
DORIC NIMROD AIR **THREE** LIMITED

Consolidated Annual Financial Report

From 1 April 2022 to 31 March 2023



CONTENTS

Page	
1	Definitions
4	Summary Information
5	Company Overview
7	Chair's Statement
9	Asset Manager's Report
15	Directors
17	Service Providers
19	Management Report
23	Directors' Report
34	Environmental, Social and Governance Report
38	Audit and Risk Committee Report
47	Independent Auditor's Report
51	Consolidated Statement of Comprehensive Income
52	Consolidated Statement of Financial Position
53	Consolidated Statement of Cash Flows
54	Consolidated Statement of Changes in Equity
55	Notes to the Consolidated Financial Statements
77	Key Advisers and Contact Information

DEFINITIONS

“Administrative Shares”	Subordinated administrative shares
“AED”	United Arab Emirates dirham
“AGM”	Annual general meeting
“Amedeo” or “the Asset Manager”	Amedeo Management 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
“Certificates”	DNA Alpha Pass Through Certificates issued in August 2013
“Chair”	Chair of the Board
“Code”	The UK Corporate Governance Code
“CORSA”	Carbon Offsetting and Reduction Scheme for International Aviation
“DTRs”	Disclosure Guidance and Transparency Rules
“DNA3” or the “Company”	Doric Nimrod Air Three Limited
“DNA Alpha”	DNA Alpha Limited
“EETC” or “Certificates”	Enhanced equipment trust certificates
“Emirates” or the “Lessee”	Emirates Airline
“EPS” or “LPS”	Earnings / loss per Share
“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
“GBP”, “£” or “Sterling”	Pound Sterling
“GT”	Grant Thornton
“GFSC”	Guernsey Financial Services Commission
“GHG”	Greenhouse gas
“Group”	the Company and its subsidiary

DEFINITIONS (continued)

“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 16”	IFRS 16 – Leases
“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
“Registrar”	JTC Registrars 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
“Registrar”	JTC Registrars Limited
“RPKs”	Revenue passenger kilometers
“SDGs”	Sustainable Development Goals
“SFS”	Specialist Fund Segment
“Shareholders” or “Members”	Shareholders of the Company
“Shares”	Ordinary Preference Shares
“Share Capital”	Share capital of the Company
“Subsidiary”	DNA Alpha Limited

DEFINITIONS (continued)

"UAE"	United Arab Emirates
"UK"	United Kingdom
"USD" or "\$"	US dollars
"VIU"	Value-in-use

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA3
Share Price	50.50 pence (as at 31 March 2023) 47.50 pence (as at 17 July 2023)
Market Capitalisation	GBP104.50 million (as at 17 July 2023)
Current Dividend	2.0625 pence per quarter per share (8.25 pence per annum)
Dividend Payment Dates	April, July, October, January
Currency	Sterling
Launch Date / Share Price	2 July 2013 / 100 pence
Incorporation and Domicile	Guernsey
Aircraft Registration Number (Lease Expiry Dates including 2 year extension)	A6-EEK (29 August 2025) A6-EEO (29 October 2025) A6-EEM (14 November 2025) A6-EEL (27 November 2025)
Asset Manager	Amedeo Management Limited
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	B92LHN5, GG00B92LHN58, 213800BMYMCBKT5W8M49
Year End	31 March
Website	www.dnairthree.com

Please note that the Group has determined that the operating Leases on the Assets are for 12 years based on an initial term of 10 years followed by an extension term of 2 years. Should the Lessee choose to exit a Lease at the end of the initial term of 10 years an early termination payment equal to the present value of the sterling rent that would have been payable for the extension term of 2 years would be due. For the purpose of this report the Leases are all referred to as 12 year leases.

COMPANY OVERVIEW

DNA3 is a Guernsey company incorporated on 29 March 2012.

Pursuant to the Company's Prospectus dated 20 June 2013, the Company, on 2 July 2013, offered its Shares for issue by means of a placing and raised approximately £211 million by the issue of Shares at an issue price of 100 pence per share. The Company's Shares were admitted to trading on the SFS on 2 July 2013.

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 220,000,000 Shares. The Shares were trading at 47.50 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. To pursue its investment objective, the Company has used the net proceeds of placings and other equity capital raisings, together with debt facilities (or instruments), to initially acquire four Airbus A380 Aircraft which are leased to Emirates, the national carrier owned by The Investment Corporation of Dubai based in Dubai, United Arab Emirates.

DNA Alpha

The Company has one wholly owned subsidiary: DNA Alpha which holds the Assets for the Company.

The first Asset was acquired by DNA Alpha on 29 August 2013 for a purchase price of \$245 million. Upon delivery, DNA Alpha entered into an operating Lease with Emirates, pursuant to which the first Asset has been leased to Emirates for an expected initial term of 10 years, ending August 2023, with an extension period of two years ending August 2025, in which rental payments reduce. The loan terms for this Aircraft were arranged to match the contractual rental received during the initial lease term of 10 years including the final rental prepayment in the event that the extension was not utilised.

The second Asset was acquired by DNA Alpha on 29 October 2013 for a purchase price of \$245 million. Upon delivery, DNA Alpha entered into an operating Lease with Emirates, pursuant to which the second Asset has been leased to Emirates for an expected initial term of twelve years, with fixed lease rentals for the duration. The initial Lease is for 10 years ending October 2023, with an extension period of two years ending October 2025, in which rental payments reduce. The loan terms for this Aircraft were arranged to match the contractual rental received during the initial lease term of 10 years including the final rental prepayment in the event that the extension was not utilised.

The third Asset was acquired by DNA Alpha on 14 November 2013 for a purchase price of \$245 million. Upon delivery, DNA Alpha entered into an operating Lease with Emirates, pursuant to which the third Asset has been leased to Emirates for an expected initial term of twelve years, with fixed lease rentals for the duration. The initial Lease is for 10 years ending November 2023, with an extension period of two years ending November 2025, in which rental payments reduce. The loan terms for this Aircraft were arranged to match the contractual rental received during the initial lease term of 10 years including the final rental prepayment in the event that the extension was not utilised.

The fourth Asset was acquired by DNA Alpha on 27 November 2013 for a purchase price of \$245 million. Upon delivery, DNA Alpha entered into an operating Lease with Emirates, pursuant to which the fourth Asset has been leased to Emirates for an expected initial term of twelve years, with fixed Lease rentals for the duration. The initial Lease is for 10 years ending November 2023, with an extension period of two years ending November 2025, in which rental payments reduce. The loan terms for this Aircraft were arranged to match the contractual rental received during the initial lease term of 10 years including the final rental prepayment in the event that the extension was not utilised.

