Doric Nimrod Air Two Limited

Consolidated Annual Financial Report

From 1 April 2020 to
31 March 2021

CONTENTS

DEFINITIONS

"Administrative Shares"	Subordinated administrative shares
"AED"	United Arab Emirates dirham
"AGM"	Annual general meeting
"ANZ"	The Australia and New Zealand Banking Group Limited
"AR Committee"	Audit and Risk Committee
"Articles"	Company's Articles of Incorporation
"ASKs"	Available seat kilometers
"Asset(s)" or the "Aircraft"	Airbus A380 Aircraft
"ATAG"	Air Transport Action Group
"BA"	British Airways
"Board"	Company's Board of directors
"CDS's"	Credit Default Swaps
"Certificates"	DNA Alpha Pass Through Certificates issued in August 2013
"Chair"	Chair of the Board
"Code"	The UK Corporate Governance Code
"CORSIA"	Carbon Offsetting and Reduction Scheme for International Aviation
"Deloitte"	Deloitte LLP
"DGTRs"	Disclosure Guidance and Transparency Rules
"DNA2" or the "Company"	Doric Nimrod Air Two Limited
"DNAFA"	Doric Nimrod Air Finance Alpha Limited

"Doric LLP"	Doric Partners LLP
"Doric" or the "Asset Manager"	Doric GmbH
"DWC"	Dubai World Central International Airport
"EETC" or "Certificates"	Enhanced equipment trust certificates
"Emirates" or the "Lessee"	Emirates Airlines
"EPS or LPS"	Earnings / loss per Share
"Equity"	C Share issue
"ESG"	Environmental, Social and Governance
"EU"	European Union
"EU ETS"	European Union Emission Trading Scheme
"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
"GFSC"	Guernsey Financial Services Commission
"GHG"	Greenhouse gas
"Group"	the Company and its subsidiaries
"IAS 1"	International Accounting Standard 1 - Presentation of financial statements
"IAS 8"	International Accounting Standard 8 - Accounting policies
"IAS 16"	International Accounting Standard 16 - Property, Plant and Equipment
"IAS 36"	International Accounting Standard 36 - Impairment of Assets

"IASB"	International Accounting Standards Board
"IATA"	International Air Transport Association
"ICAO"	International Civil Aviation Organization
"IFRIC"	International Financial Reporting Interpretations Committee
"IFRS"	International Financial Reporting Standards
"IFRS 13"	IFRS 13 - Fair value measurement
"IFRS 16"	IFRS 16 - Leases
"IPCC"	Intergovernmental Panel on Climate Change
"ISAE 3402"	International Standard on Assurance Engagement 3402
"ISTAT"	International Society of Transport Aircraft Trading
"JTC" or "Secretary" or "Administrator"	JTC Fund Solutions (Guernsey) Limited
"Law"	The Companies (Guernsey) Law, 2008, as amended
"Lease(s)"	Lease of Aircraft to Emirates
"Loan(s)"	Borrowings obtained by the Group to part-finance the acquisition of Aircraft
"LSE"	London Stock Exchange's
"NBV"	Depreciated cost
"Nimrod" or "Corporate and Shareholder Adviser"	Nimrod Capital LLP
"Pandemic"	COVID-19 pandemic
"Period"	1 April 2020 until 31 March 2021
"PIES"	Public Interest Entities
"PLF"	Passenger Load Factor
"Registrar"	JTC Registrars Limited

“RPKs”	Revenue passenger kilometers
"SAF”	Sustainable Aviation Fuel
“SDG”	Sustainable Development Goals
“SFS”	Specialist Fund Segment
“Shareholders”	Shareholders of the Company
“Shares”	Ordinary Preference Shares of the Company
“Share Capital”	Share capital of the Company
“SID”	Senior Independent Director
“Subsidiaries”	MSN077 Limited, MSN090 Limited, MSN105 Limited and DNAFA
“TAP”	TAP Air Portugal
“UAE”	United Arab Emirates
“UK”	United Kingdom
“USD” or “$”	US dollars
“VIU”	Value-in-use
“WACC”	Weighted average costs of capital
“Westpac”	Westpac Banking Corporation

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA2
Share Price	76.00 pence (as at 31 March 2021) 73.00 pence (as at 30 July 2021)
Market Capitalisation	GBP126.107 million (as at 30 July 2021)
Current / Future Anticipated Dividend	Current dividends are 4.5 pence per quarter per Share (18 pence per annum) and it is anticipated that this will continue until the aircraft leases begin to terminate in 2023
Dividend Payment Dates	April, July, October, January
Currency	Sterling
Launch Date / Share Price	14 July 2011 / 200 pence
Incorporation and Domicile	Guernsey
Aircraft Registration Numbers (Lease Expiry Dates including the 2 year extension)	A6-EDP (14 October 2023) A6-EDT (2 December 2023) A6-EDX (1 October 2024) A6-EDY (1 October 2024) A6-EDZ (12 October 2024) A6-EEB (9 November 2024) A6-EEC (30 November 2024)
Asset Manager	Doric GmbH
Corporate and Shareholder Adviser	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Limited
Auditor	Deloitte LLP
Market Makers	finnCap Ltd Investec Bank Jefferies International Ltd Numis Securities Ltd Shore Capital Limited Winterflood Securities Ltd
SEDOL, ISIN, LEI	B3Z6252,GG00B3Z62522, 213800ENH57LLS7MEM48
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

COMPANY OVERVIEW

DNA2 is a Guernsey company incorporated on 31 January 2011.

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

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

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

As at 30 July 2021, the last practicable date prior to the publication of this report, the Company's total issued Share capital consisted of 172,750,000 Shares and these Shares were trading at 73.00 pence per Share.

Investment Objectives and Policy

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

Subsidiaries

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

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

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

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

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

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

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

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

The fourth, fifth, sixth and seventh Assets were acquired by DNAFA using the proceeds of the issue of the C Shares, together with the proceeds of equipment notes issued by DNAFA. The equipment notes were acquired by two separate pass through trusts using the proceeds of their issue of EETCs. The EETCs, with an aggregate face amount of approximately $587.5 million were admitted to the Official List of the UK Listing Authority and to the LSE on 12 July 2012. These four Assets were also leased to Emirates 12 years to the second half of 2024, with fixed lease rentals for the duration.

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

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

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

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

There can be no guarantee that dividends will be paid to Shareholders and, if dividends are paid, as to the timing and amount of any such dividend. There can also be no guarantee that the Company will, at all times, satisfy the solvency test required to be satisfied pursuant to section 304 of the Law, enabling the directors to effect the payment of dividends.

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

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

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

Liquidation Resolution
Although the Company does not have a fixed life, the Articles require that the directors convene a general meeting of the Company in June 2025 where an ordinary resolution will be proposed that

the Company proceed to an orderly wind-up. In the event that the liquidation resolution is not passed, the directors will consider alternatives for the future of the Company, including re-leasing the Assets, or selling the Assets and reinvesting the capital received from the sale of the Assets in other aircraft.

CHAIR'S STATEMENT

During the Period the Company has declared and paid four quarterly dividends of 4.5 pence per Share each, a rate of dividend payment equivalent to 18 pence per Share per annum.

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft. The structures of the operating Leases relating to the Company's seven Aircraft are described on pages 7 to 9.

The debt portion of the funding is designed to be fully amortised over the term of the Leases, which would leave the Aircraft unencumbered on the conclusion of the ultimate Lease. Emirates bears all costs (including maintenance, repair and insurance) relating to the Aircraft during the lifetime of the Leases. At 30 July 2021, the latest practical date prior to this report, the Company had outstanding debt associated with the Aircraft totalling USD 157.7 million (15% of the initial balance) as well as unencumbered cash resources of GBP13.3 million (net of the upcoming quarterly dividend payable at the end of July which amounts to approximately GBP7.8m). This unencumbered cash is, in the absence of any unforeseen costs or event of default, forecast to grow to approximately GBP33.3m by the time the last Lease expires. At the time of writing the share price is 73 pence, representing a market capitalisation of GBP126.107 million based on the 172,750,000 Shares in issue. The Company's first Lease expiry falls due in October 2023.

