraft were in storage at that moment.

MSN	Last Inspection	MSN	Last Inspection
077*	03/2023	107	10/2022
090*	03/2023	109	11/2022
105*	06/2022	110	11/2022
106	10/2022		

* in storage at the time of inspection

ASSET MANAGER'S REPORT (continued)

Upcoming Lease Expiries

The leases for the Company's two oldest aircraft with MSNs 077 and 090 are scheduled to expire during the fourth quarter of 2023. Under the terms of the leases Emirates is required to return the aircraft in redelivery condition together with a cash sum, however other options including a sale or release are available, subject to the agreement of the Company. The Asset Manager is currently in discussions with Emirates about the future of the aircraft. The Company will report to its shareholders as soon as the discussions have been completed. In the event that aircraft are returned to the lessor, Emirates is obliged to pay the sum of USD 12 million per aircraft to the lessor, in addition to the normal monetary compensation arrangements, on or prior to the respective lease expiry dates.

2. Market Overview

The impact of COVID-19 on the global economy was severe resulting in a 3.1% contraction in global GDP in 2020, followed by a recovery of 6.0% and 2.9% in 2021 and 2022 respectively. According to its latest report on global economic prospects from June 2023, the World Bank expects moderate growth of 2.1% for the current year. In its latest economic impact analysis from April 2023, the International Civil Aviation Organization (ICAO) estimates that the full year 2022 experienced an overall reduction in seats offered by airlines of 25% compared with pre-crisis 2019 levels. This translates into a 34% seat reduction in the international passenger traffic segment, while domestic air passenger traffic was less affected by the pandemic with an overall reduction of only 19% of seats offered by airlines. ICAO has not yet provided guidance for this year.

According to its June 2023 estimates the International Air Transport Association (IATA) indicates an airline industry-wide net loss of USD 3.6 billion for 2022 following losses of approximately USD 41.9 billion in the previous year. For the current year, IATA expects the first surplus since 2019 with the combined net profit of airlines worldwide to reach USD 9.6 billion. This would be a remarkable turnaround from a net loss of nearly USD 138 billion back in 2020. Nevertheless, the global economy is facing headwinds which also impact aviation. IATA does not expect a global recession as a record number of persons are earning a regular income with exceptionally low unemployment rates. But headwinds for the air transport sector result from a slowdown in GDP growth and the central banks' rate tightening in response to a surge in global inflation. Overall, IATA describes the outlook as follows: "In sum, while the current stage in the business cycle is slowing but still holding up close to the average, the world is facing high levels of uncertainty on multiple fronts, many of which might be rather structural in nature. This skews the risks to the overall outlook decidedly to the downside, both in the near and in the longer term."

Air passenger travel first gained momentum in 2022 and has recovered substantially according to IATA. The rebound has continued into 2023: In April 2023 industry-wide revenue passenger kilometres (RPKs) increased by 45.8% compared to the same period in the year before. This is 9.5% below the pre-pandemic level achieved in April 2019. At the same time airlines boosted their capacities, measured in ASKs, from April 2022 by 39.7%, a recovery to 92.5% of the pre-pandemic value in April 2019. The average PLF improved by 3.4 percentage points from its April 2022 levels to 81.3%, only 1.8 percentage points below the pre-pandemic PLF.

While international travel measured in RPKs is still 16.4% short of its volume before the sector was hit by COVID-19, global domestic travel has fully recovered for the first time since the pandemic began, surpassing the 2019 benchmark levels by 2.9%. A slowing annual RPK growth rate "can be attributed to the industry's progress towards reaching 2019 while building up on the higher base established in 2022", according to IATA.

The Middle East, where the lessee is located, recorded an RPK increase of 36.8% between April 2022 and April 2023. A less dynamic increase in capacities, measured in ASKs, resulted in nearly 6 percentage points improvement of the average PLF to 76.0%. This is 4.4 percentage points short of its pre-pandemic level.

Source: IATA, ICAO, World Bank

© International Air Transport Association, 2023. Air Passenger Market Analysis April 2023. Global Outlook for Air Transport – June 2023. Available on the IATA Economics page.

© International Civil Aviation Organization. Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 27 April 2023.

ASSET MANAGER'S REPORT (continued)

3. Lessee – Emirates

Network

Emirates SkyCargo, the cargo division of Emirates, expects to double its capacity in the next decade and plans to add over 20 new destinations to its freighter network. To address immediate capacity requirements, Emirates has wet-leased two Boeing 747-400F aircraft, complementing SkyCargo's existing fleet of eleven dedicated freighters.

From early July Emirates will add Montreal as the carrier's second gateway into Canada. The daily flight will operate with a Boeing 777-300ER. The existing partnership between Emirates and Air Canada allows customers of both airlines to access an expansive network of destinations, including 19 Canadian destinations Emirates passengers can use for their onward journey. Back in April 2023 Emirates upgraded its flights into Toronto to a daily service.

Due to restrictions imposed on their insurance policy Emirates no longer operated leased aircraft in and out of Russia since May 2022. This includes the Company's aircraft. However, Emirates continues to operate their owned aircraft into this jurisdiction.

Fleet

In February 2022 Emirates' President, Sir Tim Clark, provided insight into fleet operating considerations for the airline. Reporting on recycling efforts of the first five A380s Emirates has retired, Clark pointed out that these will not continue with further A380s: "Cutting up the A380 fleet stops there, after these five are retired, all the other aircraft remain. In fact, where we started to drop some, I just decided to bring them back into the program." With a looming aircraft shortage in Emirates' fleet in 2024/25, Clark wants to extend aircraft lives: "Life extension will affect about 120 aircraft [...] Their life will be extended by six to ten years each."

On 1 November 2022 Emirates kicked off its multi-billion dollar cabin retrofit programme that will upgrade the entire interior cabin of 67 Airbus A380s and 53 Boeing 777-300ERs, including the installation of the airline's latest premium economy seats.

All A380s earmarked for the retrofit programme are expected to be back in service by May 2024. By March 2023 the first six aircraft were completely refurbished and returned to service. The Company is not aware that any of the DNA2 aircraft is scheduled to be retrofitted.

One of the reasons for the comprehensive retrofit programme is Clark's scepticism about the delivery timelines of the new aircraft types the airline has ordered with Airbus and Boeing. He also stressed that new planes need to be "in the shape that the contract requires".

Boeing 777X

Emirates expects its first Boeing 777-9s to be delivered between July and October 2025. In earlier statements Clark noted that "the aircraft is over five years late [when delivered in 2025] and, if it continues to be late, our patience will truly be tested". He went on to say that "we have an aging fleet, which needs to be replaced." However, with the planned refurbishment of Boeing 777-300ER he feels prepared for all eventualities: "We can never be held at the mercy of the supply chain or manufacturer [...] So if the 777[-9] is late again we still have something in the armoury to cover all eventualities." During the 2022/23 financial year the carrier extended the lease period of 25 Boeing 777 aircraft.

With Airbus A380 and Boeing 747 no longer available for order, the Boeing 777X is the biggest aircraft in production.

Boeing 787

The aircraft were supposed to be delivered from May 2023 onwards. But Clark does not expect the 30 Boeing 787s to join his fleet soon. Delivery of the 787 family paused for about 19 months between November 2020 and August 2022 after Boeing had identified quality issues. It only resumed after the US Federal Aviation Authority (FAA) decided the airframer "had made the necessary changes to ensure that the Boeing 787 Dreamliner meets all certification standards". Deliveries paused for another few weeks in February/March 2023 over concerns connected to the aircraft's forward pressure bulkhead, which were then resolved. In June 2023 Boeing announced the discovery of yet another production flaw that will require the manufacturer to inspect all 90 Boeing 787 aircraft in its inventory and could affect the timing of near-term Boeing 787 deliveries.

ASSET MANAGER'S REPORT (continued)

In June 2022 Clark had suggested Boeing should focus on the 777X delivery and parking the Dreamliner order could result in "relief on both sides": "It's far more important for us that [Boeing] concentrate their activities on getting the 777[X] out of the door, than worrying about if they are going to have a contractual problem with the [7]87s with Emirates."

Airbus A350

Emirates has also ordered 50 Airbus A350-900 widebody aircraft with the first deliveries starting in August 2024, according to Tim Clark. The airline and the manufacturer agreed on a "compressed delivery schedule" with all 50 orders delivered within a 30-month period. This should help "to pick up this big capacity hole that we can see", noted Emirates' President last year.

Continuing delays in the delivery of new aircraft to Emirates may result in keeping the existing fleet of aircraft, including the A380, for longer than originally planned. In May 2023 Clark confessed that there were still some issues getting its remaining A380s flying after the pandemic-induced grounding. "We had 86 flying last year and we need to get another 20-30 in the air as soon as we can." However, the ongoing refurbishment process is reportedly impacted by supply chain issues.

In a June 2023 interview with Bloomberg, Clark refined the timeline about the future of its A380 fleet, noting that Emirates "will keep them flying until 2032" before the airline starts to take them out of its fleet. Under the current circumstances their operation is "very profitable" for the carrier. Speaking about the airline's future capacity and aging fleet Tim Clark revealed that Emirates will "have to buy new aircraft" and that Emirates is "close to doing something", probably placing orders no later than at the Dubai Air Show in November this year. The lessee is reportedly in discussions with Airbus and Boeing about orders for up to 150 additional aircraft with a delivery window from 2027/28 to 2033. This could include Boeing 777Xs and Airbus A350s as well as more Boeing 787s.

The table below details the passenger aircraft fleet activity as of 30 June 2023:

Passenger Aircraft Fleet Activity

Aircraft Type	Grounded	In Service
A380	27	94
777	2	131
Total	**29**	**225**
%	**11%**	**89%**

Source: Cirium as of 30 June 2023

Emirates expects to reach its pre-pandemic capacity by the second quarter of 2024, according to Adnan Kazim, Chief Commercial Officer of Emirates.

This will include up to a 97 Airbus A380s with at least additional 12 spare aircraft to cover downtime for maintenance. In total, Kazim expects that "nearly 110 Airbus A380" will have returned to service by then.

Key Financials

In the 2022/23 financial year ending on 31 March 2023, Emirates recorded a net profit of AED 10.6 billion (USD 2.9 billion), its most profitable year in company history and a significant turnaround from a net loss of AED 3.9 billion (USD 1.1 billion) in the previous year. Nevertheless, currency fluctuations in some of the airline's major markets significantly impacted the airline's profitability negatively by AED 4.5 billion (USD 1.2 billion).

After nearly all pandemic-related restrictions around the world were removed Emirates accelerated its global network recovery by relaunching flights to six destinations and increasing operations to 62 cities across its network throughout the year. On 31 March 2023 the airline was flying to 141 passenger destinations. This record performance was achieved despite being faced with various challenges, including rising fuel costs, unfavourable currency swings, high inflation in many markets, increased interest rates, and ongoing geopolitical uncertainty. Commenting on the turnaround performance, Sheikh Ahmed bin Saeed Al Maktoum, Chairman and

ASSET MANAGER'S REPORT (continued)

Chief Executive of Emirates Airline said: "We had anticipated the strong return of travel, and as the last travel restrictions lifted and triggered a tide of demand, we were ready to expand our operations quickly [...] to serve our customers."

The airline's total revenue, including other operating income, was up 81% from last year and reached AED 107.4 billion (USD 29.3 billion), crossing the AED 100 billion mark for the first time in the company's history. Emirates attributes the strong turnaround performance to "forward planning, business agility, customer confidence in our product and offerings, on time delivery of service, [...], and ongoing investments in technology".

Between April 2022 and March 2023 Emirates carried 43.6 million passengers, more than doubling the number from the year before. Cargo uplift came in 14% lower, as Emirates reallocated capacities temporarily used for Emirates' SkyCargo operations back to passenger operations. The lessee increased its capacity, measured in ASKs, by 78% and reached 77% of pre-COVID levels. At the same time its passenger traffic, measured in RPKs, increased by 141%. This results in an average passenger load factor of 79.5%, an improvement of 20.9 percentage points from last year. The airline expects the rebound to pre-pandemic levels to continue into next year "as customer demand remains strong".

Given the substantial increase in flight operations, Emirates' total operating costs increased by 57% from last year. The carrier's fuel costs increased by 143%, primarily due to a 49% higher fuel uplift in line with increasing flight operations as well as a fuel price increase of 48%. Fuel, which had been the largest component of Emirates' operating costs prior to the Pandemic, accounted for 36% of operating costs in the 2022/23 financial year. The recovery in Emirates' operations during the 2022/23 financial year led to an improved EBITDA of AED 33.3 billion (USD 9.1 billion) compared to AED 17.7 billion (USD 4.8 billion) from the previous year.

As of 31 March 2023, Emirates' total liabilities were nearly flat at AED 129.8 billion (USD 35.4 billion) compared to the end of the previous financial year. Amongst other things, the airline repaid AED 11.1 billion (USD 3.0 billion) in bonds and term loans. Total equity came in at AED 27.9 billion (USD 7.6 billion), an improvement of 37.4%. Emirates' equity ratio stood at 17.7% and its cash position, including short-term bank deposits, amounted to AED 37.4 billion (USD 10.2 billion) at the end of March 2023, the strongest ever cash asset balance in company history. In comparison, the carrier had AED 20.9 billion (USD 5.7 billion) in cash assets and short-term bank deposits at the end of the 2021/22 financial year. The net cash flow from operating activities came in at AED 44.3 billion (USD 12.1 billion), the highest ever achieved in a financial year.

Due to the company's strong cash flow generation in the period ending March 2023, which ultimately resulted in a positive net change in cash and cash equivalents, and a solid liquidity position, the carrier did not require additional support from its ultimate shareholder, the Government of Dubai. Since the beginning of the Pandemic, the airline had received support via equity injections from its shareholder. For the past financial year, the company declared a dividend payable to the Owners of Emirates in the amount of AED 3.5 billion (USD 954 million). In addition, the lessee has already repaid AED 7.5 billion (USD 2.0 billion) from the AED 17.5 billion (USD 4.8 billion) in debt instruments raised during the Pandemic.

As at the end of June 2023, Emirates has outstanding US dollar debt issuances with maturities in 2025 and 2028. These bonds were trading close to par and with running yields of approximately 4.6% in US dollars. There has also been no significant upward pressure on yields. This level of yields does not appear to indicate any significant financial stress to the issuer. In its most recent annual financial report, the auditor PricewaterhouseCoopers issued an unqualified audit report.

In line with its growing business activities Emirates Airline grew its employee base, including in subsidiary companies, within a twelve-month period till the end of March 2023 by 23% to 56,379 people.

The management of the Emirates Group, the combined businesses of Emirates Airline and dnata, has a "strong positive outlook" for the current 2023/24 financial year and expects to "remain profitable", according to Sheikh Ahmed. Inflation, high fuel prices, and political and economic uncertainty were flagged as challenges the management will have an eye on.

The number of A380 departures during the last financial year increased by 118% with Emirates deploying its flagship to 43 destinations, serving around 30% of the Emirates' passenger network. "This aircraft is expected to remain the cornerstone of our fleet mix and product offering for many years to come", according to Emirates' 2022/23 annual report.

ASSET MANAGER’S REPORT (continued)

About the prospects for the current financial year ending on 31 March 2024 Tim Clark recently noted that “we are looking towards a very good year coming up”.

Sustainability

Emirates Airline and dnata have joined the United Nations Global Compact (UNGC), a voluntary global initiative that promotes responsible business practices and the advancement of the Sustainable Development Goals (SDGs). Both companies commit to implementing the Ten Principles of the UNGC in the areas of human rights, labour, environment, and anti-corruption.

In May 2023 Emirates reportedly made the biggest single commitment by an airline on sustainability. An investment of USD 200 million is earmarked to fund research and development projects focussed on reducing the impact of fossil fuel in commercial aviation over a period of three years. Emirates will identify partnerships with leading organizations working on solutions in advanced fuel and energy technology.

Source: Aero Telegraph Bloomberg, Cirium, Emirates, Reuters

4. Aircraft – A380

As of the end of June 2023, the global A380 fleet consisted of 221 planes with 12 airline operators. 145 of these aircraft were in service. The remainder of the fleet is currently parked. The 12 operators are Emirates (121), Singapore Airlines (14), Deutsche Lufthansa (14), British Airways (12), Qantas (10), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Thai Airways (6), Asiana Airlines (6), Air France (5), and All Nippon Airways (3).

UK-based startup airline Global Airlines is reportedly in negotiations to purchase an Airbus A380 previously leased by Portuguese wet-lease specialist Hi Fly and another three from an undisclosed party.

While Lufthansa is in the process of returning a number of A380s to service, the carrier has said it will operate the jets at least until 2027 and possibly longer.

Designated Qantas CEO Vanessa Hudson revealed that all A380s of the Australian flag carrier will be replaced over the next decade. After a pandemic-induced halt of A380 operations Qantas is in the process of returning them to service.

While the post-pandemic rebound in air travel triggered demand for aircraft and resulted in an uptick of market values for some aircraft types, the A380 has not yet benefitted to the same extent. Due to the significant number of A380s still in storage it is less likely that this would change soon.

Source: Cirium, Simple Flying

DIRECTORS

As at 31 March 2023, the Company had four directors, all of whom were independent and non-executive. As part of the Board's ongoing succession plan, Theresa Oldham was appointed to the Board on 1 April 2023 and, as previously announced, Charles Wilkinson will be stepping down from the Board on 31 July 2023.

Fiona Le Poidevin - Chair of the Company (with effect from 1 March 2023)
A Chartered Director, Fellow of the Institute of Directors and Chartered Accountant (FCA), Fiona is a non-executive director with 25 years' experience working in financial services in both London and the Channel Islands across the accounting and tax professions with experience in strategy, marketing, PR and the regulatory and listed company environments. Among her appointments, Fiona is director of Sequoia Economic Infrastructure Income Fund Limited, a FTSE 250 company, and director and Audit Chair of ICG-Longbow Senior Secured UK Property Debt Investments Limited, both premium listed companies with shares admitted to trading on the Main Market of the LSE. In addition to her appointment with the Company, Fiona is also a director of Doric Nimrod Air Three Limited, a company admitted to trading on the Specialist Fund Segment of the LSE.