DNA Alpha acquired the Assets, using a combination of a portion of the proceeds of the issue of the Ordinary Shares by the Company together with the proceeds of the sale of equipment notes issued by DNA Alpha and the initial rent payment pursuant to the relevant operating Leases. The equipment notes were acquired by two separate pass through trusts using the proceeds of their issue of EETCs as detailed within the offering circular issued by DNA Alpha dated 10 July 2013.

Further information about the construction of these Leases is available in note 3 to the financial statements.

COMPANY OVERVIEW (continued)

The EETCs, with an aggregate face amount of approximately \$630 million, are admitted to the official list of the Euronext Dublin and to trading on the Main Securities market thereof and will mature on 30 May 2025.

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

Distribution Policy

The Company currently targets a distribution of 2.0625 pence per Share per quarter.

The payment of dividends to Shareholders cannot be guaranteed, and if dividends are indeed paid, there is uncertainty regarding the timing and amount of such payments. Additionally, there is no assurance that the Company will consistently meet the solvency test outlined in section 304 of the Law, which is necessary for the directors to authorise dividend payments.

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 2.0625 pence per Share. Two interim dividends of 2.0625 pence per Share have been declared after the reporting period. Further details of dividend payments can be found on page 23.

Return of Capital

The Company intends to return to Shareholders the net capital proceeds if and when the Company is wound up (pursuant to a Shareholder resolution, including the Liquidation Resolution), 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 November 2026 where an ordinary resolution will be proposed that the Company proceed to an orderly wind-up at the end of the term of the Leases. 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 2.0625 pence per Share each, a rate of dividend payment amounting to 8.25 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 four Aircraft are described on pages 64 and 68.

The debt portion of the funding was designed to be fully amortised over the term of the Leases, which would leave the Aircraft unencumbered on the conclusion of the ultimate Lease. I am pleased to report that all debt associated with the Company's Aircraft has now been fully repaid. Emirates bears all costs (including maintenance, repair and insurance) relating to the Aircraft during the lifetime of the Leases. At the time of writing the share price is 47.50 pence, representing a market capitalisation of GBP 104,500,000 based on the 220,000,000 Shares in issue. All payments by Emirates during the Period and throughout the Lease have been made in accordance with the terms of the Lease. The Company's first scheduled Lease expiry falls due in August 2025.

Market Conditions

Air passenger travel first gained momentum in 2022 and has recovered substantially according to IATA. In April 2023 industry-wide RPKs stood 9.5% below the pre-pandemic level achieved in April 2019. Airline's capacities, measured in ASKs, recovered to 92.5% of the pre-pandemic value while the average 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 79.5%. 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 98.5 and 96.7 cents respectively, equivalent to USD running yields in the range of roughly 3.9 to 4.6%. Further details on Emirates and the A380 can be found in the Asset Manager's Report on pages 9 to 14.

Stakeholder Engagement

Our Asset Manager, Amedeo, continues to monitor the Leases, is in frequent contact with the Lessee and reports regularly to the Board. Nimrod, our Corporate and Shareholder 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 section 172 of the UK's Companies Act 2006 can be found on page 31.

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.

CHAIR’S STATEMENT (continued)

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 stepped down as Chair of the AR Committee with effect from 28 February 2023 and Mrs Le Poidevin was appointed as Chair of the committee on 1 April 2023.

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 97% of A Rent receivable under the Leases has been received, which has funded the payment down of 95% initial borrowings, whereas under the relevant accounting standard only some 79% may be recognised. All outstanding debt associated with the Group’s Aircraft was repaid on 30 May 2023. This mismatch in timing between the receipt and recognition of rental income results in a deferred income creditor of GBP 113 million or some 51 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 GBP 113 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.

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 USD is used to make debt repayments due which are likewise denominated in USD. Furthermore, the USD 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.

Andreas Tautscher
Chair

21 July 2023

ASSET MANAGER’S REPORT

At the request of the directors of the Company, 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 other 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 four Airbus A380 Aircraft by the end of November 2013. Since delivery, each of the four Aircraft has been leased to Emirates Airline (“Emirates”) – the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates – for a term of 12 years with fixed lease rentals for the duration. In order to complete the purchase of the Aircraft, DNA Alpha Ltd (“DNA Alpha”), a wholly owned subsidiary of the Company, issued two tranches (Class A & Class B) of enhanced equipment trust certificates (“the Certificates” or “EETC”) – a form of debt security – in July 2013 in the aggregate face amount of USD 630 million. The Certificates are admitted to the official list of the Euronext Dublin and to trading on the Main Securities market thereof. DNA Alpha used the proceeds from both the Equity and the Certificates to finance the acquisition of the four new Airbus A380 Aircraft. In May 2023 DNA Alpha has fully repaid all outstanding EETC obligations.

Due to the effects of COVID-19, all four Aircraft were put into storage in March 2020 and have returned to service in the meantime, the last at the end of August 2022. Aircraft utilisation for the period from delivery of each Airbus A380 until the end of May 2023 was as follows:

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
132	29/08/2013	34,202	4,152	8h 14m
133	27/11/2013	35,253	3,994	8h 50m
134	14/11/2013	32,359	3,594	9h 0m
136	29/10/2013	34,661	3,841	9h 1m

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.

ASSET MANAGER'S REPORT (continued)

Emirates bears all costs relating to the Aircraft during the lifetime of the leases (including for 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 inspections according to earlier ADs. 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. Repeat inspections are currently scheduled at an interval of 36 months. None of the Aircraft owned by the Company has been inspected so far.

Inspection

The Asset Manager conducted physical inspections and records audits of the Aircraft as per the below table. Conditions of the respective Aircraft and its technical records were in compliance with the provisions of the respective lease agreements.

MSN	Last Inspection	MSN	Last Inspection
132	03/2023	134	05/2023
133	05/2023	136	05/2023

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 3.1% in 2021 and 2022 respectively. According to its latest report on global economic prospects from June 2023, the World Bank expects moderated 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 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.

ASSET MANAGER’S REPORT (continued)

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 a 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.

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 has no longer operate 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 DNA3 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 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 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.

ASSET MANAGER'S REPORT (continued)

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 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 787 deliveries.

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 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.

ASSET MANAGER'S REPORT (continued)

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 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.

ASSET MANAGER’S REPORT (continued)

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.

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: AeroTelegraph, 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.

Andreas Josef Tautscher – Chair of the Company and of the Nomination Committee and Chair of 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 the AR Committee of Doric Nimrod Air Two Limited, Chair of its Management Engagement Committee and a director of Doric Nimrod Air One Limited. He is resident in Guernsey.

Charles Edmund Wilkinson – Chair of the Nomination Committee

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 a director of Doric Nimrod Air Two Limited. He is resident in Guernsey.