All payments by Emirates during the period and throughout the Leases have been made in accordance with the respective terms of the Leases. The Company's Aircraft have been stored since March 2020, currently at DWC.

COVID-19 has obviously had a devastating impact globally and has precipitated the biggest disruption to the global aviation industry in its entire history, adversely impacting the prospects for many widebody aircraft, including the A380. The IATA has recently increased its forecast for an airline industry-wide net loss for 2021 to USD 47.7 billion while many airlines do not anticipate a full recovery until 2023/4. In the face of such news, it is reassuring to know that Emirates is one of the world's largest, most dynamic and stable airlines. Wholly owned by the Government of Dubai, the airline received financial support from its shareholder in the third quarter of last year and recent comments give no indication that further support would not be forthcoming if the recovery is delayed.

Emirates results for the year to 31 March 2021 reported an annual loss of USD 5.5 billion, the first non-profitable year in over three decades. Emirates ended the year with a cash balance of USD 1 billion. Emirates received capital injections totalling USD 3.1 billion from their ultimate shareholder, the Government of Dubai. Despite a significant strain on cash assets, Emirates assured the market that they continued to honour all financial obligations. Further, Emirates announced that new credit lines and facilities have been set up to ensure appropriate liquidity is maintained to mitigate any short term shocks in case the crisis continues for longer than they anticipate.

Emirates has invested to upgrade its signature A380 experience with new Premium Economy seats and other product enhancements. Specifically regarding the A380 Emirates president Sir Tim Clark recently commented that it "will figure in the Emirates fleet for the next 15 years" and that "It's hugely popular. 85% of our profits prior to COVID-19 came from the A380. It was always full … It was popular in all classes."

Whilst Emirates do not have a formal credit rating, they have previously issued unsecured USD bonds with maturities in 2023, 2025 and 2028. At the time of writing these instruments are trading at approximately 101.1, 102.3 and 102.4 cents respectively, equivalent to USD running yields in the range of roughly 3.8% to 4.4%. Further details on Emirates and the A380 can be found in the Asset Manager's report by Doric.

In line with the appraisals obtained last year your Board has elected to use 'future soft values' for the A380 with the published figure based on the average of three independent appraisers all of which have remained the same since the Company's launch. These values are characterised by less favourable market conditions for the seller, including but not limited to an imbalance of supply and demand in the aircraft type. As a result of the COVID-19 pandemic the vast majority of A380 worldwide remain grounded and therefore, with a limited number of operators, a high degree of uncertainty remains over future values. Following a steep decline last year where the appraised value essentially halved in USD terms the latest value of the Company's Assets reflects a much more modest decline of GBP40.5m (approximately 15%) to GBP229.5m on a future soft value (uninflated) basis. On a USD basis the decline is approximately 5.6% year-on-year. Based on the current share price of the Company the market appears to be discounting the latest appraisal value by in excess of 50%. The Company's quarterly factsheet provides a useful sensitivity analysis of the potential returns to Shareholders, after lease expiry, under different scenarios for A380 appraisal values. Further details on residual values can be found in notes 2(m), 3 and 10 of the accounts.

The Company's first Lease with Emirates expires in October 2023, approximately 27 months from now. The redelivery procedure for a widebody aircraft is complex and highly technical and as we move closer to the first Lease expiry your Board will provide more details on the high-level considerations and also the implications of the various potential outcomes for Shareholders.

This report delivers the second iteration of the company's ESG Policy. This provides Shareholders with further detail on the Company's business model and matters such as the environmental and social considerations of the aviation industry and the importance of high standards of Corporate Governance. Your Board recognises the increasing importance of ESG matters in relation to shareholders' investment considerations and has sought to address the topic in a pragmatic fashion, as detailed in our ESG report on page 35.

Doric continues to monitor the Leases and is in frequent contact with the Lessee and reports regularly to the Board. Nimrod continues to liaise with Shareholders on behalf of the Board and has provided valuable feedback on the views of Shareholders in the current climate.

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 2021, some 86% of income receivable under the Leases has been received, which has funded the payment down of 81% initial borrowings, whereas under the relevant accounting standard only some 73% may be recognised. This mismatch in timing between the receipt and recognition of rental income results in a deferred income creditor of £145.1 million or some 84 pence per share in the 31 March 2021 balance sheet. This is an artificial accounting adjustment in the sense that it does not represent a liability to pay £145.1million 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 on-going basis and assuming the Lease rental is received, and the 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 USD are in fact closely matched. Rental income received in USD is used to make loan repayments due which are likewise denominated in

USD. Furthermore, the USD Lease rentals and loan repayments are fixed at the inception of the respective Leases and are very similar in amount and timing.

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.

Finally, on behalf of the Board, I would like to thank our service providers for all their help and, most importantly, all Shareholders for their continuing support of the Company during these difficult times. I look forward to keeping all Shareholders up to date with further progress.

Geoffrey Hall
Chair

2 August 2021

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.

COVID-19

The Pandemic continues to impact private and economic life worldwide. The consequences of COVID-19 are far reaching and changing at a significant pace. The impact of this Pandemic on the aviation sector has been significant with a large part of the global passenger aircraft fleet grounded. This Asset Manager's report is exclusively based on known facts at the time of writing and does not seek to draw on any speculation about any possible future, long-term impacts of the Pandemic on the aviation sector or the Company specifically and should be read in such context.

1. The Assets

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

The net proceeds from the C Share issuance were used to partially fund the purchase of four of the seven Airbus A380s. In order to help fund the acquisition of these final four Aircraft, DNAFA issued two tranches (Class A & Class B) of EETC – a form of debt security – in June 2012 in the aggregate face value of USD 587.5 million. The Certificates are admitted to the official list of the Euronext Dublin and to trading on the Main Securities market thereof. DNAFA used the proceeds from both the equity and the Certificates to finance the acquisition of four new Airbus A380 aircraft which were then leased to Emirates.

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

Due to the effects of COVID-19, the Aircraft have been stored since March 2020, currently at DWC.

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.

Due to the continuing Pandemic, Emirates has stored the Aircraft owned by the Group in Dubai. The Lessee has "a comprehensive aircraft parking and reactivation programme [in place], that strictly follows manufacturer's guidelines and maintenance manuals". In addition, Emirates has enhanced standards and protocols of their own, to protect and preserve the Assets during the downtime. This includes the watertight sealing of all apertures and openings through which environmental factors – sand, water, birds, and insects – can find their way inside an aircraft. During parking, maintenance teams complete periodic checks at different intervals. Depending on the reactivation date of a specific aircraft, Emirates might defer due maintenance checks, which are calendar-based, until that time. This would allow the airline to make use of the full maintenance interval once the operation of a specific aircraft resumes.

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

Inspections

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

Aircraft - to the extent visible – and the records were in compliance with the provisions of the respective Lease agreements.

MSN	Last Inspection	MSN	Last Inspection
077	08/2020 & 03/2021	107	10/2020 & 03/2021
090	03/2021	109	11/2020
105	08/2020	110	11/2020
106	08/2020		

2. Market Overview

The impact of COVID-19 on the global economy has been severe, resulting in an estimated contraction in global GDP of 4.3% for 2020, according to the World Bank. This is expected to be followed by a recovery in growth of 5.5% in 2021. In its latest economic impact analysis from April 2021, the ICAO estimates that the full year 2020 has seen an overall reduction in seats offered by airlines of 50% compared with the previous baseline forecast for that year. Furthermore, ICAO anticipates this trend to continue through 2021 with airlines reducing seats offered by 34% to 39% compared to 2019 levels. However, the actual impact of COVID-19 on the airline industry will depend on several factors, including the duration and magnitude of the outbreak and containment measures, the degree of consumer confidence in air travel as well as general economic conditions.