Until the end of July 2020, Fiona was Chief Executive Officer of The International Stock Exchange Group Limited where she was responsible for the commercial aspects of the listed exchange group's operation. Previously Fiona was Chief Executive of Guernsey Finance, the promotional body for Guernsey's finance industry internationally, and prior to this she was an auditor and latterly tax adviser at PwC (London and Channel Islands) and KPMG (Channel Islands) for over 13 years. Fiona is a member of the AIC Channel Islands Committee and Chair of a local Sea Scouts group. She is a resident of Guernsey.

Geoffrey Alan Hall – Chair of the Nomination Committee
Geoffrey Hall has extensive experience in asset management, having previously been Chief Investment Officer of Allianz Insurance plc, a major UK general insurance company and an investment manager at HSBC Asset Management, County Investment Management, and British Railways Pension Funds.

Geoffrey earned his master's degree in Geography at the University of London and is an associate of the CFA Society of the UK. He is resident in the United Kingdom.

Geoffrey was Chair of the Company until 28 February 2023, stepping down as part of the Company's succession plan. Geoffrey is also a director of Doric Nimrod Air Three Limited.

Charles Edmund Wilkinson
Charles Wilkinson is a solicitor who retired from Lawrence Graham LLP in March 2005. While at Lawrence Graham he specialised in corporate finance and commercial law, latterly concentrating on investment trust and fund work.

Charles is also the Chair of the Nomination Committee of Doric Nimrod Air Three Limited. He is resident in Guernsey.

On 18 April, the Company announced Charles' intention to resign as director of the Company effective 31 July 2023 following the finalisation of this period's AFR.

Andreas Josef Tautscher – Chair of the AR Committee and the Management Engagement Committee
Andreas Tautscher brings over 34 years' financial services experience. He is also a non-executive director of Globalworth PLC which is an AIM listed Central European property Group. He is an independent director of Northern Trust Guernsey Limited, Condor Ferries Limited and a number of private investment companies. Andreas is a director of Arolla Partners, an independent director services business in the Channel Islands. From 1994 to 2018 Andreas held various roles at Deutsche Bank and was most recently CEO of the Deutsche Bank International and Head of Financial Intermediaries for EMEA and LATAM. He was previously a non-executive director of the Virgin Group. Andreas qualified as a Chartered Accountant in 1994.

Andreas is also Chair of Doric Nimrod Air Three Limited and Chair of its Management Engagement Committee, and a director of Doric Nimrod Air One Limited. He is resident in Guernsey.

DIRECTORS (continued)

Theresa Oldham

Theresa Oldham is a non- executive director with over 30 years’ experience in the aircraft finance and leasing industry. Having trained and spent her early career as a solicitor in the City of London, Theresa moved into the industry where she held a number of senior positions, most recently and until 2019, as Group Director of Aircraft Finance and Leasing for Thomas Cook Group plc where she was responsible for all related activities for the Group’s international fleet of aircraft.

Since 2020, Theresa has been providing aviation consultancy services and maintains a practicing certificate as a solicitor in England and Wales. She is resident in the United Kingdom.

Theresa was appointed as a non-executive director of the Company effective 1 April 2023.

SERVICE PROVIDERS

Management and the Delegation of Functions
The directors, whose details are set out on pages 17 and 18 are responsible for reviewing the business affairs of the Group in accordance with the Articles and have overall responsibility for the Group's activities including all business decisions, review of performance and authorisation of distributions. The Company has delegated management of the Group's Aircraft to Doric, which is a company incorporated in Germany. Further details are outlined below under the heading Asset Manager. The Board has appointed Nimrod, which is authorised by the FCA, to act as the Corporate and Shareholder Adviser of the Company. The directors delegate secretarial and administrative functions to JTC which is a company incorporated in Guernsey and licensed by the GFSC for the provision of administration services. The registrar function is delegated to the Registrar, which is licensed and regulated by the GFSC.

Asset Manager
Doric has been appointed by the Company to provide asset management services to the Group. Pursuant to the Asset Management Agreement, Doric will: (i) monitor Emirates' and any subsequent lessees' performance of its obligations under the Leases and any subsequent leases respectively (which shall include the obligations relating to the maintenance of insurance cover); (ii) provide the Group with information regarding alternatives with respect to any potential sale or re-lease of the Assets; (iii) carry out mid-lease inspections of the Assets; (iv) provide the Group with asset monitoring reports describing the state and any material changes to the state of the Assets; and (v) liaise, as and when necessary, with lenders, on all matters relating to the loans and EETCs, as required.

Doric has further undertaken that it will dedicate sufficient time and resources as it reasonably believes is required from time to time to fulfil any contractual arrangements it enters into with the Company.

The Doric Group is also a member of ISTAT and is a leading provider of products and services for investors in the fields of aviation, shipping, renewable energy and real estate. The Doric Group has an international presence, with offices in Germany, the United Kingdom, and the United States, and a multinational team which offers access to extensive relationship networks and expert asset knowledge maintaining regulated financial institutions in Europe. One of the firm's core competencies is its asset management expertise, which is an integrated part of all Doric transactions and a cornerstone of the business. For further information about the Doric Group, please visit www.doric.com.

The aircraft portfolio currently managed by the Doric Group is valued at $5.4 billion and consists of 35 aircraft and 4 engines under management. These aircraft include commercial airliners ranging from ATR 72-500s and the Airbus A320 family, through the Boeing 777, 787, and Airbus A330, up to the Airbus A380.

The Doric Group has 18 Airbus A380 aircraft, 7 of which are owned by the Company's subsidiaries, currently under management and is therefore considered well positioned to perform the technical asset management of this aircraft type.

Corporate and Shareholder Adviser
Nimrod, which is authorised by the FCA, has been appointed as the Corporate and Shareholder Adviser by the Company.

Nimrod was founded in 2008 as an independent organisation which specialises in generating and sourcing interesting investment funds, themes and solutions managed by experts in their fields for the professional investor marketplace. It has launched nine listed investment companies since its formation and it also provides investment, marketing, distribution and advisory services to investment companies and their boards and managers.

Nimrod, together with Doric and Emirates, was awarded the "Innovative Deal of the Year 2010 award" by the international aviation magazine Airfinance Journal in recognition of the innovative financing of an Airbus A380 leased to Emirates by the first stock market listed aircraft investment vehicle, Doric Nimrod Air One Limited.

Secretary & Administrator
JTC is an independent provider of institutional and private client services to clients in numerous jurisdictions and is a member of the JTC Group. For further information about the JTC Group, please visit www.jtcgroup.com.

SERVICE PROVIDERS (continued)

JTC is a Guernsey incorporated company and provides administration and secretarial services to the Group pursuant to an Administration and Secretarial Agreement. In such capacity, JTC is responsible for the general secretarial functions required by the Law and assists the Group in its compliance with its continuing legal and regulatory obligations, as well as providing advice on good corporate governance and best practice for a publicly traded company.

JTC is also responsible for the Group's general administrative functions and for the preparation of unaudited half-yearly and audited annual financial reports, subject to the direction and oversight of the Board.

Registrar
JTC Registrars is the Company's CREST compliant registrar. The Registrar is responsible for the maintenance of the Company's Share register and for the processing of dividend payments and stock transfers. The Registrar is licensed and regulated by the GFSC and further information about the Registrar may be obtained from their website at www.jtcgroup.com.

Review
The Board keeps under review the performance of the Asset Manager, Corporate and Shareholder Adviser, the Secretary, Administrator and the Registrar and the powers delegated to each service provider. In the opinion of the Board, the continuing appointments of the service providers on the terms agreed is in the best interest of the Company's Shareholders as a whole.

A full list of the Group's service providers is set out on page 81.

MANAGEMENT REPORT

A description of important events which have occurred during the financial year under review, their impact on the performance of the Group as shown in the Consolidated Financial Statements and a description of the principal risks and uncertainties facing the Group are given in the Chair's Statement, Asset Manager's Report, Statement of Principal Risks and the notes to the Consolidated Financial Statements contained on pages 57 to 80 and are incorporated here by reference.

Principal Risks and Uncertainties

The Board has undertaken a robust assessment of the principal risks facing the Group and has undertaken a detailed review of the effectiveness of its risk management and internal control systems. The Board is comfortable that the risks are being appropriately monitored on a regular basis.

The risks set out below are those which are considered to be the material risks relating to an investment in the Shares but are not the only risks relating to the Shares or the Group. Additional risks and uncertainties of which the Group is presently unaware or that the Group currently believes are immaterial may also adversely affect its business, financial condition, results of operations or the value of the Shares.

The principal risks associated with the Group are:

- **Operational risk:** The Board is ultimately responsible for all operational facets of performance including cash management, asset management, regulatory and listing obligations. The Group has no employees and so enters into a series of contracts/legal agreements with a series of service providers to ensure both operational performance and the regulatory obligations are met. This risk has been mitigated by the Group using well established, reputable and experienced service providers. The Management Engagement Committee annually reviews performance of all service providers. Evaluations are documented and areas for improvement are monitored. Where relevant service providers provide copies of their control reports.

- **Investment risk:** There are a number of risks associated with the Group's Assets in relation to the occurrence of technical faults with the Assets or actions by third parties causing both damage to the Assets and also damaging the demand for global air travel. This risk has been mitigated by the Lessee's contractual responsibility to insure, repair and maintain the Aircraft for the duration of the Leases.

  There are further risks associated with the expiry of lease agreements. This risk has been mitigated through the appointment of an Asset Manager who is responsible for negotiating the end of lease process in the best interests of the Company and in compliance with the agreed lease contracts. The Asset Manager is responsible for planning, understanding the costs involved in long term storage and having a fund available to cover these costs. The Asset Manager further performs regular checks on the Aircraft owned by the Company and updates the Board of any material developments.

- **Borrowings and financing risk:** There is a risk that the Group is exposed to fluctuations in market interest rates and foreign exchange rates. This risk has been mitigated by ensuring that debt repayments are made from lease rental revenues received in the matching currency and by fixing the interest rates on debt and lease rentals.

- **Credit risk:** Emirates is the sole lessee of the Assets and is headquartered in the Middle East. Should Emirates default on the rental payments due to domestic events, events in the wider airline industry or other reasons it is unlikely the Company will be able to meet its targeted dividends or, in the case of ongoing default, continue as a going concern. The risk of default is potentially mitigated by the ability of the Group to sell or re-lease the Assets in the event of a single default, together with the financial position of Emirates. However, this could be impacted by market conditions at the time. The Board monitors the financial performance of Emirates on an ongoing basis.

- **Secondary market risk:** There is a risk that the Group would not be able to achieve the projected resale value of the Assets due to i) changes in demand for second hand aircraft of the type owned by the Group, ii) the limited number of airlines operating the aircraft type, and iii) an increasing trend for airlines to operate newer generation twin-engine aircraft that are more efficient and whose engine costs are substantially less. Therefore, the Board monitors and revises the residual value of the Aircraft on an annual basis, based on reports received from three independent appraisers, who consider these market trends in their aircraft valuations.

MANAGEMENT REPORT (continued)

- **Aircraft preservation risk:** In the case that the Aircraft are returned and there are not yet secondary leases in place or an agreement to sell immediately, there is a risk that the Company would need to utilise financial resources to cover storage costs, preservation of the Aircraft whilst in storage, and maintain insurance on the Aircraft though this would be a smaller cost as the aircraft would not be flying. The risk is mitigated by ensuring proactive engagement with the Group's lessee so that the end of lease situation is known and planned for in advance of expiry date. The Board also maintains a healthy cash position from rentals received which is not paid out as regular dividend in order to facilitate end of lease planning.

- **Regulatory risk:** The Group is required to comply with the DTRs of the FCA and the requirements imposed by the Law and any other legislation and regulations as applicable. Any failure to comply could lead to criminal or civil proceedings. Although responsibility ultimately lies with the Board, the Board is also assisted by the Secretary which monitors compliance with regulatory requirements.

- **Valuation risk:** There is a risk that the useful life or residual value used in determining depreciation are not appropriate or accurately calculated. The Board assess, based on the latest forecast valuations, whether the selected residual values remains as an appropriate basis of valuation and with consideration to the range of estimates provided by the external valuers. The Group has a robust audit process. Additionally, the Group has engaged external experts (two out of those three being ISTAT accredited) to provide residual values of Aircraft. The Asset Manager is up to date regarding the aircraft/aviation industry giving insight to the Board regarding the current and future outlook for the industry and appropriate life/residual values. JTC annually completes impairment testing in line with IAS 36.

Emerging Risks

The Board has developed and continues to maintain a risk matrix for the Group which is reviewed regularly. The Board continually monitors emerging risk areas relevant to the performance of the Group including those that would threaten its business model, future performance, solvency and liquidity on an ongoing basis. The Board receives from the Company's Asset Manager quarterly reporting confirming the Asset Manager's obligations and highlighting key issues and risks to be brought to the Company's attention.

Additional risks and uncertainties of which the Board is presently unaware may also adversely affect its business, financial condition, results of operations or the value of Shares.

Data Protection

The Company has implemented measures designed to ensure its compliance with the EU General Data Protection Regulation (EU) 2016/679 and associated legislation in Guernsey. The Company has also issued a privacy notice explaining the data it holds, how the data is used and its procedures for processing this data. This notice is available for review and download at the Company's website.

Going Concern

The Group's principal activities are set out within the Company Overview on pages 5 to 6. The financial position of the Group is set out on page 54. In addition, note 19 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The directors, in consultation with the Asset Manager, are monitoring the residual effects of the Pandemic generally on the aviation industry and specifically on the Group's aircraft values and the financial wellbeing of its Lessee both now and in the future. During the Company's financial year ended on 31 March 2023, global air passenger traffic experienced a very strong recovery. Tight capacity management by airlines resulted in the highest passenger load factor on record for the month of March, achieved in March 2023. Overall, global air passenger traffic in March 2023 was 12% below its pre-pandemic levels compared with March 2019. Emirates reported its most profitable year ever with a net profit of 10.6 billion AED (2.9 billion USD), a significant turnaround from a net loss of 3.9 billion AED (1.1 billion USD) in the previous financial year, ended in March 2022.

Reduced rents receivable under the Leases may not be sufficient to meet the debt interest and regular repayments of debt scheduled during the life of each Loan and may not provide surplus income to pay for the Group's expenses and permit the declaration of

MANAGEMENT REPORT (continued)

dividends. However, this would only apply if the Lessee became unable to meet its debt repayment obligations or insisted on a rent holiday, and the Lessee has given no indication of either scenario.

The directors consider that the going concern basis of accounting remains appropriate. Based on current information the directors have reasonable expectation that the Group has sufficient financial resources, including cash and cash equivalents and expected rent receipts to continue in operational existence for at least twelve months from the date of this report.

The Board will continue to actively monitor the financial impact on the Group from the evolving position with its Lessee and debt providers whilst bearing in mind its fiduciary obligations and the requirements of Guernsey law which determine the ability of the Group to make dividends and other distributions.

The directors have considered Emirates' ability to continue paying the lease rentals over the next 12 months and are satisfied that the Group can meet its liabilities as they fall due over this period. Further detail regarding the assumptions adopted when forming this conclusion can be found in the Viability Statement below.

Viability Statement

In accordance with Provision 31 of the Code, the directors of the Company have considered the prospects of the Group over the period from present until the liquidation resolution is put to Shareholders in June 2025, a period of approximately two years from the date of approval of the financial statements. In choosing the period of viability for the Group the Board has considered the prospect of Emirates performing their obligations until the end of their Leases.

The Board, in assessing the viability of the Group, has paid particular attention to the principal risks faced by the Group as disclosed in the Management Report and the notes to the Consolidated Financial Statements, reviewing on an ongoing basis the risks faced and ensuring that any mitigation measures in place are functioning correctly.

The directors, with the support of its Asset Manager, believe that it is reasonable to assume as of date of approval of the Consolidated Financial Statements that Emirates will continue with the contracted lease rental payments due to the following:

— Emirates continues to be a going concern as at the date of the Lessee's latest signed annual financial report for the financial year ended 31 March 2023.

— During the last financial year, Emirates accelerated its global network recovery by relaunching flights to six destinations and increased operations to 62 cities across its network throughout the year. The number of passengers increased by 123% compared to the year before to 43.6 million, while the airline's capacity for passenger services, measured in ASKs, increased by 78% compared to the previous year and reached 77% of the pre-COVID levels. The passenger seat factor averaged at 79.5%, an improvement of 20.9 percentage points compared to the previous year. Emirates reported its most profitable year ever with a net profit of 10.6 billion AED (2.9 billion USD), a significant turnaround from a net loss of 3.9 billion AED (1.1 billion USD) in the previous financial year, ended in March 2022. Emirates' Credit Default Swap is trading below its multi-year average indicating a low default risk.

— As of the date of the Consolidated Financial Statements, the Board is not aware of a formal request to the Group for a lease deferral or any other efforts that would result in the restructuring of the existing transaction.

— Emirates has paid all the lease rentals to the Group in a timely manner.

The Group retains sufficient cash to cover the forecast operating costs of the Group until the termination date of the final Leases in 2024, and the immediate post lease end period up to 30 June 2025, assuming receipt of planned rental income.

The directors believe that their assessment of the viability of the Group over the period chosen was sufficiently robust and encompassed the risks which would threaten the business model, future performance, solvency or liquidity of the Group, together with ongoing work to forecast future expenditure in various possible scenarios.

MANAGEMENT REPORT (continued)

As a result of their review, the directors of the Company have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due until 30 June 2025.