As part of the Company’s Succession Planning it was announced that Charles would stepping down as Chair of the Company with effect from 1 March 2023. Furthermore, on 18 April 2023, the company announced that Charles Wilkinson’s intention to resign as director of the Company on 31 July 2023.

Geoffrey Alan Hall

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 is also a director and Chair of the Nomination Committee of Doric Nimrod Air Two Limited.

Geoffrey Hall stepped down as Chair of Doric Nimrod Air Two with effect from 1 March 2023.

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.

Fiona Le Poidevin – Chair of the AR Committee

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 Two 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 resident in Guernsey.

DIRECTORS (continued)

Theresa Amanda Oldham

Theresa 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 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 page 15 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 Amedeo, which is a company incorporated in Ireland. 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 licenced 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 and Lease and Debt Arranger

Amedeo has been appointed by the Company to provide asset management services to the Group. Pursuant to the Asset Management Agreement, Amedeo will: (i) monitor Emirates’ and any subsequent lessees’ performance of its obligations under the respective operating Leases and any subsequent lease 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, as required. Amedeo 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.

Amedeo has also been appointed by the Company, pursuant to the Agency Agreement, to assist the Group, and act as the Group’s agent, in relation to the arrangement, negotiation, review, approval, execution and management on behalf of the Group of the acquisition of the Assets, the borrowings of the Group relating to the acquisition of the Assets, and the operating Leases. Amedeo is a subsidiary of Amedeo Capital Limited, a Cayman company engaged in the business of aircraft operating leasing and management.

Amedeo Services (UK) Limited has been appointed by the Group, pursuant to the Liaison Services Agreement, to: (i) coordinate the provision of services by Amedeo to the Group under the Asset Management Agreement and the Agency Agreement, as relevant; and (ii) facilitate communication between the Group and Amedeo. Amedeo Services (UK) Limited is authorised by the FCA and is part of the Amedeo Group of companies.

Amedeo is a recognised aircraft asset manager and principal investor in leasing transactions to customer airlines globally. The aircraft portfolio currently managed by the Amedeo group, includes twenty-one aircraft under management. The volume of assets under management is c. \$5 billion, which includes commercial airliners including A380, A350, A330 and Boeing 777. Amedeo is a member of the ISTAT.

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.

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.

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.

SERVICE PROVIDERS (continued)

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

The Registrar, 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 Registrar may be found at www.jtcgroup.com.

Review

The Board keeps under review the performance of the Asset Manager, Corporate and Shareholder Adviser, 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 are in the interests of the Company’s Shareholders as a whole.

A full list of the Company’s service providers is set out on page 17.

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 55 to 76 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 have undertaken a detailed review of the effectiveness of the 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 and assessing service providers’ continued appointment on at least an annual basis.
- **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.
- **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 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.
- **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 well in advance of the 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.

MANAGEMENT REPORT (continued)

- **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 assisted by the Secretary which also 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 bi-annual reporting confirming the Asset Manager’s obligations and highlighting key issues and risks to be brought to the Group’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 page 5. The financial position of the Group is set out on page 52. In addition, note 20 to the Consolidated Financial Statements includes the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure 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 PLF 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 the EETC, and may not provide surplus income to pay for the Group’s expenses and permit the declaration of 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.

MANAGEMENT REPORT (continued)

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, 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 on March 31, 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 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 on page 21. Refer to note 12 for expiry dates of the leases.

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 six months before the last Lease is due to terminate in 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 Company 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 on 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

MANAGEMENT REPORT (continued)

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 Leases in 2025, assuming receipt of planned rental income.

The directors believe that their assessment of the viability of the Company 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.

As a result of their review, the directors of the Group have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due until the Leases are due to terminate in 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) this 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 Shareholders to assess the Group's position, performance, business model and strategy.

Andreas Tautscher
Chair

21 July 2023

Fiona Le Poidevin
Director

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 8 and 9 to 14.

Status

The Company is a Guernsey domiciled company, the Shares of which are admitted to trading on the SFS. Its registered number is 54908. 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 51.

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	2.0625
30 June 2022	14 July 2022	29 July 2022	2.0625
30 September 2022	13 October 2022	31 October 2022	2.0625
31 December 2022	12 January 2023	31 January 2023	2.0625

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

Announcement Date	Payment Date	Dividend per Share (pence)
12 April 2023	28 April 2023	2.0625
14 July 2023	31 July 2023 (expected payment date)	2.0625

The Company aims to continue to pay quarterly dividends of 2.0625 pence per Share, in line with the distribution policy. There is no guarantee that any future dividends will be paid.

Directors

The directors in office are shown on page 15 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 32.

No director has a contract of service with the Company, 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	150,000	150,000
Geoffrey Hall	90,000	90,000
Fiona Le Poidevin	–	–
Andreas Tautscher	16,279	16,279
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 period, other than those disclosed in the Directors' Report and at note 23 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
Elliott Management	14.08%	30,981,000
East Riding of Yorkshire Council	9.56%	21,040,008
Momentum Global Investment Management	7.38%	16,233,600
Quilter Cheviot Investment Management	7.22%	15,878,578
Hargreaves Lansdown, stockbrokers (EO)	5.01%	11,015,981

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 required to comply with the Code for the reporting period. 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 the 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 engagement 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: Charles Wilkinson 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 Wilkinson stepped down as Chair of the Company on 1 March 2023, succeeded by Andreas Tautscher.

DIRECTORS' REPORT (continued)

The Board considers that, following the appointment of Mr Tautscher, the Company now complies with provision 19.

Provision 12: The Board should appoint one of the independent non-executive directors to be the senior independent director 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 has 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 page 15 demonstrating the wide range of skills and experience they each bring to the Board. All the directors are non-executive and independent, with Andreas Tautscher acting as Chair.

The other significant commitments of the current Chair are detailed in his biography on page 15. 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 his duties to the Company and that he has the commitment and time to make himself 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 £150,000 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 currently paid a fee of £30,000 per annum. The Chair is paid an additional fee of £7,000 per annum and the chair of the AR Committee is entitled to be paid an additional £4,500 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 Company’s Secretary.

The Board usually meets in Guernsey at least four times per year to consider the business and affairs of the Company, 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 the number of full Board meetings and committee meetings attended by the directors were as follows:

Director	Board Meetings	Audit and Risk Committee Meetings	Nomination Committee Meetings	Management Engagement Committee Meetings	Dividend Committee Meetings***
Charles Wilkinson*	5 of 6	0 of 1	2 of 3	2 of 3	1 of 4
Geoffrey Hall	6 of 6	6 of 6	3 of 3	3 of 3	3 of 4
Fiona Le Poidevin	6 of 6	6 of 6	3 of 3	3 of 3	4 of 4
Andreas Tautscher**	6 of 6	5 of 5	3 of 3	3 of 3	2 of 4

* Charles Wilkinson resigned as Chair of the Board and was subsequently appointed as a member of the Audit and Risk Committee effective 1 March 2023.