IATA anticipates an airline industry-wide net loss of USD47.7 billion in 2021, according to its latest update from April 2021. On this occasion it also revised the net loss estimate for the previous year from nearly USD119 billion to more than USD 126 billion, due to larger than anticipated losses in the final quarter of 2020.

While air passenger demand began its recovery from the low point in April 2020, IATA notes that the recovery in air travel has been stagnating due to the global resurgence of the virus and the related shutdowns during the fourth quarter of 2020. In total, industry-wide RPKs fell by 65.9% in 2020 – the largest decline in the history of aviation. Similarly, industry-wide capacity, measured in ASKs, contracted by 56.7% last year. As a result, the worldwide PLF fell by 17.5 percentage points to 65.1%.

Due to their reliance on international long-haul routes, Middle Eastern carriers like Emirates experienced the greatest decline in RPKs (-72.2%) of any region in 2020. Capacity also fell by 63.3% during that period. This resulted in an 18.5 percentage point decrease in PLF to 57.6%.

The latest IATA passenger traffic data from February 2021 demonstrate renewed weakness in air travel following new variants of the virus leading to a record-high level of confirmed cases in January 2021 and governments increasing travel restrictions. However, global new cases of COVID-19 were on a downward trend in February, around 40% below the record level from January. Despite this, RPKs in February contracted by 74.7% compared to pre-crisis February 2019 levels. This deterioration in the air travel recovery was primarily driven by domestic markets, especially in China, where citizens were asked to stay at home during the traditional Chinese New Year travel period. IATA notes that this decline could reverse in March with flights scheduled in domestic China rising above pre-crisis levels.

IATA cautions that vaccine distribution efforts are progressing slowly. At the end of February, there were only 3.3 doses given per 100 people worldwide. Countries have kept international travel restricted to avoid importing new variants and because both sides of the route require low infection rates. Only Africa and the Middle East have begun to ease flight restrictions as of February 2021.

Source: IATA, ICAO

3. Lessee – Emirates

Network

Emirates' recovery efforts continued at the beginning of 2021 with the restart of operations to destinations in the Americas. As of the beginning of March, Emirates had resumed flights to 10 destinations in North America: Boston, Chicago, Dallas, Houston, Los Angeles, New York JFK, San Francisco, Seattle, Toronto, and Washington DC. Emirates also increased the frequencies of its services to New York, Los Angeles, and Sao Paulo. Additionally, Emirates announced plans to increase services to the Maldives and Seychelles ahead of the Easter holiday. Emirates is primarily using Boeing 777 aircraft to serve these destinations.

However, Emirates has also had to demonstrate flexibility in its recovering operations amid worsening COVID-19 cases. At the end of January, the UK restricted the entry of passengers who arrived from or transited through the UAE to those with British or Irish passports or UK residency and banned direct flights from the country. In response, Emirates is providing outbound passenger services from the UK to Dubai, primarily for UAE residents. By the end of March 2021, Emirates had restored services to over 120 passenger and cargo destinations worldwide, reaching 42% of its total capacity compared to the previous year. Emirates operated flights to 157 destinations in 82 countries before the pandemic started.

Emirates' president Sir Tim Clark stated in February that the carrier will recover from the COVID-19 crisis without any fundamental changes to its business model. Rather, Emirates intends to use its mix of widebody aircraft to take advantage of anticipated supply-side shortages in medium- and long-haul sectors in the coming years. At the same, time he revised his earlier prediction according to which medium- and long-haul international traffic would ramp up significantly in July and August this year. He now expects such developments in the last quarter of 2021: "At the end of the day, my view is that once we are through this, demand for air travel will return, consumer confidence will return."

In February, Emirates announced that it has become among the first airlines in the world to operate a flight with fully vaccinated frontline teams across all customer touchpoints, including check-in and security personnel, as well as engineers, pilots, and cabin crew. About a month into its vaccination programme, close to 26,000, or 44%, of Emirates Group's UAE frontline aviation workforce, which includes Emirates Airline and air service provider dnata, have already received both doses of the vaccine.

In March, Emirates and TAP signed a Memorandum of Understanding (MoU) to expand the codeshare partnership currently in place between both airlines. TAP passengers will gain access to Emirates' destinations in East Asia, while Emirates passengers will be able to access additional domestic destinations in Portugal as well as to cities in the USA, Canada, Mexico, Brazil, Senegal, Guinea-Bissau, Guinea-Conakry, Morocco, Tunisia, Gambia, and Cape Verde. The carriers also intend to explore ways to cooperate on their respective frequent flyer and stopover programmes.

In April, Emirates commenced trials of IATA's Travel Pass on a flight from Dubai to Barcelona. The Travel Pass is a mobile application with an integrated registry of travel requirements designed to enable passengers to manage their travel in line with any government requirements for COVID-19 testing or vaccine information.

Fleet

For the last year or so, Emirates' operations have largely focused on cargo services using its fleet of Boeing 777 aircraft. To meet the global demand for the transport of essential supplies, Emirates SkyCargo introduced freighter services using passenger aircraft as well as 19 Boeing 777-300ER 'mini-freighters' converted for cargo operations. Emirates SkyCargo also made use of A380 'mini-freighters' on select cargo charter operations during this time. As of mid-March, Emirates SkyCargo has operated more than 27,800 cargo-only flights on passenger aircraft, which have transported more than 100,000 tonnes of essential supplies. In total, about a third of Emirates' passenger aircraft was used for cargo operations.

The table below details the passenger aircraft fleet activity as of 31 March 2021:

Passenger Fleet Activity		
Aircraft Type	**Grounded**	**In Service**
A380	102	15
777	1	134
Total	**103**	**149**
%	**41%**	**59%**

Source: Cirium as of 31 March 2021

In late January 2021, Boeing announced a further delay to the 777X programme, now pushing the delivery of the first of the type to at least late 2023. Given the delay, the 777X might not enter into service with Emirates as late as 2025 and so the carrier now intends to operate the A380 on trunk routes through to the mid-2030s with the 777X gradually replacing A380s leaving the fleet. In this context, Emirates President Sir Tim Clark has even raised the prospect of switching orders from the 777X to the 787 Dreamliner, a smaller aircraft family compared to the 777X. He also noted that the use of generally smaller aircraft will result in slot capacity issues, once traffic levels return after the Pandemic.

According to the airline’s chief operating officer, Emirates is discussing dates and schedules of new aircraft deliveries with Airbus and Boeing. Additionally, amid the uncertainty of the new deliveries, Sir Tim Clark emphasized that the A380 will continue to play an ongoing role at Emirates for at least another 15 years, underscoring that the A380 accounted for 85% of profits and was "always full" prior to the Pandemic.

<u>Key Financials</u>

In the financial year ending 31 March 2021, Emirates recorded its first loss in over 30 years. Revenues fell 66.4% to AED 30.9 billion (USD 8.4 billion) due to the global Pandemic. As a result, Emirates recorded a net loss of AED 20.3 billion (USD 5.5 billion) compared to a profit of AED 1.1 billion (USD 287.7 million) in the previous financial year.

The number of passengers Emirates carried fell 88% to 6.6 million during the financial year following the suspension of passenger operations in the early part of the year and the subsequent sluggish recovery. As a result, Emirates reduced its ASKs by 83% in the 2020/21 financial year, while RPKs were down by 90%. During this period, Emirates’ average PLF fell to 44.3%, compared to last year’s pre-pandemic figure of 78.5%.