Responsibility Statement

The directors jointly and severally confirm that to the best of their knowledge:

(a) the financial statements, prepared in accordance with IFRS give a true and fair view of the assets, liabilities, financial position and profits of the Group and performance of the Group;

(b) the Management Report includes or incorporates by reference a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and

(c) the annual report taken as a whole is fair, balanced and understandable and provides the information necessary for the Company's Shareholders to assess the Company's and the Group's position, performance, business model and strategy.

Fiona Le Poidevin
Chair

Andreas Tautscher
Director

21 July 2023

DIRECTORS' REPORT

The directors present their annual report and audited financial statements of the Group for the financial year ended 31 March 2023.

Principal Activities and Business Review

The principal activity of the Group is to acquire, lease and then sell aircraft. The directors do not envisage any change in these activities for the foreseeable future. A description of the activities of the Group in the year under review is given in the Chair's Statement and the Asset Manager's Report respectively on pages 7 to 9 and 10 to 16.

Status

The Company is a Guernsey domiciled company, the Shares of which are admitted to trading on the SFS. Its registered number is 52985. The Company operates in accordance with the Law.

Results and Dividends

The results of the Group for the financial year are set out on page 53.

The Company declared dividends during the financial year under review as follows:

Quarter End	Announcement Date	Payment Date	Dividend per Share (pence)
31 March 2022	12 April 2022	29 April 2022	4.50
30 June 2022	14 July 2022	29 July 2022	4.50
30 September 2022	13 October 2022	31 October 2022	4.50
31 December 2022	12 January 2023	31 January 2023	4.50

The Company declared the following dividends after the financial year end:

Announcement Date	Payment Date	Dividend per Share (pence)
13 April 2023	28 April 2023	4.50
13 July 2023	31 July 2023 (expected payment date)	4.50

The Company pays quarterly dividends of 4.50 pence per Share, in line with the current Distribution Policy.

Directors

The directors in office are shown on pages 17 to 18 and all directors remain in office as at the date of signing of these financial statements. Further details of the directors' responsibilities are given on page 24.

No director has a contract of service with the Group, nor are any such contracts proposed.

DIRECTORS' REPORT (continued)

The following interests in Shares of the Company are held by persons discharging directorial responsibility and their persons closely associated:

	Number of Shares held as at 31 March 2023	Number of Shares held as at 17 July 2023
Charles Wilkinson	75,000	75,000
Geoffrey Hall	75,000	75,000
Fiona Le Poidevin	–	–
Andreas Tautscher	6,849	6,849
Theresa Oldham *Appointed on 1 April 2023	–	–

Other than the above shareholdings, none of the directors nor any persons connected with them had a material interest in any of the Group's transactions, arrangements or agreements during the year and none of the directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group, and which was effected by the Group during the reporting year.

At the financial year end and as at the date of this report, there are no outstanding loans or guarantees between the Group and any director.

There were no material related party transactions which took place in the financial year under review, other than those disclosed in the Directors' Report and at note 22 to the financial statements.

Substantial Controllers of Voting Rights

The Company has identified the following substantial controlling interests in voting rights attached to the Company's issued Share capital in accordance with Chapter 5 of the DTRs. These are based on notifications made to the Company since inception and may differ substantially from positions recorded on the Company's Share register.

There have been no material changes in the below list of substantial controlling interests between the end of the year under review and 17 July 2023, being the latest practicable date prior to the date of approval of this report.

Name	**% of Total Voting Rights**	**Number of Shares**
Elliot Investment Management L.P.	11.25%	19,434,180
City of Bradford Metropolitan District Council	10.16%	17,550,000
Schroders plc	7.68%	13,267,887
Seneca IM Limited	5.10%	8,810,883
Quilter Cheviot Limited	5.00%	8,641,973
Fidelity International Limited	4.62%	7,974,203

DIRECTORS' REPORT (continued)

Corporate Governance

Statement of Compliance with the Code, as published in July 2018

As a Guernsey incorporated company and under the DTRs, the Company was not, for the Period under review, required to comply with the Code. The Company has, however, voluntarily committed to comply with the Code or explain any departure. A copy of the Code is available for download from FRC's website (www.frc.org.uk).

Having reviewed the Code, the Board considers that it has maintained procedures during the year to ensure that it has complied with the Code, other than the following exceptions:

(i) Provision 2: The Board should assess and monitor culture.

Provision 5: The Board should understand the views of the Company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in Board discussions and decision-making. The Board should keep engagement mechanisms under review so that they remain effective.

For engagement with the workforce, one or a combination of the following methods should be used:

- a director appointed from the workforce;
- a formal workforce advisory panel;
- a designated non-executive director.

Provision 6: There should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously.

Company Response: Although the Company does not have employees, the Board recognises that it, together with the service providers of the Company, contributes to the overall culture of the Company. Therefore, the Board assesses and monitors this culture. It also explores effective engagment mechanisms for key stakeholders

(ii) Provision 10: The Board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:

- has, or has had within the last three years, a material business relationship with the Company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- has served on the Board for more than nine years from the date of their first appointment.

Where any of these or other relevant circumstances apply, and the Board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.

Provision 19: The Chair should not remain in post beyond nine years from the date of their first appointment to the Board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the Chair was an existing non-executive director on appointment. A clear explanation should be provided.

Company Response: Geoffrey Hall was Chair of the Company for over nine years. However, following careful review, the Board has been implementing an effective succession plan over the last few years and, as part of that exercise, Mr Hall stepped down as Chair of the Company on 1 March 2023 succeeded by Fiona Le Poidevin.

DIRECTORS' REPORT (continued)

The Board considers that, following the appointment of Mrs Le Poidevin, the Company now complies with Provision 19.

Provision 12: The Board should appoint one of the independent non-executive directors to be the SID to provide a sounding board for the Chair and serve as an intermediary for the other directors and Shareholders. Led by the senior independent director, the non-executive directors should meet without the Chair present at least annually to appraise the Chair's performance, and on other occasions as necessary.

Company Response: The Board have formed the view that, given the size of the Board, it is not immediately necessary to fill this vacancy. However, such an appointment remains a matter of ongoing consideration for the Board.

(iii) Provision 9: The Chair should be independent on appointment when assessed against the circumstances set out in Provision 10. The roles of Chair and chief executive should not be exercised by the same individual.

Company Response: There is no chief executive. The Nomination Committee will meet in Q4 2023 to continue discussions around effective succession planning and board composition, mindful of the tenure of Board members and the remaining life of the Company.

(iv) Provision 13: Non-executive directors have a prime role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. The Chair should hold meetings with the non-executive directors without the executive directors present.

Provision 32: The Board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies [*i.e. not in the FTSE 350*], two.

Provision 33: The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the Chair, executive directors and senior management.

Provision 35: Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee.

Provision 41: There should be a description of the work of the remuneration committee in the annual report.

Company Response: The Company has no executive directors, senior management or employees. It does not have a remuneration committee given the small size of the exclusively non-executive and independent board, but have established a Nomination Committee where the remuneration of the Board is considered. Remuneration provision is set out in this Directors' Report.

Board Evaluation

The Board is committed to ensuring that on an annual basis the strengths of the Board are recognised and any weaknesses are addressed. Each director has undertaken to engage with the evaluation process and take appropriate action when development needs have been identified. An external facilitation of the performance evaluation is considered by the Chair of the Nomination Committee on an annual basis.

For the financial year under review, the Nomination Committee agreed that an external facilitation of the performance evaluation required by provision 21 of the Code was not required and instead the evaluation was performed by the Nomination Committee.

Directors were asked to complete individual questionnaires on the performance of the Board and its committees on an anonymous basis and the completed questionnaires were considered at a meeting of the Nomination Committee. At the conclusion of its evaluation, the Nomination Committee made minor suggestions for improvements and also concluded that the Board generally operated well given its compact size.

DIRECTORS' REPORT (continued)

Board Responsibilities
The Board is currently comprised of five directors and their biographies appear on pages 17 to 18 demonstrating the wide range of skills and experience they each bring to the Board. All the directors are non-executive and independent, with Fiona Le Poidevin acting as Chair.

The other significant commitments of the current Chair are detailed in her biography on page 17. The Board was satisfied during the year and remains satisfied that the Chair's other commitments do not interfere with the day-to-day performance of her duties to the Company and that she has the commitment and time to make herself available at short notice should the need arise.

The Nomination Committee regularly reviews the balance, knowledge and effectiveness of the Board, to identify if any additional experience or skills are needed and to ensure that the current directors have sufficient available time to undertake the tasks required and remain independent. The directors are able and encouraged to provide statements to the Board of their concerns and ensure that any items of concern are recorded in the Board minutes. When undertaking a search for a new director the Board is mindful of diversity and meritocracy.

In accordance with the Articles the directors shall determine the directors' fees payable provided that the aggregate amount of such fees paid in respect of services rendered to the Company shall not exceed £250,000 per annum. All directors receive an annual fee and there are no share options or other performance related benefits available to them. All directors are paid a fee of £48,000 per annum. The Chair is paid an additional fee of £11,000 per annum and the Chair of the AR Committee is paid an additional £9,000 per annum. The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office by prior arrangement with the Secretary.

The Board usually meets in Guernsey at least four times per year to consider the business and affairs of the Group, at which meetings the directors review the Group's Assets and all other important issues to ensure control is maintained. The directors hold a Dividend Committee meeting in Guernsey each quarter to consider and, if thought suitable, approve the payment of a dividend in accordance with the Company's distribution policy.

Between these regular meetings the Board keeps in contact by email and telephone as well as meeting to consider specific matters of a transactional nature. Additionally, the directors may hold strategy meetings with its relevant advisors as appropriate.

The directors are kept fully informed by the Asset Manager and Secretary of all matters that are relevant to the business of the Group and should be brought to the attention of the directors and/or the Shareholders. All directors have direct access to the Secretary who is responsible for ensuring that Board procedures are followed and that there are effective information flows both within the Board and between the committees and the Board.

The directors also have access to the advice and services of the Asset Manager and Corporate and Shareholder Adviser and may also, in the furtherance of their duties, take independent professional advice at the Company's expense.

During the year under review the number of full Board meetings and committee meetings attended by the directors was as follows:

Director	Board Meetings	Audit and Risk Committee Meetings	Nomination Committee Meetings	Management Engagement Committee Meetings	Dividend Committee Meetings***
Geoffrey Hall	6 of 6	1 of 6*	3 of 3	3 of 3	3 of 4
Charles Wilkinson	5 of 6	5 of 6	2 of 3	2 of 3	1 of 4
Fiona Le Poidevin	6 of 6	5 of 6**	3 of 3	3 of 3	4 of 4
Andreas Tautscher	6 of 6	6 of 6	3 of 3	3 of 3	2 of 4

* Geoffrey Hall resigned as Chair of the Board and was subsequently appointed as a member of the AR Committee effective 1 March 2023.

**Fiona Le Poidevin was appointed as Chair of the Board effective 1 March 2023 and ceased in her role as a member of the AR Committee.

*** refer to page 31 for the composition and function of the Dividend Committee.

DIRECTORS' REPORT (continued)

Audit and Risk Committee

Mr Tautscher, Mr Wilkinson and Geoffrey Hall are all members of the AR Committee, with Mr Tautscher acting as Chair. The AR Committee has regard to the Guidance on Audit and Risk Committees published by the FRC in September 2012 and as updated in April 2016. The AR Committee examines the effectiveness of the Group's, and its service providers' internal control systems as appropriate, the annual and half-yearly reports and financial statements, the auditor's remuneration and engagement, as well as the auditor's independence and any non-audit services provided by them.

The FRC published updated Ethical and Auditing Standards in December 2019, which further restrict the provision of non-audit services by audit firms to their clients. The previous list of prohibited non-audit services list has been replaced with a short list of permitted services. Auditors of PIEs can now only provide non-audit services which are closely linked to the audit itself or are required by law or regulation. Also, whereas PIEs were previously limited to those entities incorporated in the EU, the FRC now defines PIEs as all issuers whose transferable securities have been admitted to trading on a UK regulated market, which includes the London Stock Exchange but not AIM. The Crown Dependency rules were also changed so that Market Traded Companies incorporated in the Crown Dependencies are also included in this requirement.

The AR Committee considers the nature, scope and results of the auditor's work and reviews it annually prior to providing a recommendation to the Board on the re-appointment or removal of the auditor. When evaluating the external auditor the AR Committee has regard to a variety of criteria including industry experience, independence, reasonableness of audit plan, ability to deliver constructive criticism, effectiveness of communication with Board and the Group's service providers, quality control procedures, effectiveness of audit process and added value beyond assurance in audit opinion.

Auditor independence is maintained through limiting non-audit services to specific audit-related work that falls within defined categories. All engagements with the auditor are subject to pre-approval from the AR Committee and fully disclosed within the annual financial report for the relevant period. A new lead audit partner is appointed every five years and the AR Committee ensures the auditor has appropriate internal mechanisms in place to ensure its independence.

The AR Committee usually meets in Guernsey at least twice per year, shortly before the Board meets to consider the Group's half-yearly and annual financial reports, and reports to the Board with its deliberations and recommendations and also has annual planning and final meetings with the auditor. In addition, the Board also meets during the audit process with the auditors to discuss issues relating to the residual values of the Assets. The AR Committee operates within clearly defined terms of reference based on The Chartered Governance Institute UK & Ireland recommended terms and provides a forum through which the Group's external auditor reports to the Board. The AR Committee can request information from the Group's service providers with the majority of information being directly sourced from the Asset Manager, the Secretary and Administrator and the external auditor. The terms of reference of the AR Committee are available on the Company's website and on request from the Secretary.

Each year the Board examines the AR Committee's performance and effectiveness and ensures that its tasks and processes remain appropriate. Key areas covered included the clarity of the AR Committee's role and responsibilities, the balance of skills among its members and the effectiveness of reporting its work to the Board. The Board is satisfied that all members of the AR Committee have relevant financial experience and knowledge and ensure that such knowledge remains up to date. Overall, the Board considers that the AR Committee has the right composition in terms of expertise and has effectively undertaken its activities and reported them to the Board during the year under review.

During the financial year the AR Committee met six times. The AR Committee considered the annual financial report for the year ended 31 March 2022 and the half-yearly financial report for the period ended 30 September 2022. The AR Committee also met in February 2023, with the external auditor in attendance, to approve the 2023 audit plan. The AR Committee furthermore met in March and May 2023 to consider the Company's Business Risk Matrix. The AR Committee also undertook a review of the Company's auditor during the year.

DIRECTORS’ REPORT (continued)

Dividend Committee
The Dividend Committee consists of any one or more director, who has been given full power and authority to consider and, if thought suitable, declare and approve the payment of a dividend in accordance with the Company’s distribution policy, provided that all directors had been provided with prior notice of the proposal to declare each dividend and no director had raised any objection to the declaration of each dividend. In practice, a majority of directors of the Board are usually present.

Nomination Committee
The Nomination Committee consists of all directors of the Company, with Mr Hall acting as Chair of the committee.

The functions of the Nomination Committee include to regularly review the structure, size and composition of the Board (including the skills, knowledge, experience, diversity and how effectively members work together to achieve objectives) and make recommendations to the Board with regard to any changes, and to perform a formal and rigorous performance evaluation of the Board, its committees, the Chair and individual directors, including the consideration of having a regular externally facilitated Board evaluation. Full description of the Board evaluation is included on page 28, above.

During the financial year the Nomination Committee met three times, to consider the appointment of a new non-executive director and to undertake the annual performance evaluation of the Board and its committees. The Company utilised the services of Fletcher Jones Limited, an independent recruiting agency specialising in the recruitment of directors, to provide the Board with a shortlist of diverse qualified candidates. Subsequently, the Board conducted interviews with a diverse group of candidates in order to select the most suitable candidate based on their experience, industry knowledge and qualifications.

The Nomination Committee is responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise. Prior to any appointment made by the Board, the Nomination Committee will evaluate the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Nomination Committee shall:

- generally use open advertising or the services of external advisers to facilitate the search, unless there is a valid reason for not doing so in which case justification for this decision would be disclosed;

- consider candidates from a wide range of backgrounds; and

- consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.

The Nomination Committee prepares a job specification for the appointment of a director, including the time commitment expected. A proposed director’s other significant commitments should be disclosed to the Board before their appointment and any significant changes to the director’s commitments should be reported to the Board as they arise.

Prior to the appointment of a director, the Nomination Committee requires any proposed appointee to disclose any other business interests that may result in a conflict of interest.

The Nomination Committee ensures that, on appointment to the Board, a new non-executive director receives a formal letter of appointment, setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

Succession planning is performed based on the results of the Nomination Committee’s evaluation of the structure, size and composition of the Board as well as the results of the Board evaluation. In giving full consideration to succession planning for directors, the Nomination Committee takes into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future. The Nomination Committee keeps under review the leadership needs of the Company with a view to ensuring the continued ability of the Company to operate effectively in the marketplace. The Board has a succession plan in place which commenced with the appointment of Andreas Tautscher in August 2019, continuing with the appointment of

DIRECTORS' REPORT (continued)

Fiona Le Poidevin in March 2022 and with the more recent appointment (post period) of Theresa Oldham. These new directors have brought a diverse set of skills and knowledge to the Board from their prior experience and the appointments of Mrs Le Poidevin and Ms Oldham demonstrate the Board's commitment to gender diversity. A Board Evaluation was carried out during the year.

Management Engagement Committee

The Management Engagement Committee was established on 15 October 2020 and consists of all directors of the Company, with Andreas Tautscher acting as Chair. The Management Engagement Committee meets at least once a year and the principal duties of the Management Engagement Committee are to review the terms of the agreements between the Company and its key service providers to ensure that they are competitive, fair and reasonable for Shareholders, to review and make recommendations on any proposed amendment or material breach of those agreements and to monitor and evaluate the performance of the key service providers including the ongoing suitability of the key service providers to provide advice to the Company.