** Andreas Tautscher was appointed as Chair of the Board effective 1 March 2023 and ceased in his role as a member of the Audit and Risk Committee.

*** refer to page 29 for the composition and function of the Dividend Committee.

DIRECTORS’ REPORT (continued)

Audit and Risk Committee

Mr Hall, Mr Wilkinson and Mrs Le Poidevin are all members of the AR Committee, with Mrs Le Poidevin 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 LSE 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 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 holds 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 report 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, the 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 2023 to consider the Company’s Business Risk Matrix. The AR Committee also undertook a review of the Company’s auditor during the year.

Following a query raised by the FRC on 10 February 2023 wherein the FRC raised queries about the Company’s disclosure on impairment triggers, the Company provided a comprehensive response explaining the process for valuing Airbus A380 aircraft in the current market. The Board undertook to include a clear statement on impairment assessments in future interim reports and provide examples

DIRECTORS' REPORT (continued)

of indicators considered. On 9 May 2023, the FRC expressed their satisfaction with the response provided and confirmed that their enquiry had been closed.

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 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 Wilkinson 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. A full description of the Board evaluation is included on page 26, 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 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

DIRECTORS’ REPORT (continued)

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 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 August 2022 site visit to Amedeo. 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 Company by Amedeo. Corporate and shareholder advisory services are provided to the Company 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 advisors. 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 advisors.

Management of Conflicts of Interest

The Company has adopted a formal conflicts of interest policy and is committed to ensuring that all directors and service providers facilitate the Company 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 Company’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 Company’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 Company believes such communication to be important. The Company’s directors can be contacted at the Company’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 Company 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 Company’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 Company. 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 Company. The Board believes that fostering constructive and collaborative relationships with the Company’s service providers will assist in their promotion of the success of the Company for the benefit of all Shareholders.

DIRECTORS' REPORT (continued)

As described in detail in the Company's viability statement, the Board considers the prospects of the Company for at least the next four years whenever it considers the Company's long-term sustainability. All strategic decisions are therefore taken with the success of the Company 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 34 to 37.

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 Company'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 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.

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.

DIRECTORS' REPORT (continued)

Auditor

Grant Thornton Limited has expressed its willingness to continue in office as auditor and the AR 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 annual general meeting of the Company held on 9 December 2022 in respect of the 31 March 2023 year end.

Andreas Tautscher
Chair

Signed on behalf of the Board
on 21 July 2023

Fiona Le Poidevin
Director

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 29 March 2012. Its Shares were admitted to trading on the SFS on 2 July 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 – Amedeo
- Liaison Agents – Amedeo Services (UK) Limited
- 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 Website (www.emirates.com).

The Assets

The principal activity of the Company is to acquire, lease and then sell aircraft. The Company has a wholly-owned subsidiary, DNA Alpha. The Group owns four Airbus A380 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Group’s own operational influence in the fields of climate change, air quality, and resource efficiency is minimal. The nature of the Lease with the Lessee means that control over the usage of the Asset 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 Lease. 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 CO₂);
- 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’ Sustainable Development Goals (“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

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;

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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 Lease, the Board is 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

Fiona Le Poidevin – Non-executive Director and Chair of the AR Committee (Appointed on 1 March 2023)

Geoffrey Hall – Non-executive Director (Chair of the AR Committee until 1 March 2023)

Charles Wilkinson – Non-executive Director

Andreas Tautscher – Non-executive Director (Resigned from AR Committee on 1 March 2023 in recognition of his appointment as Chair of the Company)

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 Company’s external auditor, (iii) monitoring of the systems of internal controls operated by the Company and (iv) the Company’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 Company’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 Company’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 Company’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 Company and by the Company’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 three 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.

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 report and accounts, 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.

AUDIT AND RISK COMMITTEE REPORT (continued)

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 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 Limited. To aid its review the AR Committee considered reports prepared by external service providers, including Amedeo 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

Residual value of aircraft assets

The non-current Assets of the Group comprises of four 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."*

How the AR Committee addressed these significant issues

The Group has engaged three internationally recognised expert appraisers to provide the Group with independent 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, as well as the landscape within the aviation industry 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 would be difficult to 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.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review

How the AR Committee addressed these significant issues

Due to the A380-specific developments over the last few years there is an increasing 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.

The Group’s estimation technique is to make reference to the most recently produced forecast soft value (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 value 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 Amedeo 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

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 presentation currency at the exchange rate ruling at 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.

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 meet its targeted dividend or, in the case of ongoing default, continue as a going concern.

How the AR Committee addressed these significant issues

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 loan 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 loan repayments due which are likewise denominated in US dollars. US dollar lease rentals and loan repayments are furthermore 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 loan repayments therefore mitigates risks of foreign exchange fluctuations.

The AR Committee carefully considered the disclosure in note 20 (b) to the Consolidated Financial Statements to ensure that the reality of the Group's foreign exchange risk exposure is properly explained.

The AR Committee received quarterly reports from Amedeo 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 (4.8 billion USD) in the previous year. Demand for air freight weakened due to macro-economic and geopolitical uncertainties, high inflation, the consequential supply related issues and the end of the inventory restocking cycle. However, Emirates SkyCargo continued to produce a robust yield per Flight Tonne Kilometre (FTK), which increased by 3%.

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, 79% higher compared to the beginning of the year. 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.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review

How the AR Committee addressed these significant issues

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 expect 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.

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 US Dollar 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 agreement between Emirates and the Company include a hell or high-water clause, the lease rental stream and any other contractual payment primarily depend on 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 to the general increased interest rate level globally. This level of yields certainly does not appear to indicate any significant financial stress to the issuer.

The AR Committee concluded that it would continue to receive regular updates from Amedeo on the performance of Emirates and would continue to monitor Emirates' overall performance.

The AR Committee carefully considered the disclosure in note 20(c) to the financial statements to ensure that this concentration of credit risk is properly reflected.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review

Consideration of any triggers for impairment

IAS 36 Impairment of Assets requires that a review for impairment be carried out by the Group 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.

Global Pandemic Risk

The emergence of a Global Pandemic may have a profound and negative impact on the operations and performance of the Group and may directly or indirectly affect some of the other risks mentioned in this table.

How the Committee addressed these significant issues

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 £7,576,007 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 the global travel restrictions leading to a temporary halt of A380 operations worldwide. 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.

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 the Pandemic on financial reporting has been considered in respect of other risks such as residual value, impairment and going concern.

More information of the Pandemic is set out in the Chair's Statement on pages 7 to 8 and the Asset Manager's Report on pages 9 to 14.

We note that the auditor also considers the recognition of rental income (as highlighted in the Chair's Statement at page 7) 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 Group's principal activities are set out within the Company Overview on page 5. The financial position of the Group is set out on page 52. In addition, note 20 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk.