In response to the crisis, Emirates took a number of actions to reduce costs, including reducing its workforce by 32.0%. It also trimmed its fleet by a net 11 units. This includes five A380. One was retired during the financial year. A further four were taken out of operations as they are currently grounded and not expected to be used before their scheduled retirement dates within the 2021/22 financial year. Additionally, the carrier sought to restructure certain financial obligations, renegotiate contracts, and consolidate its operations. Overall, Emirates reduced its total operating costs by 46.4%. This was attributable to lower nominal cost in all but one operating cost category. Charges for depreciation, amortization and impairment increased, and its share in total operating costs amounted to 42.9%. Jet fuel, traditionally the single largest cost category with Emirates, represented a share of 13.9% in the total operating cost. Despite this significant reduction in operations, the carrier’s EBITDA remained positive at AED 4.6 billion (USD 1.3 billion).

While demand for air passenger travel was down during the 2020/21 financial year, airfreight demand rose strongly. In fact, Emirates SkyCargo increased its revenues by 52.6% to AED 17.1 billion (USD 4.7 billion) during this period. The volume of cargo uplifted decreased by 21.6% to 1.9 million tonnes, due to the lower belly capacity available, while the yield nearly doubled. This development reflects the extraordinary market situation during the global Pandemic.

In February 2021, Adel Al Redha, Emirates COO, noted that freight revenues exceeded the airline’s expectations. Revenue from cargo operations amounted to 56.6% of Emirates’ total revenues during the last financial year, up from 12.8% in the period before. However, passenger travel revenues appear to be volatile, depending on the measures taken by countries to overcome the Pandemic.

As of 31 March, Emirates’ total liabilities decreased by 11.3% to AED 131.6 billion (USD 35.9 billion USD) compared to the end of the previous financial year. Total equity decreased by 14.6% to AED 20.1 billion (USD 5.5 billion) with an equity ratio of 13.3%. Emirates’ cash position amounted to AED 4 billion (USD 1 billion) at the end of March 2021. This compares to AED 20.2 billion (USD 5.5 billion) in cash assets at the beginning of the 2020/21 financial year. The drop in liquid funds was mainly driven by ticket refund payments to customers in the amount of AED 8.5 billion (USD 2.3 billion), while the cash flow from operating activities was AED 4.0 billion (USD 1.1 billion) positive.

On the ongoing financial position of Emirates in light of the global pandemic, HH Sheikh Ahmed bin Saeed Al Maktoum, chairman and chief executive of Emirates, stated: “Our top priorities throughout the year were: the health and wellbeing of our people and customers, preserving cash and controlling costs, and restoring our operations safely and sustainably. Emirates received a capital injection of AED 11.3 billion (USD 3.1 billion) from our ultimate shareholder, the Government of Dubai... [This] helped us sustain operations and retain the vast majority of our talent pool.”

As at the end of June 2021, Emirates has outstanding USD debt issuances with maturities in 2023, 2025, and 2028. These respective bonds were trading at above par (100 cents) each and with running yields ranging from approximately 3.8% to 4.4% in USD. There has also been no upward pressure on yields. This level of yields does not appear to indicate that the market sees any significant financial stress to the issuer. In its latest annual financial report the auditor PricewaterhouseCoopers issued an unqualified audit report and the airline stated it “remains confident to meet our financial commitments as they fall due in the coming year and beyond through proactive working capital management and utilisation of available credit lines and facilities”.

Source: Bloomberg, Cirium, Emirates, Khaleej Times

4. Aircraft – A380

As of the end of March 2021, the global A380 fleet consisted of 240 planes with airline operators. Only 23 of these aircraft were in service, the remainder of the fleet is currently parked due to COVID-19. The fifteen operators are Emirates (117), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), BA (12), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Air France (9), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), China Southern Airlines (5), and All Nippon Airways (3), and Hi Fly (1). Another five aircraft are on order.

In February 2021, Qantas chief executive officer Alan Joyce contradicted earlier suggestions from experts that the Australian carrier’s parked A380s could be permanently removed from future fleet plans: “So we do believe that there’s a need for that fleet and we do believe it’s going to generate cash, and it’s all going to be about cash when we start up international.” The airline is now planning to restart regular international passenger flights to most destinations from 31 October 2021.

At the Royal Aeronautical Society conference on 15 March, BA CEO Sean Doyle confirmed the carrier’s intentions to return the A380 to service, stating that the aircraft type is “an important part of our fleet, and at the minute our plans are to obviously fly [it again]”. He added that the A380 “works very well in a number of larger markets”. BA has not provided a timeline for the return of the A380 to operations.

Also in March, Lufthansa Group CEO Carsten Spohr confirmed that the A380 will be phased out as a part of its fleet remodelling. In total, Lufthansa plans to reduce its group fleet size by approximately 200 aircraft (approximately 25% of its current fleet) by 2023.

Thai Airways International has begun to gauge market interest for two of its six A380s. In March, the carrier issued a request for indication of interest for the 2013-built aircraft (MSNs 125 and 131). The carrier added that, given the ongoing preparation of its rehabilitation plan, it will formally invite bidders to submit "official proposals" following a court order approving that plan.

With the final production A380 aircraft ferried to Hamburg in March for interior outfitting and painting, Airbus will now concentrate on supporting the in-service fleet of A380s “for as long as possible”, according to its chief executive Guillaume Faury.

An April analysis report from Cirium stated that, while older A380 aircraft are more likely to be phased out, airlines will be at least partially incentivized to retain and operate their A380s for at least the next five years, because of the cost of an early phase-out. In fact, the report notes that there have been very few formal decisions to remove the A380 from fleets since the beginning of the COVID-19 crisis, with Air France being the only operator to have explicitly retired aircraft. This is also because, for some operators, such as BA, Emirates and Qantas, the A380 remains an important part of the fleet and hub network, as industry experts state in the report. However, the report adds that growing concerns around sustainability and other factors could further decrease the likelihood of a second-hand market developing for the A380. Regarding Emirates, the report stated that “it remains unclear how many of Emirates’ A380s will return to service – and at what speed” but the carrier is better positioned than any other carrier to sustain large-scale A380 fleet capacity.

Source: Cirium

DIRECTORS

As at 31 March 2021 the Company had four directors all of whom were independent and non-executive.

Geoffrey Alan Hall - Chair of the Company and of the Nomination Committee

Geoffrey Hall has extensive experience in asset management, having previously been Chief Investment Officer of Allianz Insurance plc, a major UK general insurance company and an investment manager at HSBC Asset Management, County Investment Management, and British Railways Pension Funds. Geoffrey is also a director and Chair of the Audit and Risk Committee of Doric Nimrod Air One Limited and of Doric Nimrod Air Three Limited.

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.

Charles Edmund Wilkinson

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

Charles is Chair of Doric Nimrod Air One Limited and of Doric Nimrod Air Three Limited and is a director of Landore Resources Ltd, a Guernsey based mining exploration company. He is resident in Guernsey.

Suzanne Elaine Procter– SID

Suzie Procter brings over 39 years' experience in financial markets, with specific expertise in asset management. She was previously a non-executive director of TR Property Investment Trust plc, an investment company listed on the FTSE 250 index. Her executive roles included Partner and member of the Executive Management Committee at Cantillon Capital Management LLC, Managing Director of Lazard Asset Management, Head of Institutional Sales at INVESCO Asset Management, Director and Head of Fixed Income Business at Pictet International Management Ltd and Head of Fixed Income at Midland Montagu Asset Management.

Suzie is also the SID of Doric Nimrod Air One Limited and Doric Nimrod Air Three Limited. She is resident in the United Kingdom.