During the Period the Management Engagement Committee met on three occasions, the first in October 2022 to report on the October 2022 site visit to Doric. The committee met again in February 2023, reconvened to March 2023 to perform a review of the Company's service providers. Additionally, the committee met with Nimrod in May 2023.

Internal Control and Financial Reporting

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and monitoring the significant risks faced by the Group.

The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

The Board reviews its risk matrix on a quarterly basis, which covers various areas of risk including corporate strategy, accuracy of published information, compliance with laws and regulations, relationships with service providers and business activities.

Asset Management services are provided to the Group by Doric. Corporate and Shareholder advisory services are provided to the Group by Nimrod. Administration and secretarial duties for the Group are performed by JTC.

The Board clearly defines the duties and responsibilities of their agents and advisers. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved and the Board monitors their ongoing performance and contractual arrangements. The Board also specifies which matters are reserved for a decision by the Board and which matters may be delegated to its agents and advisers.

Management of Conflicts of Interest

The Group has adopted a formal conflicts of interest policy and is committed to ensuring that all directors and service providers facilitate the Group conducting its business in a manner that is consistent with its reputation, conducive to maintaining high standard of integrity in all its business dealings, in the best interests of the Group's Shareholders.

The Board considers the director's conflicts of interest at each Board meeting by reviewing a schedule of each director's other directorships and other interests held. Each director is required to notify the Secretary of any potential, or actual, conflict situations that would need to be considered by the Board.

No director has a service contract with the Company, although directors are issued with letters of appointment nor did any director have any interest in contracts with the Company during the financial year under review, or subsequently.

DIRECTORS' REPORT (continued)

Anti-Bribery Policy
The directors have undertaken to operate the business in an honest and ethical manner and accordingly take a zero-tolerance approach to bribery and corruption. The key components of this approach are implemented as follows:

- The Board is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.
- The Group has implemented an anti-bribery policy and enforces effective procedures to counter bribery.
- The Group requires all its service providers and advisors to adopt equivalent or similar principles.

Criminal Facilitation of Tax Evasion
The Board has a zero tolerance appetite for the criminal facilitation of tax evasion.

Dialogue with Shareholders
All holders of Shares in the Company have the right to receive notice of, and attend, the general meetings of the Company, during which members of the Board will be available to discuss issues affecting the Group.

The primary responsibility for shareholder relations lies with the Group's Corporate and Shareholder Adviser. The Corporate and Shareholder Adviser regularly meets with Shareholders to discuss the Company and seek feedback. The views of Shareholders are discussed by the Board at every Board meeting, and action would be taken to address any shareholder concerns. The Group provides regular updates to Shareholders through the annual report and accounts, the unaudited half-yearly financial reports and the quarterly factsheets. Further communications are made to the market as and if required.

In addition, the directors are available to enter into dialogue with Shareholders and the Chair is willing to meet Shareholders as the Group believes such communication to be important. The Company's directors can be contacted at the Group's registered office or via the Secretary.

Stakeholders and Section 172
The Code requires that the Company should understand the views of the Company's key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the UK's Companies Act 2006 have been considered in Board discussions and decision-making. Section 172 is not strictly applicable as this is a Guernsey company. However, its application is being considered as part of the Code requirements.

The Group has no employees and all of the directors are non-executive, so the Board considers that its key stakeholders are its Shareholders, its lessee, its service providers, society, the government and regulators.

As the Group's sole lessee, the Board recognises Emirates as an important stakeholder and maintains a regular dialogue with Emirates through the Asset Manager. The activities of Emirates are more fully considered within the Asset Manager's Report.

The Board's engagement with Shareholders is described in the "Dialogue with Shareholders" section above. All Shareholders are treated equally and no Shareholder receives preferential treatment. When making decisions of relevance to Shareholders, the Board considers first and foremost the likely consequences of their decisions in light of their duty to act in the best interests of the Group. The Board also considers what is likely to be in the best interests of Shareholders as a whole but does not consider individual Shareholders' specific circumstances or desires when making its decisions.

In addition to the regular reporting provided by key service providers, the Management Engagement Committee undertakes a review of the performance of these key service providers on an annual basis. The services provided by the key third party service providers are critical to the ongoing operational performance of the Group. The Board believes that fostering constructive and collaborative relationships with the Group's service providers will assist in their promotion of the success of the Group for the benefit of all Shareholders.

DIRECTORS' REPORT (continued)

As described in detail in the Group's Viability Statement, the Board considers the prospects of the Group for at least the next two years whenever it considers the Group's long-term sustainability. All strategic decisions are therefore taken with the success of the Group in mind and the Board would take external advice whenever it considered that such would be beneficial to its decision-making process, primarily from its retained service providers (including legal counsel), but also from other external consultants.

The Board recognises that responsible investment and the associated ESG considerations can have a significant impact on investment activity in terms of raising funds, identifying investment opportunities and long-term value creation for Shareholders. Please see more information regarding ESG in the report on pages 36 to 39.

The Board ascribes to the highest standards of business conduct and has policies in place to ensure compliance with all applicable laws and regulations. In addition to the monitoring of the Group's compliance with its own obligations, the Board also monitors compliance by its service providers with their own obligations. The Board encourages openness and transparency and promotes proactive compliance with new regulation.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the Consolidated Financial Statements in accordance with applicable Guernsey law and regulations. Under the Law the directors are required to prepare financial statements for each financial year. The directors have chosen to prepare the Group's Consolidated Financial Statements in accordance with IFRS.

Under the Law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these Consolidated Financial Statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Consolidated Financial Statements comply with the Law. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS’ REPORT (continued)

Disclosure of Information to the Auditor
The directors who held office at the date of approval of this Directors’ Report confirm in accordance with the provisions of Section 249 of the Law that, so far as they are each aware, there is no relevant audit information of which the Group’s auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group’s auditor is aware of that information.

Auditor
Grant Thornton Limited has expressed its willingness to continue in office as auditor and the Audit Committee has recommended re-appointment. Pursuant to section 199 of the Law, the Shareholders of the Company approved the re-appointment of Grant Thornton at the AGM of the Company held on 9 December 2022 in respect of the 31 March 2023 year end.

Fiona Le Poidevin
Chair

Andreas Tautscher
Director

Signed on behalf of the Board
On 21 July 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board recognises that responsible investment and the associated ESG considerations can have a significant impact on investment activity in terms of raising funds, identifying investment opportunities and long-term value creation for Shareholders. This report sets out our policy and approach to ensuring that the level of engagement on ESG matters is commensurate to the size, nature and complexity of the business.

This policy seeks to address ESG matters on two levels; firstly, with regard to the Company itself and secondly, in relation to the Assets which the Group owns. The direct and practical management of the Company seeks to uphold ESG standards where possible and applicable. This is greatly influenced by the nature of the Group's activities and the legal structure of the associated Leases.

The Company

The Company is a self-managed Guernsey company incorporated on 31 January 2011. Its Shares were initially admitted to trading on the SFS on 14 July 2011. Following the closing of a C Share fundraising on 27 March 2012, these C Shares were converted to additional ordinary preference shares which were admitted to trading on the SFS on 6 March 2013.

The Company is under the control of its Board of directors on behalf of Shareholders. All directors are independent and non-executive. The Board is responsible for reviewing the business affairs of the Company in accordance with the Articles and has overall responsibility for the Company's activities including all business decisions, review of performance and authorisation of distributions.

The Company has delegated the following activities to its appointed service providers:

- Asset Management – Doric
- Corporate and Shareholder Adviser – Nimrod
- Secretary and Administrator – JTC
- Registrar – JTC Registrars Limited

The Company has no executive directors or employees and no physical office premises. The Company's business is carried out in a series of meetings held in the offices of its administrator JTC, in Guernsey, the Company's place of incorporation.

Subject to any travel restrictions imposed, the directors are required to travel in the fulfilment of their duties. Where circumstances allow, travel is kept to a minimum. The directors are required to travel to Guernsey on at least a quarterly basis for Board and other committee meetings and to other destinations to visit Shareholders and service providers as and when required. Regular dialogue with the Lessee is maintained via the Asset Manager.

The Company consequently has a limited physical footprint and therefore its direct environmental impact is considered to be low.

The Modern Slavery Act

Due to the nature of the Company's business, being a company that does not offer goods or services to customers, the Board considers there are no relevant disclosures with regard to modern slavery in relation to the Company's own operations. The Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in this regard.

Emirates' statement on modern slavery is available on the Emirates website (Emirates.com).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Assets
The principal activity of the Company is to acquire, lease and then sell aircraft. The Company has four wholly-owned subsidiaries; MSN077 Limited, MSN090 Limited, MSN105 Limited and DNAFA. The Group owns seven Airbus A380-861 aircraft which are leased for twelve years to the Lessee, the national carrier owned by The Investment Corporation of Dubai based in Dubai, United Arab Emirates.

The Group's own operational influence in the fields of climate change, air quality and resource efficiency is minimal. The nature of the Leases with the Lessee means that control over the usage of the Assets rests with the Lessee. The Group has leased the Assets for a term of twelve years, with fixed lease rentals for the duration, to the Lessee. The Lessee bears all costs (including for maintenance, repairs, and insurance) relating to the Aircraft during the lifetime of the Leases. This would include any modifications or modernisations related to ESG requirements as mandated by regulatory agencies. However, in all other respects, the influence of the Group over the Lessee with regard to voluntary ESG concerns is limited due to existing quiet enjoyment arrangements between the Group and the Lessee.

The Airbus A380 is the world's largest commercial passenger aircraft. It is the first and only aircraft with two full-length passenger decks, giving it a maximum capacity of up to 853 passengers. In a typical three-class configuration (First, Business and Economy Class), the Airbus A380 has capacity for approximately 525 passengers. Additionally, developments with respect to the aircraft's aerodynamics, control elements and flight systems, coupled with the use of advanced, lightweight composite materials make the A380 an attractive and efficient aircraft. In comparison with other modern long-range passenger aircraft of the same category (the so-called Very Large Aircraft segment), the Airbus A380 consumes less fuel per passenger, using approx. three litres of kerosene per 100 passenger kilometers, when equipped with Engine Alliance engines. Furthermore, the A380 offers an efficient way to capture traffic at the most concentrated airports and times by giving airlines the ability to consolidate routes, thereby increasing seat capacity while creating economies of scale.

The most critical environmental issue related to aircraft operations is GHG emissions generated from fossil energy consumption. Air transportation is one of the most energy and carbon dioxide intensive modes of transport, whether measured per passenger kilometre or per hour in transit. According to Oxford University, the global aviation industry (including domestic and international; passenger and freight) accounts for:

- 1.9% of GHG emissions (e.g. all greenhouse gases, not only CO_2);
- 2.5% of carbon emissions; and
- 3.5% of 'effective radiative forcing' – a measure of impact on global warming.

The first figure refers to 2016, while the latter two refer to 2018, each being the latest year for which such data are available.

Source:

https://ourworldindata.org/co2-emissions-from-aviation

The Aviation Industry
Despite aviation's important role in local and global economic development, the aviation industry faces the challenge of meeting long term strong growth in passenger demand while simultaneously reducing its environmental impacts. In addition to GHG emissions, these environmental impacts could also include noise and nuisance, as well as water pollution (due to aircraft de-icing, cleaning, and other chemical-heavy aircraft operations).

To address these growing environmental concerns, the cross-industry ATAG developed the 'Waypoint 2050' action plan in line with the Paris Agreement on climate change. The blueprint builds on IATA's 2009 commitment to (1) increase fuel efficiency by 1.5% every year between 2010-20, (2) to cap carbon emissions (carbon neutral growth) from 2020, and (3) to achieve the 50% emissions reduction by the middle of the century, as the first two goals have already been accomplished. Annual fuel efficiency gains have exceeded expectations with annual improvements greater than 2%. The mechanism for ensuring carbon neutral growth, known as CORSIA, started as a pilot scheme in 2021 with approx. 100 countries participating and the remaining scheduled to join by 2027.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

In pursuit of the final goal, Waypoint 2050 has identified three key technological developments to accelerate the reduction of carbon emissions:

1. Improved aircraft and engine designs for lighter, more efficient aircraft;
2. Hydrogen and electric powered aircraft; and
3. SAF.

The analysis performed for Waypoint 2050 revealed that SAF will play a key role, driving between 50% and 75% of the emissions' reductions. SAFs, such as drop-in power fuels like biofuels that can be used in today's aircraft and engines without modification, are already commercially available and are expected to increase in prominence once initial costs can be reduced through scale. Evolutionary concepts, such as the second-generation geared turbo fan engine, could become widely commercially available in the medium-term. Revolutionary concepts, such as hydrogen and electric powered aircraft, represent the greatest potential improvements, but will most likely not be commercially available until the 2050s, based on current forecasts.

As these technological developments progress, the aviation industry is taking additional measures to curb its environmental impact, while maintaining its commitment to local and global economic development. For example, alongside CORSIA, the aviation industry is able to participate in other carbon dioxide emissions trading markets, such as the EU ETS.

Furthermore, a number of countries currently levy passenger taxes on air tickets over and above infrastructure charges and there are a number of proposals for additional environmental taxes to be imposed on the aviation industry. However, as IATA notes, the income generated from an environmental tax is usually seen as general revenue by governments, thus it can be used to fund any variety of public sector programs and initiatives. As such, IATA takes the position that, while the overall goal of an environmental tax is laudable, it has distortionary effects on jobs and the economy, while at the same time not effectively incentivising the development or use of newer and greener technology. The effects of any newly introduced environmental taxes on the aviation industry will have to be monitored. The aviation industry plays a critical role in local and global economic development, contributing 4.1% to global gross GDP and supporting 87.7 million jobs worldwide.

source:

https://aviationbenefits.org/economic-growth

The Waypoint 2050 plan can be found here:

https://aviationbenefits.org/media/167187/w2050_full.pdf

Further environmental information can be found on the IATA website:

https://www.iata.org/en/policy/environment/.

ICAO have used the United Nations' SDGs as a basis to identify the contributions the aviation industry is making to sustainable development. For further information and the full working paper on aviation's contributions towards the United Nations' 2030 agenda for sustainable development from ICAO's 40th session please refer to the ICAO website:
https://www.icao.int/Meetings/A40/Documents/WP/wp_189_en.pdf

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Concerning the role of aircraft in sustainable development, aircraft assets are likely to contribute to at least five of the SDGs. Specifically, airlines are able to utilize aircraft in a manner consistent with the achievement of the following targets:

1. **SDG 5:** Aviation is working to achieve gender balance across the sector. In Europe, aviation is the most gender-balanced of all transport modes with 41 percent female employees. More work is still needed to encourage balance in technical and executive roles;

2. **SDG 8.1:** Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products;

3. **SDG 9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all;

4. **SDG 12.2:** Achieve sustainable management and efficient use of natural resources productions; and

5. **SDG 13:** Invest in the transition to net-zero carbon dioxide energy, energy efficiency and the reduction of GHG emissions from transport operations.

Detailed information on the SDGs can be found on the United Nations website:

https://sdgs.un.org/

The Lessee
Emirates, the Lessee, is committed to efforts to reduce resource consumption while also investing in wildlife conservation and protection. This includes participation in CORSIA as well as internal initiatives.

Most recently, Emirates Airline and dnata have joined the United Nations Global Compact (UNGC), a voluntary global initiative that promotes responsible business practices and the advancement of the Sustainable Development Goals (SDGs). Both companies commit to implementing the Ten Principles of the UNGC in the areas of human rights, labour, environment, and anticorruption.

In May 2023 Emirates reportedly made the biggest single commitment by an airline on sustainability. An investment of USD 200 million is earmarked to fund research and development projects focused on reducing the impact of fossil fuel in commercial aviation over a period of three years. Emirates will identify partnerships with leading organizations working on solutions in advanced fuel and energy technology.

For further information on Emirates' environmental policy and initiatives, please visit the Emirates website where annual environmental reports are also available: https://www.emirates.com/english/about-us/our-planet/

In the context of the Assets and the associated Leases, the Board are committed to responsible decision making and strong governance throughout the lifecycle of the Group. The Board is in continuous dialogue with its service providers and regularly reviews processes to guarantee transparency and accountability. The Board will continue to monitor the sustainability efforts of the industry and the Lessee and keep Shareholders abreast of any relevant developments.

AUDIT AND RISK COMMITTEE REPORT

Membership
Andreas Tautscher – Chair of the AR Committee
Charles Wilkinson – Non-executive Director
Fiona Le Poidevin – Non-executive Director (Resigned from AR Committee effective 28 February 2023, appointed as Chair of the Board effective 1 March 2023)
Geoffrey Hall – Non-executive Director (Appointed on 1 March 2023, resigned as Chair of the Board 28 February 2023)

Key Objective
The provision of effective governance over (i) the appropriateness of the Group's financial reporting including the adequacy of related disclosures, (ii) the performance of the Group's external auditor, (iii) monitoring of the systems of internal controls operated by the Company and (iv) the Group's principal service providers and the management of the Company's regulatory compliance activities.

Responsibilities
The key duties of the AR Committee are as follows:

- reviewing the Group's financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices including critical accounting policies and practices;
- advising the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position, performance, business model and strategy;
- overseeing the relationship with the external auditor and reviewing the effectiveness of the external audit process; and
- monitoring the systems of internal controls operated by the Group and by the Group's principal service providers.

AR Committee Meetings
The AR Committee usually meets in Guernsey at least twice a year. The AR Committee reports to the Board as part of a separate agenda item, on its activities and on matters of particular relevance to the Board in the conduct of its work. During the financial year under review the AR Committee formally reported to the Board on six occasions.

Main Activities of the AR Committee during the Financial Year
The AR Committee assisted the Board in carrying out its responsibilities in relation to financial reporting requirements, compliance and the assessment of internal controls. The AR Committee also managed the Group's relationship with the external auditor and undertook an audit tender process.

Fair, Balanced and Understandable
In order to comply with the Code, the Board requested that the AR Committee advises them on whether it believes the annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy.