The directors, in consultation with the Asset Manager, are monitoring the continuous effect 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. The Pandemic continues to have an impact on the global economy, and it remains possible that the Group's future performance could be impacted in this prolonged period of uncertainty. 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 PLF 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

AUDIT AND RISK COMMITTEE REPORT (continued)

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 not be sufficient to meet the debt interest and regular repayments of debt scheduled during the life of the EETC, and may not provide surplus income to pay for the Group's expenses and permit the declaration of 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, 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 on March 31, 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-pandemic 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 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 on page 21. Refer to note 12 for expiry dates of the leases.

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 Committee informed of any developments and improved internal control procedures.

The most recent report on the internal controls 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 Amedeo (in August 2022). Additionally, the committee met with Nimrod in May 2023.

AUDIT AND RISK COMMITTEE REPORT (continued)

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.

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 receives 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 seek 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.

AUDIT AND RISK COMMITTEE REPORT (continued)

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.

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.

Fiona Le Poidevin
Chair of the Audit and Risk Committee

21 July 2023

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

Opinion

We have audited the consolidated financial statements of Doric Nimrod Air Three Limited and its subsidiary (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 European Union.

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 European Union; 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.

The Key Audit Matter	How the matter was addressed in our audit
<p>Valuation of aircraft (2023: £192.1m, and 2022: £232.0m)</p> <p>We identified the valuation of aircraft as one of the most significant assessed risks of material misstatement due to error.</p> <p>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.</p> <p>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.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • 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;

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

The Key Audit Matter	How the matter was addressed in our audit
<p>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</p> <p>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.</p>	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ◦ 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 aircraft; • 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 factor 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. <p>Our results Based on the audit work performed, we have not identified any indication of material misstatement in relation to the valuation of aircraft.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORIC NIMROD AIR THREE 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 consolidated financial 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 32, 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 THREE 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	57,118,471	52,577,701
B rent income	4	20,430,241	20,458,592
		77,548,712	73,036,293
EXPENSES			
Operating expenses	5	(1,856,772)	(1,803,109)
Depreciation of Aircraft	10	(30,170,114)	(37,522,717)
Impairment of Aircraft	10	(7,576,007)	(23,108,481)
		(39,602,893)	(62,434,307)
Net profit for the year before finance costs and foreign exchange losses		37,945,819	10,601,986
Finance income		54,634	11,811
Finance costs	11	(3,789,590)	(4,914,671)
Net profit for the year after finance costs before foreign exchange losses		34,210,863	5,699,126
Net foreign exchange losses	7	(4,639,507)	(3,047,970)
Profit for the year		29,571,356	2,651,156
Total Comprehensive Profit for the year		29,571,356	2,651,156
		Pence	Pence
Earnings per Share for the year – Basic and Diluted	9	13.44	1.21

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

The notes on pages 55 to 76 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	194,257,571	232,003,692
CURRENT ASSETS			
Receivables	13	147,823	147,027
Cash and cash equivalents	18	13,692,410	13,976,504
Short-term Investments		474,385	–
		14,314,618	14,123,531
TOTAL ASSETS		208,572,189	246,127,223
CURRENT LIABILITIES			
Borrowings	15	24,136,245	42,224,604
Deferred income		30,128,010	7,680,455
Rebates	16	189,818	356,487
Payables – due within one year	14	88,894	107,245
		54,542,967	50,368,791
NON-CURRENT LIABILITIES			
Borrowings	15	–	23,039,678
Deferred income		82,792,574	112,725,220
Rebates	16	–	178,243
		82,792,574	135,943,141
TOTAL LIABILITIES		137,335,541	186,311,932
TOTAL NET ASSETS		71,236,648	59,815,291
EQUITY			
Share capital	17	208,953,833	208,953,833
Retained loss		(137,717,185)	(149,138,542)
		71,236,648	59,815,291
		Pence	Pence
Net Asset Value per Share based on 220,000,000 (31 March 2022: 220,000,000) shares in issue		32.38	27.19

The consolidated financial statements were approved by the Board of directors and authorised for issue 21 July 2023 and are signed on its behalf by:

Andreas Tautscher
Director

Fiona Le Poidevin
Director

The notes on pages 55 to 76 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 for the year		29,571,356	2,651,156
Movement in deferred income		(7,485,089)	(8,148,415)
Interest received		(54,634)	(11,811)
Depreciation of Aircraft	10	30,170,114	37,522,717
Impairment of Aircraft	10	7,576,007	23,108,481
Loan interest payable	11	2,488,567	4,527,333
(Decrease)/ Increase in payables		(18,351)	8,036
Increase in receivables		(796)	(22,463)
Foreign exchange movement	7	4,639,507	3,047,970
Amortisation of debt arrangement costs	11	1,301,023	387,338
NET CASH GENERATED FROM OPERATING ACTIVITIES		68,187,704	63,070,342
INVESTING ACTIVITIES			
Interest received		54,634	11,811
Short-term Investments		(474,385)	-
NET CASH GENERATED FROM INVESTING ACTIVITIES		(419,751)	11,811
FINANCING ACTIVITIES			
Dividends paid	8	(18,150,000)	(18,150,000)
Repayments of capital on borrowings	21	(47,563,386)	(40,335,982)
Interest on borrowings	21	(2,398,145)	(4,420,370)
NET CASH USED IN FINANCING ACTIVITIES		(68,111,531)	(62,906,352)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		13,976,504	13,749,583
Increase in cash and cash equivalents		(343,578)	175,801
Effects of foreign exchange rates		59,484	51,120
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	13,692,410	13,976,504

The notes on pages 55 to 76 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2023

	Notes	Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2022		208,953,833	(149,138,541)	59,815,292
Total Comprehensive Profit for the year		–	29,571,356	29,571,356
Dividends paid	8	–	(18,150,000)	(18,150,000)
Balance as at 31 March 2023		208,953,833	(137,717,185)	71,236,648

		Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2021		208,953,833	(133,639,697)	75,314,136
Total Comprehensive Profit for the year		–	2,651,156	2,651,156
Dividends paid	8	–	(18,150,000)	(18,150,000)
Balance as at 31 March 2022		208,953,833	(149,138,541)	59,815,292

The notes on pages 55 to 76 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 Company and its Subsidiary (together known as the Group).

The Company was incorporated in Guernsey on 29 March 2012 with registered number 54908. The address of the registered office is given on page 77. Its Share Capital consists of 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 Company are set out in the Chair’s Statement and Management Report on pages 7 to 8 and 19 to 22 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 IFRS as adopted by the EU, 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 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.

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).

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 amended IFRS Standards that are effective for current year (continued)

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.