Andreas Josef Tautscher – Chair of the AR Committee and the Management Engagement Committee

Andreas Tautscher brings over 32 years' financial services experience. He serves as a non-executive director and member of the Audit Committee of BH Global Limited, a Guernsey closed-ended investment company whose shares are traded on the Main Market of the London Stock Exchange. He is also a director and Chair of Arolla Partners, a leading 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 Channel Islands and Head of Financial Intermediaries for EMEA. 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 Management Engagement Committees of Doric Nimrod Air Two Limited and Doric Nimrod Air Three Limited, and a director of Doric Nimrod Air One Limited and Doric Nimrod Air Three Limited. He is resident in Guernsey.

SERVICE PROVIDERS

Management and the Delegation of Functions

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

Asset Manager

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

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

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

The aircraft portfolio currently managed by the Doric Group is valued at $7 billion and consists of 42 aircraft under management. These aircraft include commercial airliners ranging from ATR 72-500s and the Airbus A320 family, through the Boeing 737, 777, 787 and Airbus A330, up to the Boeing 747-8F and Airbus A380.

The Doric Group has 22 Airbus A380 aircraft currently under management and is therefore considered well positioned to perform the technical asset management of this aircraft type.

Corporate and Shareholder Adviser

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

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

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

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

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

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

Registrar
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 The Registrar may be obtained from their website at www.jtcgroup.com.

Liaison Agent

Amedeo Services (UK) Limited had been appointed by the Company, pursuant to the Amended Liaison Services Agreement, to act as Liaison agent. The Board considered that the services of the Liaison agent were no longer required and the Liaison Services Agreement was terminated on 21 April 2021.

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

A full list of the Company's service providers is set out on page 93.

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 62 to 92 and are incorporated here by reference.

Principal Risks and Uncertainties

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

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

The principal risks associated with the Group are:

• **Operational risk:** The Board is ultimately responsible for all operational facets of performance including cash management, asset management, regulatory and listing obligations. The Group has no employees and so enters into a series of contracts/legal agreements with a series of service providers to ensure both operational performance and the regulatory obligations are met. This risk has been mitigated by the Group using well established, reputable and experienced service providers 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. However, this could be impacted by market conditions at the time.

• **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 changes in demand for second hand aircraft of the type owned by the Group. The Board monitors, and revises the residual value of the Aircraft on an annual basis.

• **Regulatory risk:** The Group is required to comply with the DGTRs of the FCA and the requirements imposed by the Law and the GFSC. Any failure to comply could lead to criminal or civil proceedings. Although responsibility ultimately lies with the Board, the Secretary 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, particularly in light of COVID-19, 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 to ensure that valuations accurately reflect the requirements of IFRS

• **Global Pandemic:** The emergence of a global pandemic has had 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. The Board and its key service providers all act 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. Please refer to the Chair’s Statement, the Asset Manager’s Report and the going concern statement below for more information on how the Group is being affected by COVID-19.

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 processed and its procedures for processing this data. This notice is available for review and download at the Company’s website.

Going Concern

The Group’s principal activities are set out within the Company Overview on pages 7 to 9. The financial position of the Group is set out on page 59. In addition, note 19 to the consolidated financial statements includes the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The directors in consultation with the Asset Manager are monitoring the 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 a pervasive impact on the global economy and it remains possible that the Group’s future performance could be impacted in this prolonged period of uncertainty. In many jurisdictions restrictions on the ability of people to travel still adversely affect the airline sector, and by extension the aircraft leasing sector. The risk therefore remains that some airlines may not be able to pay rent as it falls due. The impact of the Pandemic on the aviation industry has been significant with a large part of the global passenger aircraft fleet temporarily grounded. These factors, 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.

Given the prolonged impact of the Pandemic, increased Lessee counterparty credit risk remains in existence and there could be requests for Lease rental deferrals. Reduced rents receivable under the Leases may not be sufficient to meet the fixed loan or equipment note interest and regular repayments of debt scheduled during the life of each Loan and may not provide surplus income to pay for the Group’s expenses and permit the declaration of dividends.

The option to remarket the Aircraft following a potential event of default by the Lessee has not been taken into account. The period of time necessary to successfully complete such a process is beyond the twelve months forecasting horizon of the going concern considerations. This applies in particular in times of COVID-19, as various restrictions are still in place to contain the Pandemic.

The directors consider that the going concern basis of accounting remains appropriate. Based on current information the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, although the risk to this is clearly higher compared to a pre-COVID-19 environment.

Whilst there is some uncertainty as to the airline industry in general, and specifically Emirates' financial position and credit risk profile, on the basis that (i) Emirates has shown no intention of failing to meet its obligations (ii) Emirates has the financial backing to continue paying these rentals, the directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation.

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

Viability Statement

In accordance with Provision 31 of the Code, the directors of the Company have considered the prospects of the Group over the period from present until the liquidation resolution is put to Shareholders six months before the last Lease is due to terminate in 2024, a period of three years. In choosing the period of viability for the Group the Board has considered the prospect of Emirates performing their obligations until the end of their Leases.

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

In addition, the Board has considered a detailed cash flow projection for the running costs of the Group and has assumed that Emirates is a going concern. The Board believes that it is reasonable to assume as of the date of the approval of the annual financial report 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, 2021.
- Challenged by an unprecedented drop in passenger air travel during 2020, the Lessee reacted quickly and temporarily adjusted its business model with a particular focus on air cargo services. The high pandemic-driven demand in this space helped the Lessee to contain its losses in the passenger segment.
- Although Emirates concluded its last financial year with the first net loss in more than 30 years and refunded already paid tickets in the amount of US$ 2.3 billion, it still has a substantial cash position, which also benefited from the support of its ultimate shareholder.
- Emirates confirmed to have access to the capital markets and was able already able to secure committed offers for the financing of two upcoming aircraft deliveries.
- The Government of Dubai has injected capital in the combined amount of US$3.1 billion into Emirates so far, since the Pandemic brought global air travel to a near halt. It previously had publicly confirmed that they will financially support Emirates during this period.
- Emirates' listed debt and CDS's are trading at non-distressed levels, indicating the trust capital markets have in Emirates.
- As of the date of the annual financial report, the Board is not aware of a formal request to the Group for a lease payment 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.
- If end of lease negotiations with Emirates have not been concluded by the end of the terms of each current Lease, the Lease rentals due under the existing agreements must continue to be paid.

The Group retains sufficient cash to cover the forecast operating costs of the Group until the termination date of the Leases in 2024, assuming receipt of planned rental income.

The directors believe that their assessment of the viability of the Group over the period chosen was sufficiently robust and encompassed the risks which would threaten the business model, future performance, solvency or liquidity of the Group.

As a result of their review, the directors of the Company have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due until the last Lease is due to terminate in 2024.

Responsibility Statement

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

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

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

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

Geoffrey Hall	**Andreas Tautscher**
Chair	**Director**

2 August 2021

DIRECTORS' REPORT

The directors present their annual report and audited financial statements of the Group for the financial year ended 31 March 2021.

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 10 to 12 and 13 to 17.

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

Results and Dividends
The results of the Group for the financial year are set out on page 58.

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

Quarter End	Announcement Date	Payment Date	Dividend per Share (pence)
31 March 2020	16 April 2020	30 April 2020	4.50
30 June 2020	16 July 2020	31 July 2020	4.50
30 September 2020	15 October 2020	30 October 2020	4.50
31 December 2020	14 January 2021	29 January 2021	4.50

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

Announcement Date	Payment Date	Dividend per Share (pence)
14 April 2021	30 April 2021	4.50
15 July 2021	30 July 2021 (expected payment date)	4.50

The Company aims to continue to pay quarterly dividends of 4.50 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 18 and all directors remain in office as at the date of signing of these financial statements. Further details of the directors' responsibilities are given on page 24.

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

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 2021	Number of Shares held as at 30 July 2021
Charles Wilkinson	75,000	75,000
Geoffrey Hall	75,000	75,000
Suzie Procter	35,211	35,211
Andreas Tautscher	6,489	6,489

Other than the above shareholdings, none of the directors nor any persons connected with them had a material interest in any of the Company'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 Company, and which was effected by the Company 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 Company and any director.