The AR Committee engaged with the Group's auditor and the Administrator in order to ensure that the financial statements were fair, balanced and understandable.

Financial Reporting and Significant Issues
The AR Committee's primary role in relation to financial reporting is to review, with its service providers and the external auditor, the appropriateness of the half-year and annual financial statements, the significant financial reporting issues and accounting policies

AUDIT AND RISK COMMITTEE REPORT (continued)

and disclosures in the financial statements. The AR Committee has considered the key risks identified as being significant to these accounts and the most appropriate treatment and disclosure of any new significant issues identified during the audit and half-year reviews as well as any recommendations or observations made by the external auditor, Grant Thornton. To aid its review the AR Committee considered reports prepared by external service providers, including Doric and Nimrod, and reports from Grant Thornton on the outcome of their annual audit. The significant issues considered by the AR Committee in relation to the 2022 accounts and how these were addressed are detailed below:

Significant issues for the year under review	How the AR Committee addressed these significant issues
Residual value of aircraft assets The non-current assets of the Group comprise of seven Airbus A380 aircraft. An annual review is required of the residual value of the Assets as per IAS 16, which defines residual value as *"the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life."*	The Group has engaged three internationally recognised expert appraisers to provide the Group with third party consultancy valuation services. In the absence of sales data for similar used assets, appraisers are heavily reliant on databases containing historical data points of aircraft sales relating to large commercial aircraft. Interpretation of historical data is the basis for the current market value and provides, together with the expected developments in the future, the foundation for their opinions on future values. Furthermore, the appraisers' valuations take into account specific technical and economic developments as well as general future trends in the aviation industry and the macro-economic outlook. In the aftermath of Airbus' February 2019 decision to discontinue the A380 production in 2021, a number of A380 operators disclosed plans to withdraw at least parts of their A380 fleets earlier than originally anticipated. Furthermore, it became obvious that A380s returned following the expiration of operating lease agreements could not be placed with a new operator within a reasonable period of time and owners were forced to explore alternative scenarios for revenue generation like engine lease. This also includes part-out activities for the first few A380s returned from Singapore Airlines. With the lasting effects of the Pandemic still impacting air travel, the global passenger air traffic continued its strong recovery during the Period, but has not yet reached its pre-Pandemic levels on a global level. About three years into the Pandemic, around 40% of all A380s with operators worldwide were still on the ground at the end of the first quarter of 2023. Due to the A380-specific developments over the last few years and the generally dimmed market sentiment in the aviation sector since the COVID-19 outbreak, there is an elevated risk that the underlying assumptions of the Base Value concept might not be met at the time when the Leases expire. For this reason, the Asset Manager recommended continuing with making use of a more conservative approach by deploying Future Soft Values instead of Base Values. Soft Values are more conservative, also applicable under "abnormal conditions" and do not necessarily require a balanced market as the Base Value concept does.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review	How the AR Committee addressed these significant issues
	The Group's estimation technique is to make reference to the most recently produced forecast soft values (excluding inflation), not an estimate of the amount that would currently be achieved and which therefore could be different, and so this is not a direct application of the IAS 16 definition. This approach has been taken because current market values in today's prices for comparable twelve year old A380s were not available at the reporting date. A decrease in USD terms in the residual values of the Aircraft from the prior year, has resulted in an adjustment made to depreciation in the current year, details of which have been disclosed in note 10. As updated valuations of all Assets as at the financial year end were commissioned and received from third party professional valuers and analysed by the Asset Manager and the directors, the AR Committee believes that those valuations are appropriate for use in preparing the financial statements. Therefore, the average residual values excluding inflation used in the accounts are based on these appraisals. Upon review of the advice they have received from Doric and the appraisers, the AR Committee is of the opinion that, the latest estimate of the residual soft values excluding inflation of the Assets is a reasonable approximation of the residual value of the Aircraft within the IAS 16 definition. Residual values remain exposed to estimation uncertainty. This is disclosed in note 3 and has been highlighted by the auditor in their key observations section of the valuation and ownership of aircraft key audit matter.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review	How the AR Committee addressed these significant issues
Recording foreign exchange gains/losses IFRS require that certain transactions denominated in currencies other than the presentation currency (including, most importantly, the cost of the Assets) be translated into the presentation currency at the exchange rate ruling transaction date whilst monetary balances (principally the outstanding borrowings) are translated at the rate prevailing on the reporting date. The resultant figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences.	In assessing foreign exchange, the AR Committee has considered the issue at length and is of the opinion that, on an ongoing basis and assuming the lease and debt payments are made as anticipated, such exchange differences do not reflect the commercial substance of the situation in the sense that the key transactions denominated in US dollars are in fact closely matched. Rental income received in US dollars is used to pay debt repayments due which are likewise denominated in US dollars. Furthermore, US dollar lease rentals and debt repayments are fixed at the outset of the Group's life and are very similar in amount and timing. The AR Committee concluded that the matching of the lease rentals to settle debt repayments therefore mitigates risks of foreign exchange fluctuations. The AR Committee carefully considered the disclosure in note 19(b) to the Consolidated Financial Statements to ensure that the reality of the Group's foreign exchange risk exposure is properly explained.
Going concern risk Emirates are the sole lessee of the Assets. Should Emirates default on the rental payments, it will result in the Group failing to service debt and it is unlikely the Group will be able to meeting its targeted dividend or, in the case of ongoing default, continue as a going concern.	The AR Committee received quarterly reports from Doric during the year which comment on the performance of Emirates. For the financial year ending 31 March 2023, Emirates reported its most profitable year ever with a net profit of 10.6 billion AED (2.9 billion USD), a significant turnaround from a net loss of 3.9 billion AED (1.1 billion USD) in the previous financial year, ended in March 2022. The recovery in Emirates' operations during the 2022/23 financial year led to an improved EBITDA of 33.3 billion AED (9.1 billion USD) compared to 17.7 AED billion (USD 4.8 billion) in the previous year. Demand for air freight weakened due to macroeconomic and geopolitical uncertainties, high inflation, the consequential supply related issues and the end the inventory restocking cycle. However, Emirates SkyCargo continued to produce a robust yield per Flight Tonne Kilometre (FTK), which increased by 3%.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review	How the AR Committee addressed these significant issues
	The airline repaid 11.1 billion AED (3.0 billion USD) in bonds and term loans (principal). The carrier's cash position, including short-term bank deposits, amounted to 37.4 billion AED (10.2 billion USD) at the end of March 2023. The cash flow from operating activities came in at 24.4 billion AED (6.7 billion USD) in 2022/23, the highest in the company's history. The management of the airline concluded that the company is a going concern. The auditors PwC did not raise a material uncertainty on going concern in its unqualified audit report, which is dated 5 May 2023. Emirates' senior management is upbeat about the future: "We go into 2023-24 with a strong positive outlook and except the Group [Emirates Airline and dnata] to remain profitable. We will work hard to hit our targets while keeping a close watch on inflation, high fuel prices, and political and economic uncertainty", said Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive of Emirates Airline and Group. The Asset Manager is not aware of a formal request addressed to the Group for a lease deferral or any other efforts that would result in the restructuring of the existing transactions and could potentially have an impact on the committed future lease rental receipts. Emirates is owned by the Investment Corporation of Dubai, a state-owned holding company that can be characterized as a sovereign wealth fund owned by the Government of Dubai. It is neither listed nor carry its bond issuances an issuer rating. However, Emirates' senior unsecured USD bonds with maturities in 2025 and 2028 are trading and the markets' pricing for such instruments provide proxies for the credit risk of the Lessee. As the operating lease agreements between Emirates and the Group include a hell or highwater clause, the lease rental stream and any other contractual payment primarily depends to Emirates' ability to meet its financial obligations whenever they fall due. As at the end of May 2023, Emirates has outstanding US dollar debt issuances with maturities in 2025, and 2028. These bonds were all trading close to par and with running yields of approximately 4.6% in US dollars. There has also been no upward pressure on yields other than due the general increased interest rate level globally. This level of yields does not appear to indicate any significant financial stress to the issuer.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review	How the AR Committee addressed these significant issues
	The AR Committee concluded that it would continue to receive regular updates from Doric on the performance of Emirates and would continue to monitor Emirates’ overall performance. The AR Committee is mindful that certain Group lease agreements will be due to expire in the next 12 months, but has concluded that the Group will be able to pay its debts as they fall due over the next 12 months, remaining a going concern. The AR Committee carefully considered the disclosure in note 19(c) to the Consolidated Financial Statements to ensure that this concentration of credit risk is properly reflected.
Consideration of any triggers for impairment IAS 36 Impairment of Assets requires that a review for impairment be carried out by the Company when there is an indication of impairment of an asset and if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review will compare the carrying amount of the Asset with its recoverable amount, being the higher of fair value less costs to sell and the asset’s value in use. The directors consider that fair value less costs to sell is a valid measure given recent secondary market transactions relating to the A380 and the fact that third party independent valuers have provided valuations to permit the computation of fair value less costs to sell.	The AR Committee has considered the issue at length and accordingly an impairment review has been undertaken as at 31 March 2023. Refer to note 3 for further detail on the factors triggering the review and the sensitivity analysis performed on the discount rates and residual value inputs. As a result of the current year review, an impairment loss of £2,523,561 was booked in the accounts as disclosed in note 3. Contributing factors, which triggered the AR Committee’s decision to perform an impairment review, included the Pandemic and its consequences. It was also necessary as the Group continued to adhere to the concept of Future Soft Values for measuring the residual value of the Aircraft.
Global Pandemic Risk The Pandemic may still have an impact on the operations and performance of the Group and may directly or indirectly affect some of the other risks mentioned in this table.	Although the airline industry continues to recover, an elevated share of passenger aircraft remain grounded. The consequent lack of income for airlines may cause bankruptcy and, in a worse case, repossession of aircraft which would need to be stored pending remarketing when restrictions are eased. The Board and its key service providers have all acted to the best of their abilities to protect the welfare of the various teams involved in the affairs of the Group to ensure operations are maintained to the extent possible and to protect and support the Assets of the Group for as long as is required. The impact of COVID-19 on financial reporting has been considered in respect of other risks such as residual value, impairment and going concern. More information of COVID-19 is set out in the Chair’s Statement on pages 7 to 9 and the Asset Manager Report on pages 10 to 16.

AUDIT AND RISK COMMITTEE REPORT (continued)

We note that the auditor also considers the recognition of rental income (as highlighted in the Chair's Statement at pages 7 to 9) within their key audit matters. This item has been considered by the AR Committee in the current year but, as there have been no changes in respect of this risk, it has not been a primary area of focus of the AR Committee in the current year.

Going Concern

The directors in consultation with the Asset Manager continue to monitor potential effects of COVID-19 generally on the aviation industry and specifically on the Group's Aircraft value and the financial wellbeing of its Lessee, both now and in the future.

During the Company's financial year ended on 31 March 2023, global air passenger traffic experienced a very strong recovery. Tight capacity management by airlines resulted in the highest passenger load factor on record for the month of March, achieved in March 2023. Overall, global air passenger traffic in March 2023 was 12% below its pre-pandemic levels compared with March 2019. Emirates reported its most profitable year ever with a net profit of 10.6 billion AED (2.9 billion USD), a significant turnaround from a net loss of 3.9 billion AED (1.1 billion USD) in the previous financial year, ended in March 2022.

The Pandemic, together with wider economic uncertainty and disruption, have had an adverse impact on the future value of the Aircraft owned by the Group and could also negatively impact the sale, re-lease or other disposition of the relevant Aircraft.

Reduced rents receivable under the Leases may end up not be sufficient to meet the fixed loan interest and regular repayments of debt scheduled during the life of each Loan and may not provide surplus income to pay for the Group's expenses and permit the declaration of dividends.

The option to remarket the Aircraft following a potential event of default by the Lessee has not been taken into account. The period of time necessary to successfully complete such a process is beyond the twelve months forecasting horizon of the going concern considerations.

The directors consider that the going concern basis of accounting remains appropriate. Based on current information the directors have a reasonable expectation that the Group has sufficient financial resources, including cash and cash equivalents and expected rent receipts to continue in operational existence for at least twelve months from the date of this report.

The directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation.

Internal Controls

The AR Committee has made due enquiry of the internal controls of the Administrator. The AR Committee is satisfied with the controls currently implemented by the Administrator. However, it has requested that the Administrator keeps the Company informed of any developments and improved internal control procedures.

The most recent report on the internal control of JTC's administration services, prepared in accordance with the ISAE 3402, for the period from 1 April 2022 to 31 March 2023, has been provided, confirming no major deficiencies.

During the Period the Management Engagement Committee conducted a site visit to Doric (in October 2022). Additionally, the committee visited Nimrod in May 2023.

Internal Audit

The Group has no employees and operates no systems of its own, relying instead on the employees and systems of its external service providers. Following a recommendation from the AR Committee, the Board has therefore taken the decision that it would be of insufficient benefit for the Group to engage an internal auditor.

AUDIT AND RISK COMMITTEE REPORT (continued)

External Audit
The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The AR Committee received from Grant Thornton a detailed audit plan identifying their assessment of the key risks. For the financial year under review, the primary risks identified were in respect of valuation of the Group's Assets, the recognition of Lease rental income and the presumed risk on management override of controls.

Using its collective skills, the AR Committee evaluates the effectiveness of the audit process in addressing the matters raised through the reporting it received from Grant Thornton at the conclusion of the audit. In particular the AR Committee formally appraise Grant Thornton against the following criteria:

- Independence
- Ethics and conflicts
- Knowledge and experience
- Challenge
- Promptness
- Cost
- Overall quality of service

In addition the AR Committee also seeks feedback from the Administrator on the effectiveness of the audit process.

For the financial year under review, the AR Committee was satisfied that there had been appropriate focus on the primary areas of audit risk and assessed the quality of the audit process to be good.

The AR Committee holds meetings with the external auditor to provide additional opportunity for open dialogue and feedback from the auditor. Should it be necessary, the AR Committee members meet with the external auditor without the Administrator and Asset Manager being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with the Administrator, confirmation that there has been no restriction in scope placed on them by the Administrator on the independence of their audit and how they have exercised professional scepticism.

Appointment and Independence
Grant Thornton provided audit services to the Company for the financial year under review. This has been the second audit of the Company carried out by Grant Thornton, following its appointment on 2 August 2021.

The AR Committee considers Grant Thornton Limited, the Company's auditor, to be independent of the Company. The AR Committee provided the Board with its recommendation to Shareholders on the re-appointment of Grant Thornton Limited as external auditor for the year ending 31 March 2023 at the AGM held on 9 December 2022.

Non-Audit Services
To further safeguard the objectivity and independence of the external auditor from becoming compromised, the AR Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No changes have been made to this policy during the year. This policy specifies that the external auditor should only be engaged for non-audit services where there is considered to be a very low threat to auditor independence. No non-audit services had been provided by Grant Thornton during the year.

AUDIT AND RISK COMMITTEE REPORT (continued)

The external auditor is prohibited from providing any other services without the AR Committee's prior approval. In reaching such a determination the AR Committee will take into consideration whether it is in the best interests of the Group that such services should be supplied by the Group's external auditor (rather than another service provider) and, if so whether any safeguards regarding auditor objectivity and independence in the conduct of the audit should be put in place, whether these would be effective and how such safeguards should be disclosed.

Committee Evaluation
The AR Committee's activities formed part of the review of Board effectiveness performed in the year under review.

An internal evaluation of the AR Committee's effectiveness will be carried out later in 2023.

Andreas Tautscher
Chair of the Audit and Risk Committee

21 July 2023

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF DORIC NIMROD AIR TWO LIMITED

Opinion

We have audited the Consolidated Financial Statements of Doric Nimrod Air Two Limited and its subsidiaries (the “Group”) for the year ended 31 March 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

In our opinion, the Consolidated Financial Statements:

- give a true and fair view of the state of the Group’s affairs as at 31 March 2023 and of its profit for the year then ended;
- are in accordance with IFRSs as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the Consolidated Financial Statements’ section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORIC NIMROD AIR TWO LIMITED (continued)

The key audit matter	How the matter was addressed in our audit

Valuation of aircraft
(2023: £273.7m, and 2022: £331.7m)
We identified the valuation of aircraft as one of the most significant assessed risks of material misstatement due to error.
As explained in Note 2(m), the Group's accounting policy is to measure its aircraft asset at depreciated historic cost less impairment. The asset is being depreciated on a straight-line basis over the term of the lease to an estimated residual value at the end of that period.
As stated in Note 3, estimation of the aircraft's residual value is a significant source of estimation uncertainty. The Group uses external appraisers who provide an estimate of the residual value which is determined based on significant judgement and assumptions about current and future market conditions.
Note 3 further describes that the Group's future performance is potentially subject to wider economic uncertainty and disruption caused in part by the continuing war in Ukraine. This together with the illiquid market for the A380, may have an adverse impact on the future value of the aircraft assets owned by the Group, as well as on the sale, re-lease, or other disposition of the relevant aircraft
As disclosed in Note 3, if the assumptions used in determining the valuation of aircraft prove to be false, actual results of operations and the realisation of the Group's aircraft asset could differ from estimates set forth in the Consolidated Financial Statements, and the difference could be material.
	In responding to the key audit matter, we performed the following audit procedures:
	• We have assessed that the Group's accounting policies regarding the valuation of aircraft is in accordance with International Accounting Standard (IAS) 16 – Property, Plant and Equipment;
	• We held detailed discussions with management, including directors and obtained an understanding of the processes and controls in place regarding the valuation of aircraft. We have also obtained understanding of the supporting documentation or papers prepared and approved by management;
	• We have obtained and assessed detailed supporting documentation from management for key inputs, assumptions and methodology used from which the valuation of aircraft are derived;
	• We have assessed and documented the competence, capability and objectivity of the external valuers that management have engaged in the process;
	• We have assessed all information provided including all appraiser's report, lease agreement, amendment to such agreement, redelivery condition side letter and valuation report from Asset Manager. We have challenged management on their method selection and why alternative methods, assumptions and data that could have been used, were not used;
	• We have engaged our internal aircraft asset valuation expert to assist in performing the testing of the valuation of aircraft which included the following:
	  ○ Assisted in determining whether the valuation methodologies used to estimate the residual values of the aircraft are consistent with methods usually used by similar companies;
	  ○ Used their knowledge of the market to assess and corroborate valuation inputs by reference to comparable transactions, and independently compiled databases/indices;
	  ○ Assisted in determining whether the appraisers were appropriate, qualified, and independent;
	• We performed independent research to check for references of secondary market options for A380 aircrafts
	• We performed independent research to assess the reasonableness of discount and inflation rate changes and to assist in identifying macro-economic uncertainties (such as the conflict in Ukraine and post-Covid recovery) as contributing factors to such updates; and
	• We have assessed the sufficiency of related disclosures in the Consolidated Financial Statements in accordance with IAS 16 – Property, Plant and Equipment and IAS 36 – Impairment of Assets.
	Our results
	Based on the audit work performed, we have not identified any indication of material misstatement in relation to the valuation of aircraft.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORIC NIMROD AIR TWO LIMITED (continued)

Other information
The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Audited Consolidated Financial Statements, but does not include the Consolidated Financial Statements and our auditor's report thereon. Our opinion on the ConsolidatedFinancial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the directors for the Consolidated Financial Statements
As explained more fully in the Statement of Directors' Responsibilities [set out on page 29], the directors are responsible for the preparation of the Consolidated Financial Statements which give a true and fair view in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), and for such internal control as the directors determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORIC NIMROD AIR TWO LIMITED (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current Period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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.