(d) Taxation

The Company and its Subsidiary have been assessed for tax at the Guernsey standard rate of 0 percent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(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 carried at 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 52. In addition, note 20 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 continuous effect 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. The Pandemic continues to have an impact on the global economy, and it remains possible that the Group's future performance could be impacted in this prolonged period of uncertainty. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(k) Going Concern (continued)

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 the EETC, and may not provide surplus income to pay for the Group's expenses and permit the declaration of 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 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.

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 on March 31, 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 directors have considered Emirates' ability to continue paying the lease rentals until the end of the longest running lease agreement in October 2025 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. Further detail regarding the assumptions adopted when forming this conclusion can be found in the Viability Statement on page 21. Refer to note 12 for expiry dates of the Leases.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(l) Leasing and Rental Income (continued)

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.

(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 four planes ranges from £31 million to £31.4 million (31 March 2022: £30.2 million to £30.8 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.

Due to the change in the estimate of residual value of the Aircraft which have been translated at the foreign exchange rate prevailing as at 31 March 2023, there has been a £868,696 decrease in the annual depreciation charge as compared to what the charge would have been if based on residual value determined as at 31 March 2022 translated at the foreign exchange prevailing as at 31 March 2022.

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 Airline 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.

An impairment loss exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

2 ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

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

- Amortised cost;
- FVOCI; or
- FVTPL.

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.

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

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 the 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 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.

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 wider economic uncertainty, disruption and illiquid market for the A380, are likely to 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 63.

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 period.

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 have been used in the calculation of VIU as the cash flows are contractual. Any assumptions with regards to issues in counterparty credit risk would be 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 the companies risk discount rate (8 percent (2022: 6.5 percent)). Where, as was the case for all four of the Group's Aircraft, fair value less costs to sell a given asset was higher than it's 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.

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)

Residual values for the purpose of the impairment test are determined to be the soft values (at an inflation rate of 3 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 (8 percent (2022: 6.5 percent)) initially, with -1 percent and +1 percent (-1 percent and +1 percent) intervals used for the analysis thereafter.

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 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 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 the date of approval of the 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 8 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 percent (2022: 1.5 percent) p.a. inflation), the discount rate is considered appropriate to avoid double counting of risk.

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)

Based on the impairment review performed, an impairment loss of £7,576,007 was recognised the current year (31 March 2022: £23,108,481), which resulted in an updated carrying value of the Aircraft in total to £194,257,571 at year end (31 March 2022: £232,003,692), 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 £7.6 million to £44.5 million. This together with an increased depreciation charge of £7 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 £43.9 million.

A 20 percent increase in residual value estimates and fair value less costs to sell would be to reduce the impairment charge by £7.6 million to £nil. This together with a decreased depreciation charge of £7 million means that the overall impact of a 20 percent increase in residual values would be to increase profit for the year and closing equity by £14.6 million.

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 items 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Judgements

Operating Lease Commitments – Group as Lessor

The Group has entered into operating leases on four (31 March 2022: four) Assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangement, 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 of these Assets as well as assumes the entirety of the residual value risk, and accounts for the contracts as operating leases.

Functional Currency

The currency of the primary economic environment in which the Group operates (the functional currency) is GBP, which is also the presentation 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.

4 RENTAL INCOME

	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
A rent income	49,591,239	44,415,493
Adjustment to spread total income receivable over the term of the lease	4,665,261	5,259,464
Amortisation of advance rental income	3,177,923	3,182,333
Deduction of rebate monies	(315,952)	(279,589)
	57,118,471	52,577,701
B rent income	20,472,385	20,472,385
Adjustment to spread total income receivable over the term of the lease	(42,144)	(13,793)
	20,430,241	20,458,592
Total rental income	77,548,712	73,036,293

Rental income is derived from the leasing of the Assets. Rent is split into A rent, which is received in US dollars 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

5 OPERATING EXPENSES

	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
Corporate shareholder and advisor fee (note 23)	502,666	490,403
Asset management fee (note 23)	678,601	662,050
Liaison agent fee (note 23)	93,230	55,981
Administration fees (note 23)	79,286	95,424
Bank interest and charges	1,517	22,577
Accountancy fees	28,228	22,295
Registrar fees (note 23)	17,785	13,894
Audit fee	38,050	44,200
Directors' remuneration (note 6)	102,000	97,396
Directors' and officers' insurance	243,693	257,233
Legal and professional expenses	27,284	24,301
Annual fees	1,000	1,000
Marketing expenses	5,401	–
Other operating expenses	38,031	16,355
	1,856,772	1,803,109

6 DIRECTORS' REMUNERATION

Under their terms of appointment, each director was paid a fee of £23,000 per annum by the Group, except for the Chair, who received £29,000 per annum and the Chair of Audit committee, who received £27,000 per annum. The rate of remuneration per director has remained unchanged from that which applied in the year ended 31 March 2022.

Following a review of Director's Remuneration undertaken by the Nomination Committee where Director's fees were benchmarked against available market data, the Nomination Committee proposed an increase in directors' remuneration to align with market standards. The Board subsequently approved the proposed remuneration uplift on 17 April 2023 that each director will receive £30,000, the Chair of the Board will receive £37,000 per annum, and the Chair of the Audit committee will receive £34,500 per annum, effective from 1 July 2023.

7 NET FOREIGN EXCHANGE (LOSSES) / GAINS

	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
Cash at bank	59,488	51,123
Borrowings	(4,673,615)	(3,073,014)
Rebates	(25,380)	(26,079)
	(4,639,507)	(3,047,970)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

8 DIVIDENDS IN RESPECT OF EQUITY SHARES

	Year ended 31 Mar 2023	
	GBP	Pence per Share
First interim dividend	4,537,500	2.0625
Second interim dividend	4,537,500	2.0625
Third interim dividend	4,537,500	2.0625
Fourth interim dividend	4,537,500	2.0625
	18,150,000	8.25

	Year ended 31 Mar 2022	
	GBP	Pence per Share
First interim dividend	4,537,500	2.0625
Second interim dividend	4,537,500	2.0625
Third interim dividend	4,537,500	2.0625
Fourth interim dividend	4,537,500	2.0625
	18,150,000	8.25

Refer to the Subsequent Events in note 24 in relation to dividends declared and paid after year end.

9 EARNINGS PER SHARE

Earnings per share is based on the net profit for the year attributable to holders of Shares in the Company of £29,571,356 (31 March 2022: net profit for the year of £2,651,156) and 220,000,000 (31 March 2022: 220,000,000) Shares being the weighted average number of Shares in issue during the year.