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

Substantial Controllers of Voting Rights

The Company has identified the following substantial controlling interests in voting rights attached to the Company's issued Share capital in accordance with Chapter 5 of the DGTRs. 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 30 July 2021, being the latest practicable date prior to the date of approval of this report.

Name	**% of Total Voting Rights**	**Number of Shares**
Weiss Asset Management LP	10.29%	17,775,975
City of Bradford Metropolitan District Council	10.16%	17,550,000
Schroders plc	7.68%	13,267,887
FIL Limited	5.43%	9,388,030
Seneca IM Limited	5.10%	8,810,883
Quilter Cheviot Limited	5.00%	8,641,973

Corporate Governance

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

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

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

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

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

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

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

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

Company Response: the Company does not have any employees and therefore does not assess and monitor culture or engage with the workforce;

(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: the Chair was a director of Doric Nimrod Air One Limited on appointment. The Board considers the directors to be independent however, it could be construed that they are not independent on the basis that the directors of the Company are also directors of other DNA Companies. The Board have implemented measures to manage any conflicts which might arise as a result of these appointments. The current Chair and one other director have been on the Board since incorporation of the Company in January 2011. The Group's Assets each have a fixed Lease term of 12 years ending at different times and as such the Board remain of the opinion that continuity is important in the final years of the Company's life;

(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;

(iv) Provision 20: Open advertising and / or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.

Company Response: due to the specific nature of the Company, it has thus far used industry contacts to identify a list of suitable candidates and undertakes a rigorous interview process;

(v) 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. 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 within its compact size.

Board Responsibilities

The Board comprises four directors and their biographies appear on page 18 demonstrating the wide range of skills and experience they each bring to the Board. All the directors are non-executive and independent, with Geoffrey Hall acting as Chair and Suzie Procter acting as SID.

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 would be mindful of diversity and meritocracy.

The other significant commitments of the current Chair are detailed in his biography on page 18. 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.

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

The Board usually meets in Guernsey at least four times per year to consider the business and affairs of the Group, at which meetings the directors review the Group's Assets and all other important issues to ensure control is maintained. Due to travel restrictions imposed as a result of COVID-19 the UK resident directors have been unable to travel to Guernsey. However, the Board continues to operate effectively utilizing both telephone and video conferencing to maintain contact with each other and with their advisors and auditors. The directors hold a Dividend Committee meeting in Guernsey each quarter to consider and if thought suitable, approve the payment of a dividend in accordance with the Company's distribution policy.

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

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

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

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

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

** refer to page 30 for the composition and function of the Dividend Committee.

Audit and Risk Committee

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

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

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

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

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

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

During the financial year the AR Committee met six times. The AR Committee considered the annual financial report for the year ended 31 March 2020 and the half-yearly financial report for the period ended 30 September 2020. The AR Committee also met in January 2021, with the external auditor in attendance, to approve the 2021 audit plan. The AR Committee also undertook a review of the Company's auditor during the year.

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

Nomination Committee
The Nomination Committee consists of all directors of the Company, with Mr Hall acting as Chair of the committee, except when the Nomination Committee considers any matter in relation to the chairmanship of the Company, in which case an alternative chair would be appointed.

The functions of the Nomination Committee include to regularly review the structure, size and composition (including the skills, knowledge, experience, diversity and how effectively members work together to achieve objectives) of the Board 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.

During the financial year the Nomination Committee met twice, to consider the appointment of a SID and to undertake the annual performance evaluation of the Board and its committees.

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 on-going suitability of the key service providers to provide advice to the Company.

During the financial year the Management Engagement Committee met once, to perform a review of the Company's service providers.

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 on-going 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 on an annual basis conducts a full review of the Group's risk management systems including consideration of a risk matrix 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 Doric. 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 on-going performance and contractual arrangements. The Board also specifies which matters are reserved for a decision by the Board and which matters may be delegated to its agents and advisers.

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

The Board considers the directors' conflicts of interest at each Board meeting by reviewing a schedule of each directors 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.

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 and enforces effective procedures to counter bribery.
- The Group requires all its service providers and advisors to adopt equivalent or similar principles.

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 Company provides regular updates to Shareholders through the annual and half-yearly financial reports and quarterly factsheets.

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 service providers, society, the government and regulators.

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.

As described in detail in the Company's Viability Statement, the Board considers the prospects of the Company for at least the next three 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 35 to 38.

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 financial statements in accordance with applicable Guernsey law and regulations. Under the Law the directors are required to prepare financial statements for each financial year. The directors have chosen to prepare the Group's 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 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 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.

Auditor

During the period the AR Committee undertook an audit tender process as an exercise of good corporate governance procedures, on the basis that Deloitte have been in situ as Auditors of the Group for 10 years. As a result, it is expected that Deloitte will resign and Grant Thornton Limited will be appointed as external auditor by the Board, both with effect from 2 August 2021. A resolution proposing Grant Thornton Limited's reappointment will be submitted at the forthcoming annual general meeting to be held pursuant to section 199 of the Law.

Geoffrey Hall	**Andreas Tautscher**
Chair	**Director**

Signed on behalf of the Board
On **2 August 2021**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

The Company

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

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

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

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

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

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

The Company consequently has a limited physical footprint and therefore its 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.

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

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

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

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

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

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

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 'Wayward 2025' 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.

In pursuit of the final goal, Wayward 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 Wayward 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.

The Wayward 2050 plan can be found here:
https://aviationbenefits.org/media/167187/w2050_full.pdf

Further environmental information can be found on the IATA website:
https://www.iata.org/en/policy/environment/.

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

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 per cent female employees. More work is still needed to encourage balance in technical and executive roles;
2. **SDG 8.1:** Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products;
3. **SDG 9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all;

4. **SDG 12.2:** Achieve sustainable management and efficient use of natural resources productions; and
5. **SDG 13:** Invest in the transition to net-zero carbon dioxide energy, energy efficiency and the reduction of GHG emissions from transport operations.

Detailed information on the SDG can be found on the United Nations website: https://sustainabledevelopment.un.org/.

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.

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

In the context of the Assets and the associated Leases, the Board are committed to responsible decision making 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 developments.

AUDIT AND RISK COMMITTEE REPORT

Membership
Andreas Tautscher – Chair of the AR Committee
Charles Wilkinson – Non-executive Director
Suzie Procter – SID

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

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

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

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

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

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

considered reports prepared by external service providers, including Doric and Nimrod, and reports from Deloitte on the outcome of their annual audit. The significant issues considered by the AR Committee in relation to the 2021 accounts and how these were addressed are detailed below:

Significant issues for the year under review	**How the AR Committee addressed these significant issues**
Residual value of aircraft Assets The non-current assets of the Group comprise of seven Airbus A380 aircraft. An annual review is required of the residual value of the Assets as per IAS 16, which defines residual value as *"the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life."*	The Group has engaged three internationally recognised expert appraisers to provide the Group with third party consultancy valuation services. In the absence of sales data for similar used assets, appraisers are heavily reliant on databases containing historical data points of aircraft sales relating to large commercial aircraft. Interpretation of historical data is the basis for the current market value and provides, together with the expected developments in the future, the foundation for their opinions on future values. Furthermore, the appraisers' valuations take into account specific technical and economic developments as well as general future trends in the aviation industry and the macro-economic outlook. In the aftermath of Airbus' February 2019 decision to discontinue the A380 production in 2021, a number of A380 operators disclosed plans to withdraw at least parts of their A380 fleets earlier than originally anticipated. Furthermore, it became obvious that A380s returned following the expiration of operating lease agreements could not be placed with a new operator within a reasonable period of time and owners were forced to explore alternative scenarios for revenue generation like engine lease. This also includes part-out activities for the first few A380s returned from Singapore Airlines. The ongoing spread of COVID-19 and comprehensive travel restrictions around the world came along with an unprecedented drop in air travel. About a year into the Pandemic, around 90% of all A380s worldwide were still on the ground in the first quarter of 2021. The financial difficulties most of the airlines currently experience, result in various measures to weather the consequences of the Pandemic, as many expect the recovery to pre-pandemic passenger flows take much longer than in previous situations, where demand was negatively affected, like 9/11. Due to the A380-specific developments over the last few years and the generally dimmed market sentiment in the aviation sector since the COVID-19 outbreak, which is not over yet, 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 to continue 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 values (excluding inflation), not an estimate of the amount that would currently be achieved and which therefore could be different, and so this is not a direct application of the IAS 16 definition. This approach has been taken because current market values in today's prices for comparable twelve year old A380s were not available at the reporting date. A decrease in USD terms in the residual values of the Aircraft from the prior year, has resulted in an adjustment made to depreciation in the current year, details of which have been disclosed in note 10. As updated valuations of all Assets as at the financial year end were commissioned and received from third party professional valuers and analysed by the Asset Manager and the directors, the AR Committee believes that those valuations are appropriate for use in preparing the financial statements. Therefore, the average residual values excluding inflation used in the accounts are based on these appraisals. Upon review of the advice they have received from Doric and the appraisers, the AR Committee is of the opinion that, the latest estimate of the residual soft values excluding inflation of the Assets is a reasonable approximation of the residual value of the Aircraft within the IAS 16 definition. Residual values remain exposed to estimation uncertainty. This is disclosed in note 3 and has been highlighted by the auditor in their key observations section of the valuation and ownership of aircraft key audit matter.
Recording foreign exchange gains/losses IFRS require that certain transactions denominated in currencies other than the presentation currency (including, most importantly, the cost of the Assets) be translated into the presentation currency at the exchange rate ruling transaction date whilst monetary balances (principally the outstanding borrowings) are translated at the rate prevailing on the reporting date. The resultant figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences. During the year under review the Group recorded a significant foreign	In assessing foreign exchange, the AR Committee has considered the issue at length and is of the opinion that, on an on-going basis and assuming the lease and debt payments are made as anticipated, such exchange differences do not reflect the commercial substance of the situation in the sense that the key transactions denominated in US dollars are in fact closely matched. Rental income received in US dollars is used to pay debt repayments due which are likewise denominated in US dollars. Furthermore, US dollar lease rentals and debt repayments are fixed at the outset of the Group's life and are very similar in amount and timing. The AR Committee concluded that the matching of the lease rentals to settle debt repayments therefore mitigates risks of foreign exchange fluctuations. The AR Committee carefully considered the disclosure in note 19(b) to the Consolidated Financial Statements to ensure that the reality of the Group's foreign exchange risk exposure is properly explained.

exchange rate profit due to the appreciation of Sterling against US dollars and the consequent decrease in the Sterling value of the US dollar denominated debt.	
Significant issues for the year under review	**How the Committee addressed these significant issues**
Going concern risk Emirates are the sole lessee of the Assets. Should Emirates default on the rental payments, it will result in the Group failing to service debt and it is unlikely the Group will be able to meeting its targeted dividend or, in the case of ongoing default, continue as a going concern.	The AR Committee received quarterly reports from Doric during the year which comment on the performance of Emirates. The Lessee's economic performance in its 2020-21 financial year, which ended on 31 March 2021, was heavily affected by the Pandemic. After scheduled passenger operations were suspended for nearly eight weeks at the beginning of the Period, the company's business environment remained very challenging for the rest of the year. Finally, Emirates recorded its first net loss in over 30 years, amounting to 5.5 billion USD. However, the Lessee was able to generate a positive EBTIDA at 1.3 billion USD and 1.1 billion USD positive cash flow from operating activities. Early into the Pandemic, Emirates has been quick to ramp up its existing cargo operations by utilizing its fleet of Boeing 777-300ER passenger aircraft. Some of them were even converted into 'mini-freighters' and joined by A380 'mini-freighters' on select cargo charter operations. In total, about a third of Emirates' passenger aircraft was used for cargo operations. In response to the crisis, Emirates took a number of actions to reduce costs, including reducing its workforce by 32.0 %, the restructuring of certain financial obligations, renegotiation of contracts and consolidation of its operations. With the Pandemic not over yet, the management of the airline is mindful that the "recovery will be patchy", but sees the fundamental ingredients of its success to date unchanged. Notwithstanding the challenging conditions, Emirates was able to raise 4 billion USD financing for aircraft and general corporate purposes during the 2020-21 financial year and received committed offers to finance two aircraft deliveries due in 2021-22. Emirates ended the financial year on 31 March 2021 with 4 billion USD in cash assets and "continues to tap the financial market for further liquidity to provide a cushion for the potential impact of COVID-19 on the business cash flows in the near term", according to its Chairman and CEO HH Sheikh Ahmed bin Saeed Al Maktoum. The management of the airline came to the conclusion 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 6 May 2021. During the 2020-21 financial year, Emirates has received

	capital injections from its ultimate shareholder in the combined amount of 3.1 billion USD and according Sheikh Ahmed “the Government of Dubai is … committed to supporting the Group [Emirates Airline and dnata] through its recovery”. In its annual financial report the airline stated “it remains confident to meet our financial commitments as they fall due in the coming year and beyond through proactive working capital management and utilization of available credit lines and facilities”. By the end of March 2021, Emirates had restored services to over 120 passenger and cargo destinations worldwide, reaching 42% of its total capacity compared to the previous year. By the end of July 2021, the carrier expects to operate flights to 124 destinations, which would be close to 90 % of its pre-pandemic network. The Asset Manager is not aware of a formal request addressed to the Group for a lease deferral or any other efforts that would result in the restructuring of the existing transactions and could potentially have an impact on the committed future lease rental receipts. Emirates is owned by the Investment Corporation of Dubai, a state-owned holding company that can be characterized as a sovereign wealth fund owned by the Government of Dubai. It is neither listed nor carry its bond issuances an issuer rating. However, Emirates’ senior unsecured USD bonds with maturities in 2023, 2025 and 2028 are trading and the markets’ pricing for such instruments provide proxies for the credit risk of the Lessee. As the operating lease agreements between Emirates and the Group include a hell or highwater clause, the lease rental stream and any other contractual payment primarily depends to Emirates’ ability to meet its financial obligations whenever they fall due. In mid-July 2020, Emirates’ bonds are trading at around 96 cents (maturities in 2023 and 2025) and 92 cents (2028 maturity), representing USD running yields from approximately 4.1% to 4.9%. This level of yields certainly does not appear to indicate any significant financial stress to the issuer. Another readily available indicator for the lessee’s financial health are CDS’s on Emirates bonds. The quote informs about the annual cost in basis points of insuring against an Emirates credit event for a five year period. In mid-July 2020 the annual insurance premium on one USD face value in Emirates bonds is 353bps, which is elevated versus the longer term average of around 150bps. However, taking into consideration that aviation is one of the hardest hit sectors by COVID-19, the CDS still indicates that the market perceives Emirates as a trustworthy company, which is very likely able to meet its obligations in the next five years. The AR Committee concluded that it would continue to receive regular updates from Doric on the performance of Emirates and would continue to monitor Emirates’ overall

	performance. The AR Committee carefully considered the disclosure in note 19(c) to the consolidated financial statements to ensure that this concentration of credit risk is properly reflected.
<u>Consideration of any triggers for impairment</u> IAS 36 Impairment of Assets requires that a review for impairment be carried out by the Company when there is an indication of impairment of an asset and if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review will compare the carrying amount of the Asset with its recoverable amount, since it was not possible to measure fair value less costs of disposal because there is no basis for making a reliable estimate of the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions hence, the entity used the asset's value in use as it recoverable amount.	The AR Committee has considered the issue at length and accordingly an impairment review has been undertaken as at 31 March 2021. 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 £65,060,280 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.
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.	The COVID-19 pandemic continues with rising numbers of infections in many countries around the world. Restrictions on people socialising and travelling have begun to ease in some countries but remain in a significant number of others_and this continues to have a significant effect on many industries and in particular the airline industry. Due to restriction on travel imposed by many countries, majority significant share of passenger aircraft remain grounded. The consequent lack of income for airlines may cause bankruptcy and, in a worse case, repossession of aircraft which would need to be stored pending remarketing when restrictions are eased. The Board and its key service providers have all acted to the best of their abilities to protect the welfare of the various teams involved in the affairs of the Group to ensure operations are maintained to the extent possible and to protect and support the Assets of the Group for as long as is required. The impact of COVID-19 on financial reporting has been considered in respect of other risks such as residual value, impairment and going concern.