Cyril Swale
For and on behalf of Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

Date: 24 July 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
INCOME			
A rent income	4	96,222,294	89,736,446
B rent income	4	36,555,872	37,691,148
		132,778,166	127,427,594
EXPENSES			
Operating expenses	5	(3,933,238)	(3,846,163)
Depreciation of Aircraft	10	(53,501,654)	(74,603,433)
Impairment of Aircraft	10	(2,523,561)	(39,850,734)
		(59,958,453)	(118,300,330)
Net profit for the year before finance costs and foreign exchange losses		72,819,713	9,127,264
Finance income		257,659	63,680
Finance costs	11	(4,004,725)	(6,271,400)
Net profit for the year after finance costs and before foreign exchange losses		69,072,647	2,919,544
Net foreign exchange losses	7	(5,628,450)	(3,224,055)
Profit/(Loss) for the year		63,444,197	(304,511)
Total Comprehensive Profit/(Loss) for the year		63,444,197	(304,511)
		Pence	**Pence**
Earnings/(Loss) per Share for the year – Basic and Diluted	9	36.73	(0.18)

In arriving at the results for the financial year, all amounts above relate to continuing operations.

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	31 Mar 2023 GBP	31 Mar 2022 GBP
NON-CURRENT ASSETS			
Property, Plant and Equipment – Aircraft	10	275,680,406	331,705,621
		275,680,406	331,705,621
CURRENT ASSETS			
Accrued income		4,653,082	7,016,693
Receivables	13	116,376	116,540
Cash and cash equivalents	17	30,186,865	28,328,157
Financial assets at fair value through profit or loss	19	18,885	–
		34,975,208	35,461,390
TOTAL ASSETS		310,655,614	367,167,011
CURRENT LIABILITIES			
Borrowings	15	7,627,526	62,995,731
Deferred income		69,399,353	26,955,846
Payables – due within one year	14	68,814	88,470
		77,095,693	90,040,047
NON-CURRENT LIABILITIES			
Borrowings	15	2,165,264	8,766,531
Financial liabilities at fair value through profit or loss	19	–	989
Deferred income		32,643,730	101,957,714
		34,808,994	110,725,234
TOTAL LIABILITIES		111,904,687	200,765,281
TOTAL NET ASSETS		198,750,927	166,401,730
EQUITY			
Share capital	16	319,836,770	319,836,770
Retained loss		(121,085,843)	(153,435,040)
		198,750,927	166,401,730

	Pence	Pence
Net Asset Value per Ordinary Share based on 172,750,000 (31 March 2022: 172,750,000) Shares in issue	115.05	96.33

The Consolidated Financial Statements were approved by the Board of directors and authorised for issue on 21 July 2023 and are signed on its behalf by:

Fiona Le Poidevin
Director

Andreas Tautscher
Director

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Notes	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
OPERATING ACTIVITIES			
Profit/(Loss) for the year		63,444,197	(304,511)
Movement in accrued and deferred income		(24,506,862)	(12,986,572)
Interest received		(257,659)	(63,680)
Depreciation of Aircraft	10	53,501,654	74,603,433
Impairment of Aircraft	10	2,523,561	39,850,734
Loan interest payable	11	2,042,337	5,372,283
Movement in financial assets/liabilities through profit or loss	11	(19,874)	(120,432)
Decrease in payables	14	(19,656)	(8,272)
Decrease in receivables	13	161	4,767
Foreign exchange movement	7	5,628,450	3,224,055
Amortisation of debt arrangement costs	11	1,982,262	1,019,549
NET CASH FROM OPERATING ACTIVITIES		104,318,571	110,591,354
INVESTING ACTIVITIES			
Interest received		257,659	63,680
NET CASH FROM INVESTING ACTIVITIES		257,659	63,680
FINANCING ACTIVITIES			
Dividends paid	8	(31,095,000)	(31,095,000)
Repayments of capital on borrowings	20	(70,121,286)	(76,255,138)
Interest on borrowings	20	(1,980,690)	(5,270,898)
NET CASH USED IN FINANCING ACTIVITIES		(103,196,976)	(112,621,036)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		28,328,157	29,926,638
Increase/(decrease) in cash and cash equivalents		1,379,254	(1,966,001)
Effects of foreign exchange rates		479,454	367,520
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	30,186,865	28,328,157

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Notes	Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2022		319,836,770	(153,435,040)	166,401,730
Total Comprehensive Profit for the year		–	63,444,197	63,444,197
Dividends paid	8	–	(31,095,000)	(31,095,000)
Balance as at 31 March 2023		319,836,770	(121,085,843)	198,750,927

	Notes	Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2021		319,836,770	(122,035,529)	197,801,241
Total Comprehensive Loss for the year		–	(304,511)	(304,511)
Dividends paid	8	–	(31,095,000)	(31,095,000)
Balance as at 31 March 2022		319,836,770	(153,435,040)	166,401,730

The notes on pages 57 to 80 form an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

1 GENERAL INFORMATION

The Consolidated Financial Statements incorporate the results of the Subsidiaries.

The Company was incorporated in Guernsey on 31 January 2011 with registered number 52985. The address of the registered office is given on page 81. Its Share Capital consists Shares and Administrative Shares. The Company's Shares have been admitted to trading on the SFS of the LSE Main Market.

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling of the Aircraft. The principal activities of the Group are set out in the Chair's Statement and Management Report on pages 7 to 9 and pages 21 to 24 respectively.

2 ACCOUNTING POLICIES

The significant accounting policies adopted by the Group are as follows:

(a) Basis of Preparation

The financial statements have been prepared in conformity with EU IFRS, which comprise standards and interpretations approved by the IASB and IFRIC and applicable Guernsey law. The financial statements have been prepared on a going concern basis under the historical cost basis except for financial assets and financial liabilities recognised at fair value through profit or loss.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended standards set out below.

(b) Adoption of new and revised Standards

New and amended IFRS Standards that are effective for current year

The following Standard and Interpretations have been adopted in the current year. Their adoption has not had a material impact on the amounts reported in these financial statements and is not expected to have any impact on future financial periods except where stated otherwise:

Amendments to IAS 1'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and error' on definition of material. The effective date is for annual periods beginning on or after 1 January 2023. These amendments to IAS 1, IAS 8 and consequential amendments to other IFRSs:

— use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;

— clarify the explanation of the definition of material; and

— incorporate some of the guidance in IAS 1 about immateriality information.

Reference to the Conceptual Framework (Amendments to IFRS 3) – The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16). The amendments amend IAS 16 to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The effective date is for annual periods beginning on or after 1 January 2022. The standard is not expected to have a material impact on the financial statements or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(b) Adoption of new and revised Standards (continued)

New and Revised Standards in issue that are effective for current year (continued)
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) – The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements 2018-2020 Cycle. Makes amendments to the following standards:

— IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

— IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

New and Revised Standards in issue but not yet effective
The following Standard and Interpretations have been issued but not yet effective. Their adoption has not had a material impact on the amounts reported in these financial statements and is not expected to have any impact on future financial periods except where stated otherwise:

Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1) – The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2024.

Definition of Accounting Estimates (Amendments to IAS 8) – The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) – The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

(c) Basis of Consolidation
The consolidated financial information incorporates the results of the Company and the Subsidiaries. The Company owns 100% of all the shares in the Subsidiaries which grants it exposure to variable returns from the entities and the power to affect those returns, granting it control in accordance with IFRS 10.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(d) Taxation
The Company and its Subsidiaries have been assessed for corporate income tax at the Guernsey standard rate of zero percent (0%).

(e) Share Capital
Shares are classified as equity. Incremental costs directly attributable to the issue of Shares are recognised as a deduction from equity.

(f) Expenses
All expenses are accounted for on an accruals basis.

(g) Finance Income
Finance income relates to bank interest and is accounted for on an accruals basis.

(h) Foreign Currency Translation
The currency of the primary economic environment in which the Company operates (the "functional currency") is GBP, £ or Sterling, which is also the Group's presentation currency.

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency applying the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income.

(i) Cash and cash equivalents
Cash at bank and short term deposits which are held to maturity are recognised at initial recognition at its fair value plus transaction costs and are subsequently at measured at amortised cost. Cash and cash equivalents are defined as call deposits, short term deposits with a term of no more than three months from the start of the deposit and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(j) Segmental Reporting
The directors are of the opinion that the Group is engaged in a single segment of business, being acquiring, leasing and then selling of the Aircraft.

As the lessee is based in the Middle East, rental income as well as the net book value of aircraft held by the Group is all considered to be from the Middle East. Revenue from the Group's country of domicile, Guernsey, was £Nil (2022: £Nil).

(k) Going Concern
The Group's principal activities are set out within note 1. The financial position of the Group is set out on page 54. In addition, note 19 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(k) Going Concern (continued)

The directors, with the support of its Asset Manager, believe that it is reasonable to assume as at the date of approval of the Consolidated Financial Statements that Emirates will continue with the contracted lease rental payments due to the following:

— Emirates continues to be a going concern as at the date of the Lessee’s latest signed annual financial report for the financial year ended 31 March 2023.

— Emirates reported its most profitable year ever with a net profit of 10.6 billion AED (2.9 billion USD). Thanks to the expansion of its global capacity and reinstatement of more passenger flights, the lessee was able to increase its revenue by 81% to 107.4 billion AED (USD 29.3 billion).

— The cash flow from operating activities came in at 44.3 billion AED (12.1 billion USD) in 2022/23, the highest in the Company’s history. Emirates ended its 2022/23 financial year with 37.4 billion AED (10.2 billion USD) in cash assets (including bank deposits).

— Emirates’ listed debt and CDSs are trading at non-distressed levels.

— As at the date of the Consolidated Financial Statements, the Board is not aware of a formal request to the Group for a lease deferral or any other efforts that would result in the restructuring of the existing transaction.

— Emirates has paid all lease rentals due to the Group in a timely manner.

— Emirates’ senior management expects the lessee to remain profitable during the current financial year.

The directors have considered Emirates’ ability to continue paying the lease rentals until the end of the longest running lease agreement in November 2024 and are satisfied that the Group can meet its liabilities as they fall due over the next twelve months from the date of approval of the Annual Financial Report. Refer to note 12 for expiry dates of the Leases.

The directors consider that the going concern basis of accounting remains appropriate. Based on current information the directors have reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements.

The Board will continue to actively monitor the financial impact on the Group from the evolving position with its Lessee and debt providers whilst bearing in mind its fiduciary obligations and the requirements of Guernsey law which determine the ability of the Group to make dividends and other distributions.

(l) Leasing and Rental Income

The Leases relating to the Assets have been classified as operating leases as the terms of the Leases do not transfer substantially all the risks and rewards of ownership to the Lessee. The Assets are shown as non-current assets in the Consolidated Statement of Financial Position. Further details of the Leases are given in note 12.

Rental income and advance lease payments from operating leases are 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 amortised on a straight-line basis over the lease term.

The deferred and accrued income represents the difference between actual payments received in respect of the lease income (including some received in full upfront) and the amount to be accounted for in the accounting records on a straight-line basis over the lease terms. This liability will reduce over time as the leases continue and approach the end of the lease terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(m) Property, Plant and Equipment – Aircraft

In line with IAS 16, each Asset is initially recorded at the fair value of the consideration paid. The cost of the Asset is made up of the purchase price of the Asset plus any costs directly attributable to bringing it into working condition for its intended use. Costs incurred by the Lessee in maintaining, repairing or enhancing the Aircraft are not recognised as they do not form part of the cost to the Group. Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Accumulated depreciation and any recognised impairment losses are deducted from cost to calculate the carrying amount of the Asset.

Subsequently, depreciation is recognised so as to write off the cost of each Asset less the estimated residual value over the estimated useful life of the Asset of 12 years, using the straight-line method. As at 31 March 2023, the estimated residual value of the seven planes ranges from £28.8 million to £30.4 million (31 March 2022: £28 million to £29.9 million). Residual values have been arrived at by taking the average amount of three independent external valuers and after taking into account disposition fees where applicable. The residual values of the A380 Aircraft were determined using soft values excluding inflation, which best approximates residual value as required by IAS 16.

The combined effect of translating residual values at the Sterling/US Dollar exchange rate prevailing at 31 March 2023 of 1.2337 (31 March 2022: 1.3138) and a 1.4 percent decrease in average appraised residual values in US Dollar terms, resulted in a £3,244,483 decrease in the annual depreciation charge for the current year as compared to the charge which would have been made if based on the 31 March 2022 residual value and foreign exchange rates.

The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed regularly and is an estimate of the fair amount the entity would receive today. Useful life is also reviewed regularly and, for the purposes of the financial statements represents the likely period of the Group's ownership of these Assets. Depreciation starts when the Asset is available for use.

The Group regularly reviews whether the carrying values of the Aircraft are appropriate. Quarterly the Board receives an update on the performance of Emirates Airlines and whether there are any concerns over their viability from the advisors. The Board also receives regular updates on the market for A380 Aircraft and whether there are any moves by Emirates or others that would make the A380 more or less attractive at that time (and therefore influence value). If any such indication exists, the recoverable amount of the Asset is estimated to determine the extent of the impairment loss (if any). Further details are given in note 3.

Recoverable amount is the higher of fair value less costs to sell and the VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the Asset for which the estimates of future cash flows have not been adjusted.

(n) Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, are extinguished, or if the Group transfers the financial assets to a third party and transfers all the risks and rewards of ownership of the Asset, or if the Group does not retain control of the Asset and transfers substantially all the risk and rewards of ownership of the Asset.

Under IFRS 9, on initial recognition, a financial asset is classified at measured at:

— Amortised cost;

— FVOCI; or

— FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Group only has financial assets that are classified at amortised cost.

i) Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

These assets are subsequently measured at amortised cost using the effective interest method. The effective interest method calculates the amortised cost of financial instruments and allocates the interest over the period of the instrument.

The Group's financial assets held at amortised cost include trade and other receivables and cash and cash equivalents.

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets held at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ii) Financial liabilities held at amortised cost

Financial liabilities consist of payables and borrowings. The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All financial liabilities are initially measured at fair value, net of transaction costs. All financial liabilities are recorded on the date on which the Group becomes party to the contractual requirements of the financial liability. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of the financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

iii) Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Group classifies its derivative i.e. the interest rate swap, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are designated by the Board of directors at fair value through profit or loss. The Group does not classify any derivatives as hedges in a hedging relationship.

(b) Recognition/derecognition

Financial assets or liabilities are recognised on the trade date – the date on which the Group commits to enter into the transactions. Financial assets or liabilities are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

iii) Financial assets and financial liabilities at fair value through profit or loss **(continued)**

(c) Measurement

Financial assets and financial liabilities at FVTPL are initially recognised at fair value. Transaction costs are expensed in the Consolidated Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Consolidated Statement of Comprehensive Income in the year in which they arise.

(o) Dividend policy

Dividends are accounted for in the period which they are declared and approved by the Board.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

Estimates

Residual Value, Impairment and Useful Life of Aircraft

As described in note 2 (m), the Group depreciates the Assets on a straight-line basis over the estimated useful life of the Assets after taking into consideration the estimated residual value. IAS 16 requires residual value to be determined as an estimate of the amount that the Group would currently obtain from disposal of the Asset, after deducting the estimated costs of disposal, if the Asset were of the age and condition expected at the end of its useful life. The residual values of the A380 Aircraft are determined using soft values excluding inflation since directors consider this best approximates to residual value as required by IAS 16.

In estimating residual value for the year, the directors refer to future soft values (excluding inflationary effects) for the Asset obtained from three independent expert aircraft valuers. This has resulted in a further, albeit small, reduction in the anticipated residual value of the Aircraft in US dollar terms since the prior financial year. Details of which have been disclosed in note 10.

Although Emirates has decided to return the seven Aircraft in half-life condition, plus a 12m USD lump-sum payment per Aircraft, it is still appropriate to apply the appraisers' full-life residual values at lease expiry. Due to the physical minimum return condition, the lessee will be required to perform significant maintenance on the Aircraft and its engines, which results in a betterment versus half-life condition. The value impact of the presumed physical status of the Aircraft in excess of half-life at the return date, together with the 12m USD lump-sum payment, exceeds the average spread between the appraisers' half-life and full-life values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Residual Value, Impairment and Useful Life of Aircraft (continued)

The Group’s future performance is potentially subject to wider economic uncertainty and disruption caused in part by the continuing war in Ukraine. This together with the illiquid market for the A380, may have an adverse impact on the future value of the aircraft assets owned by the Group, as well as on the sale, re-lease, or other disposition of the relevant aircraft. Therefore the estimation of residual value remains subject to material uncertainty.