There are no dilutive instruments and therefore basic and diluted earnings 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 1 April	618,050,915	618,050,915
As at 31 March	618,050,915	618,050,915
ACCUMULATED DEPRECIATION AND IMPAIRMENT		
As at 1 April	386,047,223	325,416,025
Depreciation charge based on previous residual values	31,038,810	33,891,178
Adjustment due to change in US dollar residual values	1,262,521	4,876,882
Adjustment due to FX movements on residual values	(2,131,217)	(1,245,343)
Net depreciation charge for the year	30,170,114	37,522,717
Adjustment due to impairment	7,576,007	23,108,481
As at 31 March	423,793,344	386,047,223
CARRYING AMOUNT		
As at 31 March	194,257,571	232,003,692

The Group used future soft values excluding inflation which best approximates residual value as required per IAS 16 (refer to note 3). 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 3.7 percent decrease in average appraised residual values in US dollar terms, resulted in a £868,696 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).

Note 15 ('Borrowings') describes the borrowings obtained by the Company to part-finance the acquisition of its Aircraft. The Company has obligations under the Loan to make scheduled repayments of principal and interest, which are serviced by the receipt of lease payments from Emirates. The Company's Aircraft with a carrying value of £194,257,571 is pledged as security for the Company's borrowings (see note 15).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

11 FINANCE COSTS

	Year ended 31 Mar 2023 GBP	Year ended 31 Mar 2022 GBP
Amortisation of debt arrangements costs	1,301,023	387,338
Interest payable	2,488,567	4,527,333
	3,789,590	4,914,671

12 OPERATING LEASES

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

	31 Mar 2023		31 Mar 2022	
	Aircraft A rental receipts GBP	Aircraft B rental receipts GBP	Aircraft A rental receipts GBP	Aircraft B rental receipts GBP
Year 1	24,420,524	20,472,384	45,798,806	20,472,384
Year 2	–	20,472,384	22,931,649	20,472,384
Year 3	–	10,245,576	–	20,472,384
Year 4	–	–	–	10,245,576
Year 5	–	–	–	–
Year 6 onwards	–	–	–	–
	24,420,524	51,190,344	68,730,454	71,662,728

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

MSN132 Limited – term of the lease is for 12 years ending August 2025. The initial lease is for 10 years ending August 2023, with an extension period of two years ending August 2025, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease must be paid even if the option is not taken.

MSN133 Limited – term of the lease is for 12 years ending November 2025. The initial lease is for 10 years ending November 2023, with an extension period of two years ending November 2025, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease term must be paid even if the option is not taken.

MSN134 Limited – term of the lease is for 12 years ending November 2025. The initial lease is for 10 years ending November 2023, with an extension period of two years ending November 2025, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease term must be paid even if the option is not taken.

MSN136 Limited – term of the lease is for 12 years ending October 2025. The initial lease is for 10 years ending October 2023, with an extension period of two years ending October 2025, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease term must be paid even if the option is not taken.

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	147,783	146,987
Sundry debtors	40	40
	147,823	147,027

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

14 PAYABLES (due within one year)

	31 Mar 2023 GBP	31 Mar 2022 GBP
Accrued administration fees	8,729	9,496
Accrued audit fee	40,000	40,800
Accrued registrar fees (note 23)	1,058	1,016
Other accrued expenses	39,107	55,933
	88,894	107,245

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

15 BORROWINGS

	31 Mar 2023 GBP	31 Mar 2022 GBP
Equipment Notes	24,215,843	66,644,902
Associated costs	(79,598)	(1,380,620)
	24,136,245	65,264,282
Current portion	24,136,245	42,224,604
Non-current portion	–	23,039,678

Notwithstanding the fact that £47.6 million (31 March 2022: £40.3 million) debt was repaid during the year, as per the Consolidated Statement of Cash Flows, the value of the borrowings has decreased by £41.1 million (31 March 2022: £35.8 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 21.

The amounts below detail the future contractual undiscounted cash flows in respect of the Loans and equipment notes, 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	24,410,388	46,145,772
Amount due for settlement after 12 months	–	22,922,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

15 BORROWINGS (continued)

In order to finance the acquisition of the Assets, the Subsidiary used the Certificates. The Certificates have an aggregate face amount of approximately \$630 million, made up of "Class A" certificates and "Class B" certificates. The Class A certificates in aggregate had a face amount of \$462 million with an interest rate of 5.250 percent and a final expected distribution date of 30 May 2023. The Class B certificates in aggregate had a face amount of \$168 million with an interest rate of 6.125 percent and were repaid on 30 November 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 of the consideration paid by the purchasers of the Certificates. The equipment notes were issued by the Subsidiary 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 Group of the Share issue proceeds. The holders of the equipment notes issued for each Aircraft 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, the carrying values of the equipment notes are approximate to their fair value.

16 REBATES

Upon entering into the leases it was agreed that the Lessee would pay to the Group such amount as estimated to be necessary to fund the payment by the Group of certain costs, fees and expenses associated with the transactions arising from the leases. Following payment of the costs, fees and expenses, it was agreed that such amount paid by the lessee exceeded the amount actually necessary. It was agreed that the Group would return the excess to the Lessee over the remaining life of the leases in May and November of each year. Upon any termination of a lease prior to its end the Group shall pay the entire remaining unpaid excess relating to such Aircraft to such account as is directed by the Lessee, but without any interest accrued thereon.

17 SHARE CAPITAL

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

Issued	Administrative Shares	Shares
Issued shares as at 31 Mar 2023 and 31 Mar 2022	2	220,000,000

Issued Shares	Administrative Shares GBP	Shares GBP	Total GBP
Share Capital as at 31 Mar 2023 and 31 Mar 2022	–	208,953,833	208,953,833

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

17 SHARE CAPITAL (continued)

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 Lease where the Liquidation Resolution will be proposed) or if there are no Shares in existence.

18 CASH AND CASH EQUIVALENTS

	31 Mar 2023 GBP	31 Mar 2022 GBP
Cash at bank	13,692,410	13,976,504
	13,692,410	13,976,504

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

19 FINANCIAL INSTRUMENTS

The Group's main financial instruments comprise:

- (a) Cash and cash equivalents that arise directly from the Group's operations;
- (b) Short-term investments; and
- (c) The debt secured on non-current assets.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's objective is to obtain income and 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		
Cash and cash equivalents	13,692,410	13,976,504
Short-term Investments	474,385	–
Receivables (excluding prepayments)	40	40
Financial assets measured at amortised cost	14,166,835	13,976,544
Financial liabilities		
Payables - due within one year	88,894	107,245
Rebates	189,818	178,243
Borrowings	24,136,245	65,264,282
Financial liabilities measured at amortised cost	24,414,957	65,649,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 review 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 18, short-term investments 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.

(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 reporting date. In addition, US dollar operating lease receivables are not immediately recognised in the 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 lease should offset the US dollar payables on the amortising debt. The foreign exchange exposure in relation to the equipment notes is thus almost entirely hedged.

Lease rentals (as detailed in notes 4 and 12) are received in US dollars and Sterling. Those lease rentals received in US dollars are used to pay the equipment note repayments due, also in US dollars (as detailed in note 15). Both US dollar lease rentals and equipment note repayments are fixed and are for similar sums and similar timings. The matching of lease rentals to settle equipment note repayments therefore minimise 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	24,215,843	66,644,902
Cash and cash equivalents (US dollar) – Asset	273,114	1,057,690
Short-term investments (US dollar) – Asset	474,385	–

The following table details the Group's sensitivity to a 15 percent (31 March 2022: 15 percent) appreciation of the US dollar against sterling. 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. (31 March 2022: 15 percent). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign Currency Risk (continued)

	31 Mar 2023 US dollar Impact GBP	31 Mar 2022 US dollar Impact GBP
Profit or loss	3,744,501	10,155,389
Net asset value	3,744,501	10,155,389

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 page 57 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.

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

	31 Mar 2023 GBP	31 Mar 2022 GBP
Receivables (excluding prepayments)	40	40
Cash and cash equivalents	13,692,410	13,976,504
Short-term investments	474,385	–
	14,166,835	13,976,544

Surplus cash in the Group is held in accounts with RBSI and Wilmington Trust. The banks have credit rating given by Moody's of P-1 and A3 respectively. The banks are shown as having a stable rating.

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 balance sheet 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 and payments on equipment notes.

Ultimate responsibility for liquidity risk management rests with the Board, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity Risk (continued)

The table below details the residual contractual maturities of financial liabilities. 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 – due within one year	88,894	–	–	–	–
Equipment Notes	24,410,388	–	–	–	–
Rebates	189,818	–	–	–	–
	24,689,100	–	–	–	–
<hr/>					
31 Mar 2022	1-3 months GBP	3-12 months GBP	1-2 years GBP	2-5 years GBP	Over 5 years GBP
Financial liabilities					
Payables – due within one year	107,245	–	–	–	–
Equipment Notes	23,122,415	23,023,357	22,922,132	–	–
Rebates	234,176	234,176	234,176	–	–
	23,463,836	23,257,533	23,156,308	–	–

(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 Group mitigates interest rate risk by fixing the interest rate on the equipment notes debt and the lease rentals.

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)	–	–	40	40
Cash and cash equivalents	13,692,410	–	–	13,692,410
Short-term investments	474,385	–	–	474,385
Total Financial Assets	14,166,795	–	40	14,166,835
Financial Liabilities				
Payables	–	–	88,894	88,894
Equipment Notes	–	24,215,843	–	24,215,843
Rebates	–	–	189,818	189,818
Total Financial Liabilities	–	24,215,843	278,712	24,494,555
Total interest sensitivity gap	14,166,795	24,215,843		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2023

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Interest Rate Risk (continued)

	Variable interest GBP	Fixed interest GBP	Non-interest Bearing GBP	Total GBP
31 Mar 2022				
Financial Assets				
Receivables (excluding prepayments)	–	–	40	40
Cash and cash equivalents	13,976,504	–	–	13,976,504
Total Financial Assets	13,976,504	–	40	13,976,544
Financial Liabilities				
Payables	–	–	107,245	107,245
Equipment Notes	–	66,644,902	–	66,644,902
Rebates	–	–	534,730	534,730
Total Financial Liabilities	–	66,644,902	641,975	67,286,877
Total interest sensitivity gap	13,976,504	66,644,902		

If interest rates had been 250 basis points (31 March 2022: 250 basis points) higher throughout the year and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2023 would have been £354,170 (31 March 2022: £349,413) 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 year and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2023 would have been £354,170 (31 March 2022: £349,413) lower due to a decrease in the amount of interest receivable on the bank balances.

21 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. This 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	66,644,902	103,460,047
Cash flows paid – capital	(47,563,386)	(40,335,982)
Cash flows paid – interest	(2,398,145)	(4,420,370)
Non-cash flows		
– Interest accrued	2,488,567	4,527,333
– Rebates movement	344,910	314,781
– Effects of foreign exchange – Rebates	25,380	26,079
– Effects of foreign exchange – Loans	4,673,615	3,073,014
Closing Balance	24,215,843	66,644,902

22 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

23 RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Significant contracts who provide key management personnel to the reporting entity

Amedeo is the Group's Asset Manager.

During the year, the Group incurred £791,442 (31 March 2022: £718,031) of expenses with Amedeo of which £678,601 (31 March 2022: £662,050) related to asset management fees as shown in note 5, £93,230 (31 March 2022: £55,981) was liaison agent fees and £19,611 (31 March 2022: £nil) reimbursed expenses. As at 31 March 2023, £57,604 (31 March 2022: £74,030) was prepaid to this related party.

Nimrod is the Group's Corporate and Shareholder Advisor.

During the year, the Group incurred £502,666 (31 March 2022: £490,403) of expenses with Nimrod. As at 31 March 2023, £nil (31 March 2022: £nil) was owing to this related party.

Significant contracts

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

During the year, the Group incurred £17,785 (31 March 2022: £13,894) of expenses with JTC Registrars as shown in note 5. As at 31 March 2023 £1,058 (31 March 2021: £1,016) was owing to this related party.

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

During the year, the Group incurred expenses with JTC Fund Services (Guernsey) Limited of £79,286, in addition to accountancy fees of £28,228 (31 March 2022: £95,424 in addition to accountancy fees of £22,295) as shown in note 5. As at 31 March 2023, £8,729 (31 March 2022: £9,496) 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 them are disclosed on page 23 in the Directors' Report.

24 SUBSEQUENT EVENTS

On 4 April 2023, Theresa Oldham was appointed as an independent, non-executive Director of the Company and its subsidiary. Additionally, Theresa 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 2.0625 pence per Share was declared and this was paid on 28 April 2023.

On 17 April 2023, following a review of Director's Remuneration undertaken by the Nomination Committee where Director's fees were benchmarked against available market data, the Nomination Committee proposed an increase in directors' remuneration to align with market standards. The Board subsequently approved the proposed remuneration uplift that each director will receive £30,000, the Chair of the Board will receive £37,000 per annum, and the Chair of the Audit committee will receive £34,500 per annum, effective from 1 July 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 2.065 pence per Share was declared and this will be paid on 31 July 2023.

No other subsequent events to disclose.

KEY ADVISERS AND CONTACT INFORMATION

KEY INFORMATION

Exchange:	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker:	DNA3
Listing Date:	2 July 2013
Financial Year End:	31 March
Base Currency:	Pound Sterling
ISIN:	GG00B92LHN58
SEDOL:	B92LHN5
LEI:	213800BMYMCBKT5W8M49
Country of Incorporation:	Guernsey
Registration number:	54908

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