The sensitivity of profit/loss for the year and shareholder equity to a 20% increase or decrease in estimated residual values and fair value less selling costs is discussed on page 65.

This reflects the range of estimates of residual value that the directors believe would be reasonable at this time. The useful life of each Asset, for the purpose of depreciation of the Asset under IAS 16, is estimated based on the expected period for which the Group will own and lease the Aircraft. The Board of directors expects that the Aircraft will have a working life in excess of this year.

As described in note 2(m), an impairment loss exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The Group regularly reviews the Assets for any indications of impairment as required by IAS 16 Property, Plant and Equipment and IAS 36 Impairment of Assets.

During the year the Board reassessed the discount rate based on the significant changes in external factors. These factors include, inter alia, the current high interest rate environment, high inflation expectations, economic uncertainty, and disruption caused in part by the continuing war in Ukraine. This has therefore resulted to revised discount and inflation rates from the rates used in the previous years as noted below.

The impairment assessment was performed by comparing the depreciated cost of the Aircraft with VIU and the fair value less costs to sell. Rental cash flows, to the end of the contracts, were used in the calculation of VIU as the cash flows are contractual. Any assumptions with regards to issues in counterparty credit risk were reflected in the discount rate used to calculate the net present value of future cash flows. In determining the VIU, the gross value of future contractual cash flows including a residual value assumption was discounted to present value using a risk discount rate of 7 percent (2022: 6.5 percent)). Where, as was the case for all seven of the Group’s Aircraft, the fair value less costs to sell a given asset was higher than its the value in use, then the recoverable amount used was based on the fair value less costs to sell. The directors consider that fair value less costs to sell is a valid measure given recent secondary market transactions relating to the A380 and the fact that third party independent valuers have provided valuations to permit the computation of fair value less costs to sell. The fair value of the Aircraft is arrived at by taking the average of three independent external valuers’ assessment of the most likely trading price that may be generated for an Aircraft under the market circumstances perceived to exist at the time in question. Where this recoverable amount so determined was lower than depreciated cost, an impairment loss was recognised.

Residual values for the purpose of the impairment test are determined to be the soft values (at an inflation rate of 3.25 percent (2022: 1.5 percent) at the end of the Aircraft’s useful life), being considered the most appropriate. A soft market is considered where the world’s principal traffic generating regions are in the middle of a recession or a period of economic stagnation, which historically have a negative impact on aircraft values. This is when airlines experience low growth or even traffic reductions, make losses, cut their fleets and staff or reduce fleet growth plans. The market becomes imbalanced, with supply outstripping demand, resulting in more parked aircraft and lower utilisation rates, which in turn, increase aircraft availability. The prevailing conditions, the lack of transactional data and the limited second hand market for A380 Aircraft that currently exists means that the independent expert aircraft valuers have attributed a more significant weighting to a part out value when determining their soft value point estimate. It is also assumed that a market will exist under each scenario contemplated when determining those valuations. If the assumptions prove to be false, actual results of operations and realisation of the Group’s Aircraft asset could differ from the estimates set forth in these financial statements, and the difference could be material.

Additionally, these values have been tested with regards its sensitivity to the discount rates. Discount rates at a -0.5 percent and +0.5 percent (2022: -0.5 percent and +0.5 percent) interval have been tested on either side of the risk discount rate (7 percent (2022: 6.5 percent)) initially, with -1 percent and +1 percent (2022:-1 percent and +1 percent) intervals used for the analysis thereafter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Residual Value, Impairment and Useful Life of Aircraft (continued)

The Asset Manager considers that the inflated future soft value is the most appropriate measures to use for the residual value for the following reasons:

- The residual value is discounted at the risk discount rate which would include a return for the time value of money (inflation). The inflated values (3.25 percent (2022:1.5 percent) p.a. inflation assumed) are therefore used to avoid double counting when producing the discounted future cash flow value.

- The calculation of cash flow is an assumption on the Group's best estimation of a) contracted cash flows and b) residual value. Pricing increases of 3.25 percent (2022:1.5 percent) p.a. is considered to be the best estimation as to what the Group would receive for residual value in future years on a like for like basis, taking the current economic climate into account.

Rental cash flows to the end of the contract has been used in the calculation of the future cash flow as the cash flows are contractual. Any assumptions with regards issues in counterparty credit risk would be reflected in the discount rate used to calculate the net present value of future cash flows. The directors, with the support of its Asset Manager believe that for the Group it is reasonable to assume as of date of approval of annual financial statements that Emirates will continue with the contracted lease rental payments and there is no evidence at this time that either Emirates will default.

Having received advice from the service providers, the directors consider that 7 percent (2022: 6.5 percent) is the most appropriate risk discount rate for the following reasons:

- The discount rate includes a risk premium relative to the yield on Emirates's unsecured USD bonds since it is applied against both contractual rental receipts as well as against residual value where no contractual obligation exists.

- The risk profile of Emirates at the period end and the running yield on the Emirates unsecured USD bond maturing in February 2025 was for instance 4.56% and its yield to maturity 5.2%.

- By using soft values to approximate residual values (and 3.25 percent (2022: 1.5 percent) p.a. inflation), the discount rate is considered appropriate to avoid double counting of risk.

Based on the impairment review performed, an impairment loss of £2,523,561 was recognised in the current year (31 March 2022: £39,850,734), which resulted in an updated carrying value of the Aircraft in total to £275,680,406 at year end (31 March 2022: £331,705,621), as reflected in note 10.

If the discount rates had been decreased by 0.5 percent with effect from the beginning of this year, the profit/(loss) for the year and closing equity would have been increased by approximately £nil million as the recoverable amount used was based, not on VIU where the discount rate is relevant, but on the fair value less costs to sell. An increase in the discount rates by 0.5 percent would likewise have a £nil impact on equity.

If the estimate of residual value and fair value less costs to sell had been decreased by 20 percent with effect from the beginning of this year, this would increase the impairment charge from £2.5 million to £43.9 million. This together with an increased depreciation charge of £19.03 million means that the overall impact of a 20 percent decrease in residual values and market value would be to reduce profit/(loss) for the year and closing equity by £60.4 million.

A 20 percent increase in residual value estimates and fair value less costs to sell would be to reduce the impairment charge from £2.5 million to £nil. This together with a decreased depreciation charge of £19.03 million means that the overall impact of a 20 percent increase in residual values and market value would be to increase profit for the year and closing equity from £21.53 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Residual Value, Impairment and Useful Life of Aircraft (continued)
The Group regularly reviews the carrying amount of its Assets and monitor the Assets for any indications of impairment as required by IAS 16 and IAS 36.

In assessing VIU, the estimated future cash flows expected to be generated by the Assets (i.e. the income streams associated with the Lease and the expected future soft value of the Aircraft at the end of the Lease) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the Assets and the credit risk profile of the Lessee.

In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Such valuation reflects the current use given the fact that the Aircraft are held for use in a leasing business.

Factors that are considered important which could trigger an impairment review include, but are not limited to, significant decline in the market value beyond that which would be expected from the passage of time or normal use, adverse change in the change in the travel market, change in market view on long term viability of the Aircraft, the Aircraft becoming idle or held for disposal, significant changes in the technology and regulatory environments, evidence from internal reporting which indicates that the economic performance of the Assets are, or will be, worse than expected.

The Board together with the Asset Manager have conducted an impairment review in the current year as the below item may result in pricing changes for the Aircraft:

- The ongoing impact of the Pandemic on the business of airlines and indirectly aircraft values, as well as on the credit risk profile of the Group's Lessee could indicate the need for impairment.

Judgements

Operating Lease Commitments – Group as Lessor
The Group has entered into operating leases on seven (31 March 2022: seven) Assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, including consideration of the useful life versus the useful economic life of the aircraft, that it retains all the significant risks and rewards of ownership as well as assume the entirety of the residual value risk, of these Assets and accounts for the contracts as operating leases.

Functional Currency
Considering the primary indicators as per IAS 21, it is unclear what the functional currency is. However after taking into consideration the secondary indicators which are as follows, the directors are of the opinion that the functional currency is GBP

- The Group's share capital was issued in GBP;

- Its dividends are paid to Shareholders in GBP, and that certain of the Group's significant operating expenses as well as portion of the Groups' rental income are incurred/earned in GBP.

- Lease rentals that are received in USD (as per note 4 and 12) are used to pay the USD loan payments on the USD denominated debt.

- Although significant portion of the rental receipt and borrowings are denominated in USD, this is only because the aviation industry uses USD as its benchmark currency. As such, borrowings have been denominated in USD. So in order to hedge for foreign currency risk, significant portion of the rental income is also received in USD

- In addition, the set-up of the leasing structures was designed to offer a GBP return to GBP investors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

4 RENTAL INCOME

	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
A rent income	69,351,819	78,156,548
Adjustment to spread total income receivable over the term of the lease	19,029,686	3,609,362
Amortisation of advance rental income	7,840,789	7,970,536
	96,222,294	89,736,446
B rent income	38,919,484	36,284,474
Adjustment to spread total income receivable over the term of the lease	(2,363,612)	1,406,674
	36,555,872	37,691,148
Total rental income	132,778,166	127,427,594

Rental income is derived from the leasing of the Assets. Rent is split into A rent, which is received in $ and B rent, which is received in Sterling. Rental income received in US dollars is translated into the functional currency (Sterling) at the date of the transaction.

5 OPERATING EXPENSES

	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
Corporate shareholder and advisor fee (note 22)	909,194	889,186
Asset management fee (note 22)	2,198,403	2,150,027
Liaison agency fee (note 22)	2,772	7,925
Administration fees (note 22)	129,167	152,630
Bank interest and charges	2,578	1,596
Accountancy fees (note 22)	40,393	34,898
Registrars fee (note 22)	17,678	14,799
Audit fee	42,025	46,900
Directors’ remuneration (note 6)	212,000	202,390
Directors’ and officers’ insurance	279,950	276,731
Legal and professional expenses	66,586	52,652
Annual fees	2,500	2,500
Marketing expenses	5,401	–
Other operating expenses	24,591	13,929
	3,933,238	3,846,163

6 DIRECTORS’ REMUNERATION

Under their terms of appointment, each director was paid a fee for their services as a director of the Group at a rate of £48,000 per annum, except for the Chair, who received £59,000 per annum and the Chair of Audit committee, who received £57,000 per annum. Following a review of directors’ remuneration carried out during the period, the rate of remuneration per director has remained unchanged from that which applied in the previous year ended 31 March 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

7 NET FOREIGN EXCHANGE GAINS/(LOSSES)

	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
Cash at bank	479,453	367,520
Borrowings	(6,107,903)	(3,591,575)
	(5,628,450)	(3,224,055)

The foreign exchange loss in the year reflects the 6.49 percent movement in the Sterling/US dollar exchange rate from 1.3138 as at 31 March 2022 to 1.2337 as at 31 March 2023.

8 DIVIDENDS IN RESPECT OF EQUITY SHARES

	Year ended 31 Mar 2023	
	GBP	Pence per share
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
Third interim dividend	7,773,750	4.50
Fourth interim dividend	7,773,750	4.50
	31,095,000	18.00

	Year ended 31 Mar 2022	
	GBP	Pence per share
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
Third interim dividend	7,773,750	4.50
Fourth interim dividend	7,773,750	4.50
	31,095,000	18.00

Refer to the Subsequent Events in note 23 in relation to dividends declared after year end.

9 EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is based on the profit for the year, attributable to holders of Shares of the Company of £63,444,197 (31 March 2022: loss £304,511) and 172,750,000 (31 March 2022: 172,750,000) Shares being the weighted average number of Shares in issue during the year.

There are no dilutive instruments and therefore basic and diluted earnings/(loss) per share are identical.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

10 PROPERTY, PLANT AND EQUIPMENT – AIRCRAFT

	Aircraft 31 Mar 2023 GBP	Aircraft 31 Mar 2022 GBP
COST		
As at 31 March	1,039,148,193	1,039,148,193
ACCUMULATED DEPRECIATION AND IMPAIRMENT		
As at 1 April	707,442,572	592,988,405
Depreciation charge based on previous residual values	56,746,137	65,329,921
Adjustment due to change in US dollar residual values	2,558,036	12,186,058
Adjustment due to FX movements on residual values	(5,802,519)	(2,912,547)
Depreciation charge for the year	53,501,654	74,603,433
Adjustment due to impairment	2,523,561	39,850,734
As at 31 March	763,467,787	707,442,572
CARRYING AMOUNT		
As at 31 March	275,680,406	331,705,621

The Group used future soft values excluding inflation which best approximates residual value as required per IAS 16 (refer to note3). The combined effect of translating residual values at the Sterling/US dollar exchange rate prevailing at 31 March 2023 of 1.2337 (31 March 2022: 1.3138) and a 1.4 percent decrease in average appraised residual values in US dollar terms, resulted in a £3,244,483 decrease in the annual depreciation charge for the current year as compared to the charge which would have been made if based on the 31 March 2022 residual value and foreign exchange rates.

All Assets are subject to operating leases. The Group can sell the Assets during the term of the Leases (with the Lease attached and in accordance with the terms of the transfer provisions contained therein).

Under IFRS 16 the direct costs attributed in negotiating and arranging the operating leases have been added to the carrying amount of the leased Asset and therefore are being recognised as an expense over the lease term. The costs have been allocated to each Aircraft based on the proportional cost of the Asset.

Refer to note 3 for details on the impairment review, sensitivities conducted and residual value assumptions and estimates.

11 FINANCE COSTS

	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
Amortisation of debt arrangements costs	1,982,262	1,019,549
Loan interest	2,042,337	5,372,283
Fair value adjustment on financial assets at fair value through profit or loss	(19,874)	(120,432)
	4,004,725	6,271,400

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

12 OPERATING LEASES

The amounts of minimum future lease receipts at the reporting date under non-cancellable operating leases are detailed below:

	31 March 2023		31 March 2022	
	Aircraft – A rental receipts GBP	Aircraft – B rental receipts GBP	Aircraft – A rental receipts GBP	Aircraft – B rental receipts GBP
Year 1	7,041,786	36,187,048	63,898,609	38,919,484
Year 2	1,604,773	15,721,150	6,612,462	36,187,048
Year 3	–	–	1,506,932	15,721,150
Year 4	–	–	–	–
Year 5	–	–	–	–
Year 6 onwards	–	–	–	–
	8,646,559	51,908,198	72,018,003	90,827,682

The operating leases are for seven Airbus A380-861 aircraft. The terms of the leases are as follows:

MSN077 – term of the lease is for 12 years ending October 2023. The initial lease is for 10 years ending October 2021, with an extension period of 2 years ending October 2023, in which rental payments reduce. The lease extension option was confirmed on 17 October 2019 and therefore extended by 2 years to the expiry date of October 2023. No decision has been made as to the future use of the aircraft, while negotiations with Emirates are still ongoing.

MSN090 – term of the lease is for 12 years ending December 2023. The initial lease was for 10 years ending December 2021, with an extension period of 2 years, in which rental payments reduce. The lease extension option was confirmed on 5 December 2019 and therefore extended by 2 years to the expiry date of December 2023. No decision has been made as to the future use of the aircraft, while negotiations with Emirates are still ongoing.

MSN105 – term of the lease is for 12 years ending October 2024. The initial lease is for 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The lease extension option was confirmed on 16 January 2020 and therefore extended by 2 years to the expiry date of October 2024.

MSN106 – term of the lease is for 12 years ending October 2024. The initial lease is for 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The lease extension option was confirmed on 16 January 2020 and therefore extended by 2 years to the expiry date of October 2024.

MSN107 – term of the lease is for 12 years ending October 2024. The initial lease is for 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The lease extension option was confirmed on 16 January 2020 and therefore extended by 2 years to the expiry date of October 2024.

MSN109 – term of the lease is for 12 years ending November 2024. The initial lease is for 10 years ending November 2022, with an extension period of 2 years ending November 2024, in which rental payments reduce. The lease extension option was confirmed on 16 January 2020 and therefore extended by 2 years to the expiry date of November 2024.

MSN110 – term of the lease is for 12 years ending November 2024. The initial lease is for 10 years ending November 2022, with an extension period of 2 years ending November 2024, in which rental payments reduce. The lease extension option was confirmed on 16 January 2020 and therefore extended by 2 years to the expiry date of November 2024.

The lessee exercised options to enable it to redeliver all seven Airbus A380-861 Aircraft in the minimum condition equivalent to “half-life”, together with a cash sum, as opposed to delivery in full-life condition. In the event the aircraft are returned to the lessor, Emirates will pay the sum of 12,000,000 USD for each redelivered Aircraft, in addition to the normal monetary compensation arrangements, on or prior to the respective lease expiry dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

13 RECEIVABLES

	31 Mar 2023 GBP	31 Mar 2022 GBP
Prepayments	80,950	77,249
Sundry debtors	35,426	39,291
	116,376	116,540

The above carrying value of receivables is its reasonable approximation of value.

14 PAYABLES (due within one year)

	31 Mar 2023 GBP	31 Mar 2022 GBP
Accrued administration fees	13,697	14,817
Accrued audit fee	44,300	46,900
Other accrued expenses	10,817	26,753
	68,814	88,470

The above carrying value of payables is its reasonable approximation of value.

15 BORROWINGS

	31 Mar 2023 GBP	31 Mar 2022 GBP
Bank loans	10,146,844	25,849,194
Equipment Notes	–	48,249,386
	10,146,844	74,098,580
Associated costs	(354,054)	(2,336,318)
	9,792,790	71,762,262
Current portion	7,627,526	62,995,731
Non-current portion	2,165,264	8,766,531

Notwithstanding the fact that £70.1 million (31 March 2022: £76.3 million) debt was repaid during the year, as per the Consolidated Statement of Cash Flows, the value of the borrowings has decreased by £62 million (31 March 2022: £71.5 million) due to the 6.49 percent movement in the Sterling/US dollar exchange rate for the year from 1.3138 at 31 March 2022 to 1.2337 at 31 March 2023. See note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

15 BORROWINGS (continued)

The amounts below detail the future contractual undiscounted cash flows in respect of the Loans (and equipment notes in the prior year), including both the principal and interest payments, and will not agree directly to the amounts recognised in the Consolidated Statement of Financial Position:

	31 Mar 2023 GBP	31 Mar 2022 GBP
Amount due for settlement within 12 months	8,039,855	66,405,834
Amount due for settlement after 12 months	2,384,826	9,789,108

The loan to MSN077 Limited was arranged with Westpac for $151,047,509 and runs for 12 years until October 2023 and has an effective interest rate of 4.590 percent.

The loan to MSN090 Limited was arranged with ANZ for $146,865,575 and runs for 12 years until December 2023 and has an effective interest rate of 4.558 percent.

The loan to MSN105 Limited was arranged with ICBC, BoC and Commerzbank for $145,751,153 and runs for 12 years until October 2024 and has an effective interest rate of 4.780 percent.

Each Loan is secured on one Asset. No significant breaches or defaults occurred in the year. The Loans are either fixed rate over the term of the Loan or have an associated interest rate swap contract issued by the lender in effect fixing the loan interest over the term of the Loan. Transaction costs of arranging the Loans have been deducted from the carrying amount of the loans and will be amortised over their respective lives.

In order to finance the acquisition of the fourth, fifth, sixth and seventh Assets, DNAFA used the Certificates. The Certificates had an aggregate face amount of approximately $587.5 million, made up of "Class A" certificates and "Class B" certificates. The Class A certificates in aggregate have a face amount of $433,772,000 with an interest rate of 5.125 percent and were repaid on 30 November 2022. The Class B certificates in aggregate had a face amount of $153,728,000 with an interest rate of 6.5 percent and were repaid on 30 May 2019. There is a separate trust for each class of Certificate. The trusts used the funds from the Certificates to acquire equipment notes. The equipment notes were issued to Wilmington Trust, National Association as pass through trustee in exchange for the consideration paid by the purchasers of the Certificates. The equipment notes were issued by DNAFA and the proceeds from the sale of the equipment notes financed a portion of the purchase price of the four Airbus A380-861 Aircraft, with the remaining portion being financed through contribution from the Company of the C Share issue proceeds. The holders of the equipment notes issued for each aircraft will have the benefit of a security interest in such aircraft. The remaining balance has been repaid by continuing to amortise borrowings that pays both principal and interest through periodic payments.

In the directors' opinion and with reference to the terms mentioned, the above carrying values of the bank loans are approximate to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

16 SHARE CAPITAL

The Share Capital of the Group is represented by an unlimited number of shares.

Issued	Administrative Shares	Shares	C Shares	Total Shares
Issued shares as at 31 March 2023 and 31 March 2022	2	172,750,000	–	172,750,002

	Administrative Shares GBP	Shares GBP	C Shares GBP	Total GBP
Issued Shares				
Total Share Capital as at 31 March 2023 and as at 31 March 2022	–	319,836,770	–	319,836,770

Members holding Shares are entitled to receive and participate in any dividends out of income attributable to the Shares; other distributions of the Group available for such purposes and resolved to be distributed in respect of any accounting period; or other income or right to participate therein.

Upon winding up, Shareholders are entitled to the surplus assets attributable to the share class remaining after payment of all the creditors of the Group. Members have the right to receive notice of and to attend, speak and vote at general meetings of the Group.

On 6 March 2013, 100,250,000 C Shares were converted into Shares with a conversion of 1:1.

The holders of Administrative Shares are not entitled to receive, and participate in, any dividends out of income; other distributions of the Group available for such purposes and resolved to be distributed in respect of any accounting period; or other income or right to participate therein. On a winding up, holders are entitled to a return of capital paid up on them after the Shares have received a return of their capital paid up but ahead of the return of all additional capital to the holders of Shares.

The holders of Administrative Shares shall not have the right to receive notice of and no right to attend, speak and vote at general meetings of the Group, except for the Liquidation Proposal Meeting (general meeting convened six months before the end term of the Leases where the Liquidation Resolution will be proposed) or if there are no Shares in existence.

17 CASH AND CASH EQUIVALENTS

	31 Mar 2023 GBP	31 Mar 2022 GBP
Cash at bank	18,224,981	15,380,457
Cash deposits	11,961,884	12,947,700
	30,186,865	28,328,157

Cash and cash equivalents are highly liquid, readily convertible and are subject to insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

18 FINANCIAL INSTRUMENTS

The Group's main financial instruments comprise:

(a) Cash and cash equivalents that arise directly from the Group's operations;

(b) The Loans secured on non-current assets; and

(c) Interest rate swap

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft.

The following table details the categories of financial assets and liabilities held by the Group at the reporting date:

	31 Mar 2023 GBP	31 Mar 2022 GBP
Financial assets		
Interest rate swap	18,885	–
Financial assets at fair value through profit or loss	18,885	–
Cash and cash equivalents	30,186,865	28,328,157
Receivables (excluding prepayments)	35,426	39,288
Financial assets at amortised cost	30,222,291	28,367,445
Financial liabilities		
Interest rate swap	–	989
Financial liabilities at fair value through profit or loss	–	989
Payables	68,814	88,470
Borrowings	9,792,790	71,762,263
Financial liabilities measured at amortised cost	9,861,604	71,850,733

In accordance with IFRS 13 this standard requires the Group to price its financial assets and liabilities using the price in the bid-ask spread that is most representative of fair value for both financial assets and financial liabilities. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The level of the fair value hierarchy of an instrument is determined considering the inputs that are significant to the entire measurement of such instrument and the level of the fair value hierarchy within those inputs are categorised.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

— Level 1: Quoted price (unadjusted) in an active market for an identical instrument.

— Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: Valuation techniques using significant unobservable inputs.

The interest rate swap is considered to be level 2 in the Fair Value Hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following tables show the Group's financial assets and liabilities as at 31 March 2023 and 31 March 2022 based on hierarchy set out in IFRS:

31 March 2023	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial assets at fair value through profit or loss				
Interest rate swap	–	18,885	–	18,885

31 March 2022	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
Financial liabilities at fair value through profit or loss				
Interest rate swap	–	989	–	989

Derivative financial instruments

The following tables show the Group's derivative position as at 31 March 2023 and 31 March 2022:

31 March 2023 Interest Rate Swap	Financial asset at fair value GBP	Notional amount US dollar	Maturity
MSN090 Loan	18,885	1,444,989	4 Dec 2023

31 March 2022 Interest Rate Swap	Financial liability at fair value GBP	Notional amount US dollar	Maturity
MSN090 Loan	989	3,296,254	4 Dec 2023

The main risks arising from the Group's financial instruments are capital management risk, foreign currency risk, credit risk, liquidity risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below:

(a) Capital Management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents disclosed in note 17 and equity attributable to equity holders, comprising issued capital and retained earnings.

The Board reviews the capital structure on a bi-annual basis.

Equity includes all capital and reserves of the Group that are managed as capital.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign Currency Risk

The Group's accounting policy under IFRS requires the use of a Sterling historic cost of the assets and the value of the US dollar debt as translated at the spot exchange rate on every Statement of Financial Position date. In addition US dollar operating lease receivables are not immediately recognised in the Consolidated Statement of Financial Position and are accrued over the period of the Leases. The directors consider that this introduces an artificial variance due to the movement over time of foreign exchange rates. In actuality, the US dollar operating leases should offset the US dollar payables on the amortising debt. The foreign exchange exposure in relation to the Loans and equipment notes is thus almost entirely hedged.

Lease rentals (as detailed in notes 4 and 12) are received in US dollar and Sterling. Those lease rentals received in US dollar are used to pay the debt repayments due, also in US dollar (as detailed in note 15). Both US dollar lease rentals and debt repayments are fixed and are for similar sums and similar timings. The matching of lease rentals to settle debt repayments therefore minimises risks caused by foreign exchange fluctuations.

The amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	31 Mar 2023 GBP	31 Mar 2022 GBP
Debt (US dollar) – Liabilities	(10,146,844)	(74,098,581)
Financial assets (liabilities) at fair value through profit or loss	18,885	(989)
Cash and cash equivalents (US dollar) – Asset	4,049,681	6,305,946

The following table details the Group's sensitivity to a 15 percent (31 March 2022: 15 percent) appreciation of the US dollar relative to the pound. This represents the directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The table below shows that profit and other equity fall where the US dollar strengthens 15 percent because the net dollar liabilities increase in pound terms. For a 15 percent (31 March 2022: 15 percent) weakening of the US dollar against the pound, there would be a comparable but opposite impact on the profit and other equity

	31 Mar 2023 US dollar Impact GBP	31 Mar 2022 US dollar Impact GBP
Profit or Loss	(911,742)	(10,169,191)
Net asset value	(911,742)	(10,169,191)

On the eventual sale of the Assets, the Group may be subject to foreign currency risk if settled in a currency other than Sterling. Transactions in similar assets are typically priced in US dollars.

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Refer to the going concern section on pages 59 to 60 where an assessment of Emirates is made.

The credit risk on cash transactions are mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, or with high credit ratings assigned by international credit rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit Risk (continued)

The Group's financial assets exposed to credit risk are as follows:

	31 Mar 2023 GBP	31 Mar 2022 GBP
Receivables (excluding prepayments)	35,426	39,291
Cash and cash equivalents	30,186,865	28,328,157
	30,222,291	28,367,448

Surplus cash in the Group is held in accounts with Barclays, Westpac and ANZ, which have credit ratings given by Moody's of A1, Aa3 and A1 respectively. Moody's considers the outlook of the banks current ratings to be stable.

There is a contractual credit risk arising from the possibility that the Lessee may default on the lease payments. This risk is mitigated, as under the terms of the lease agreements between the Lessee and the Group, any non-payment of the lease rentals constitutes a "**Special Termination Event**", under which the Lease terminates and the Group may either choose to sell the Asset or lease the Assets to another party.

At inception of the Lease, the Group selected a Lessee with a strong statement of financial position and financial outlook. The financial strength of Emirates is regularly reviewed by the Board and the Asset Manager.

(d) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The Group's main financial commitments are its ongoing operating expenses, loan repayments to Westpac, ANZ, ICBC, BoC and Commerzbank, and repayments on equipment Notes.

Ultimate responsibility for liquidity risk management rests with the Board of directors, which established an appropriate liquidity management framework at the incorporation of the Group, through the timings of lease rentals and debt repayments. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by monitoring forecast and actual cash flows, and by matching profiles of financial assets and liabilities.

The table below details the residual contractual maturities of financial liabilities, including estimated interest payments. The amounts below are contractual undiscounted cash flows, including both the principal and interest payments, and will not agree directly to the amounts recognised in the Consolidated Statement of Financial Position:

31 Mar 2023	1-3 months GBP	3-12 months GBP	1-2 years GBP	2-5 years GBP	Over 5 years GBP
Financial liabilities					
Payables	68,814	–	–	–	–
Bank loans	2,414,971	5,624,884	2,384,826	–	–
Equipment Notes	–	–	–	–	–
	2,483,785	5,624,884	2,384,826	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity Risk (continued)

31 Mar 2022	1-3 months GBP	3-12 months GBP	1-2 years GBP	2-5 years GBP	Over 5 GBP
Financial liabilities					
Payables	88,470	–	–	–	–
Interest rate swap	–	–	–	989	–
Bank loans	4,925,184	12,122,202	7,549,680	2,239,427	–
Equipment Notes	24,693,762	24,664,686	–	–	–
	29,707,416	36,786,888	7,549,680	2,240,416	–

(e) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows. It is the risk that fluctuations in market interest rates will result in a reduction in deposit interest earned on bank deposits held by the Group. The MSN090 loan which is at a variable rate, has an associated interest rate swap contract issued by the lender in effect fixing the loan interest over the term of the Loan.

The Group mitigates interest rate risk by fixing the interest rate on its debts with the exception of MSN090, which has an associated interest rate swap as mentioned above. The lease rentals are also fixed.

The following table details the Group’s exposure to interest rate risks:

31 Mar 2023	Variable interest GBP	Fixed interest GBP	Non-interest Bearing GBP	Total GBP
Financial assets				
Receivables (excluding prepayments)	–	–	35,426	35,426
Interest rate swap	18,885			18,885
Cash and cash equivalents	30,186,865	–	–	30,186,865
Total Financial Assets	30,205,750	–	35,426	30,241,176
Financial liabilities				
Payables	–	–	68,814	68,814
Bank loans	–	10,146,844	–	10,146,844
Total Financial Liabilities	–	10,146,844	68,814	10,215,658
Total interest sensitivity gap	30,205,750	10,146,844		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Interest Rate Risk (continued)

31 Mar 2022	Variable interest GBP	Fixed interest GBP	Non-interest Bearing GBP	Total GBP
Financial assets				
Receivables (excluding prepayments)	–	–	39,291	39,291
Cash and cash equivalents	28,328,157	–	–	28,328,157
Total Financial Assets	28,328,157	–	39,291	28,367,448
Financial liabilities				
Interest rate swap	989	–	–	989
Payables	–	–	88,470	88,470
Bank loans	–	25,849,194	–	25,849,194
Equipment Notes	–	48,249,386	–	48,249,386
Total Financial Liabilities	989	74,098,580	88,470	74,188,039
Total interest sensitivity gap	28,327,168	74,098,580		

If interest rates had been 250 basis points (31 March 2022: 250 basis points) higher throughout the period and all other variables were held constant, the Group’s net assets attributable to Shareholders as at 31 March 2023 would have been £755,144 (31 March 2022: £748,166) greater due to an increase in the amount of interest receivable on the bank balances.

If interest rates had been 250 basis points (31 March 2022: 250 basis points) lower throughout the period and all other variables were held constant, the Group’s net assets attributable to Shareholders as at 31 March 2023 would have been £755,144 (31 March 2022: £748,166) lower due to a decrease in the amount of interest receivable on the bank balances.

20 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table discloses the effects of the amendments to IAS 7 Statement of Cash Flows which requires additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. The table below excludes non-cash flows arising from the amortisation of associated costs (see note 15).

	31 Mar 2023 GBP	31 Mar 2022 GBP
Opening Balance	74,098,580	146,660,761
Cash flows paid – capital	(70,121,286)	(76,255,138)
Cash flows paid – interest	(1,980,690)	(5,270,898)
Non-cash flows		
– Interest accrued	2,042,337	5,372,283
– Effects of foreign exchange	6,107,903	3,591,572
Closing Balance	10,146,844	74,098,580

21 ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the Group has no ultimate controlling party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2023

22 RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Significant contracts who provide key management personnel to the reporting entity
Doric is the Group's Asset Manager and liaison agent.

During the year, the Group incurred £2,198,403 (31 March 2022: £2,150,027) of expenses with Doric of which £2,198,403 (31 March 2022: £2,150,027) related to asset management fees as shown in note 5, and £nil (31 March 2022: £nil) was reimbursed expenses. Additionally, the Group incurred £2,772 (2022: £7,925) in relation to liaison fees. At 31 March 2023, £nil (31 March 2022: £nil) was owing to this related party.

Nimrod is the Group's Corporate and Shareholder Adviser.

During the year, the Group incurred £909,194 (31 March 2022: £889,186) of expenses with Nimrod. As at 31 March 2023, £nil (31 March 2022: £ nil) was owing to this related party.

JTC Registrars Limited is the Group's registrar, transfer agent and paying agent.

During the year, the Group incurred £17,678 (31 March 2022: £14,799) of expenses with JTC Registrars as shown in note 5. As at 31 March 2023, £1,058 (31 March 2022: £979) was owing to this related party.

Significant contracts
JTC Fund Solutions (Guernsey) Limited is the Group's Company Secretary and Administrator.

During the year, the Group incurred administration fees with JTC Fund Services (Guernsey) Limited of £129,167 (31 March 2022: £152,630) with JTC Fund Solutions (Guernsey) Limited as shown in note 5. In addition, the Group incurred accounting fees of £40,393 (31 March 2022: £34,898) with this related party. As at 31 March 2023, £13,697 (31 March 2022: £14,817) was owing to this related party.

Related parties
The Board are considered to be key management personnel. For details regarding the directors' remuneration please refer to note 6. Shares held by members of the Board are disclosed on page 26 in the Directors' Report.

23 SUBSEQUENT EVENTS
On 4 April 2023, Theresa Oldham was appointed as an independent, non-executive Director of the Company and its subsidiary. Additionally, Mrs Oldham has assumed roles as a member of the AR Committee, the Nomination Committee, and the Management Engagement Committee.

On 13 April 2023, a further dividend of 4.50 pence per Share was declared and this was paid on 28 April 2023.

On 18 April 2023, the Board announced the resignation of Charles Wilkinson from his position as a non-executive director of the Company with effect from 31 July 2023.

On 13 July 2023, a further dividend of 4.50 pence per Share was declared and this will be paid on 31 July 2023.

No further subsequent events to note.

KEY ADVISERS AND CONTACT INFORMATION

KEY INFORMATION

Exchange: Specialist Fund Segment of the London Stock Exchange's Main Market

Ticker:	DNA2
Listing Date:	14 July 2011
Financial Year End:	31 March
Base Currency:	Pound Sterling
ISIN:	GG00B3Z62522
SEDOL:	B3Z6252
LEI:	213800ENH57LLS7MEM48
Country of Incorporation:	Guernsey
Registration number:	52985

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