	More information of COVID-19 is set out in the Chair's Statement on pages 10 to 12 and the Asset Manager Report on pages 13 to 17.

We note that the auditor also considers the recognition of rental income within their key audit matters. This item has been considered by the AR Committee in the current year, but, as there have been no changes in respect of this risk, it has not been a primary area of focus of the AR Committee in the current year.

Going Concern

The directors in consultation with the Asset Manager are monitoring the continuous effect of the Pandemic generally on the aviation industry and specifically on the Group's Aircraft value and the financial wellbeing of its Lessee both now and in the future. The Pandemic continues to have a pervasive impact on the global economy and it remains possible that the Group's future performance could be impacted in this prolonged period of uncertainty. In many jurisdictions restrictions on the ability of people to travel still adversely affect the airline sector, and by extension the aircraft leasing sector. The risk therefore remains that some airlines may not be able to pay rent as it falls due. The impact of the Pandemic on the aviation industry has been significant, with a large part of the global passenger aircraft fleet temporarily grounded. These factors, 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 Aircraft.

Given the prolonged impact of the Pandemic, increased Lessee counterparty credit risk remains in existence and there could be requests for Lease rental deferrals. Reduced rents receivable under the Leases may end up not be sufficient to meet the fixed loan interest and regular repayments of debt scheduled during the life of each Loan and may not provide surplus income to pay for the Group's expenses and permit the declaration of dividends.

The option to remarket the Aircraft following a potential event of default by the Lessee has not been taken into account. The period of time necessary to successfully complete such a process is beyond the twelve months forecasting horizon of the going concern considerations. This applies in particular in times of COVID-19, as various restrictions are still in place to contain the Pandemic.

The directors consider that the going concern basis of accounting remains appropriate. Based on current information the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, although the risk to this is clearly higher compared to a pre-COVID-19 environment.

Whilst there is some uncertainty as to the airline industry in general, and specifically Emirates' financial position and credit risk profile, on the basis that (i) Emirates has shown no intention of failing to meet its obligations (ii) Emirates has the financial backing to continue paying these rentals, the directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation.

Internal Controls

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

The most recent report on the internal control of JTC's administration services, prepared in accordance with the ISAE 3402, for the period from 1 April 2020 to 31 March 2021, has been provided to the AR Committee.

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 received from the Deloitte 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 Deloitte at the conclusion of the audit. In particular the AR Committee formally appraise Deloitte against the following criteria:
- Independence
- Ethics and conflicts
- Knowledge and experience
- Challenge
- Promptness
- Cost
- Overall quality of service

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

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

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

Appointment and Independence
Deloitte provided audit services to the Company for the financial year under review. Deloitte had been the Company's external auditor since October 2012, with the first audit being carried out for the year ended 31 March 2012.

The external auditor is required to rotate the audit partner responsible for the audit every five years. The lead audit partner had been in place since January 2020 with his first audit reporting period being the year to 31 March 2020. This was his second year of involvement.

During the financial year under review the AR Committee undertook a review of the audit function, undertaking a tender process with a number of audit firms which resulted in the recommendation to the Board, to appoint Grant Thornton Limited as auditor for the financial year ended 31 March 2022, which the Board accepted.

It is expected that Deloitte will resign and Grant Thornton Limited will be appointed as external auditor to the Company on 2 August 2021. Grant Thornton Limited's tenure is therefore not currently an area of consideration for the AR Committee.

The AR Committee considered Deloitte and Grant Thornton Limited, the Company's new auditor, to be independent of the Company. The AR Committee has provided the Board with its recommendation to Shareholders on the ratification of the appointment of Grant Thornton Limited as external auditor for the year ending 31 March 2022 at the forthcoming AGM.

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 Deloitte 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 in 2021.

Andreas Tautscher
Chair of the Audit and Risk Committee

2 August 2021

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Doric Nimrod Air Two Limited (the 'parent Company') and its subsidiary (together 'the Group'):

- give a true and fair view of the state of the Group's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the statement of consolidated comprehensive income;
- the statement of consolidated financial position;
- the statement of consolidated cash flows;
- the statement of consolidated changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of aircraft; • Recognition of lease rental income; • Impact of COVID-19 on the going concern assumption. Within this report, key audit matters are identified as follows:

	Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £3,860,000 which was determined on the basis of 2% of shareholders' equity. This is consistent with the prior year.
Scoping	The financial statements of the Group incorporate its special purpose subsidiaries through which aircraft are held and through which debt finance has been obtained. Whilst statutory audits of the financial statements of the subsidiaries are not required, they are included within the scope of our audit of the financial statements. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	Ownership of aircraft has been removed from the key audit matter "Valuation and ownership of aircraft" as disclosed in the prior year. From the results of our work in the prior year and understanding of the balance we have reassessed the risk in the current year as the ownership of aircraft is not complex and does not involve judgement. The risk relating to valuation of aircraft has been increased in the current year due to the uncertainty arising from the impact of the COVID-19 pandemic and the very limited secondary market for A380 aircraft indicating a material level of uncertainty over the residual values which can be achieved by the Group. We have also removed the accounting for debt using the effective interest method as a key audit matter in the current year. From the results of our work in prior year and understanding of the balance we have reassessed the risk in the current year as the calculations are not complex or involve significant judgements or estimation uncertainty.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting is discussed in Section 5.3.

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

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of aircraft

Key audit matter description

Included in the Group's consolidated statement of financial position as at 31 March 2021 are aircraft assets amounting to £446.1 million (2020: £596.9 million) as disclosed in Note 10 to the financial statements.

As explained in Note 2(m), the Group's accounting policy is to measure its aircraft asset at depreciated historic cost less impairment. The asset is being depreciated on a straight-line basis over the term of the lease to an estimated residual value at the end of that period.

As stated in Note 3, estimation of aircraft residual value is a significant source of estimation uncertainty and is a key determinant in preparing the financial statements. The Group uses external valuers who provide an estimate of the residual value which is based on significant judgement and assumptions about current and future market conditions.

Note 2(k) and Note 3 describe the effects of the uncertainties created by the COVID-19 pandemic and the very limited secondary market for the A380 aircraft on the residual values of the Group's assets. The outbreak has caused extensive disruptions to businesses and economic activities and, in particular, the airline industry. There has been slow recovery of the widebody aircrafts market with Emirates Airlines ("Emirates") being the single largest operator of the A380. Due to this impact by COVID-19 and Airbus cancelling the A380 programme, airlines are retiring their A380 fleet earlier. The market for the A380 remains illiquid with virtually no transactions in the last 12 months and the prospect of significant oversupply expected in the market driven by lower demand and a number of airlines choosing to retire or reduce their fleet. As a result, the Group's has used soft market values as the basis of residual values rather than base value. As disclosed in note 3, if the assumptions used in the determining the valuations prove to be false, actual results of operations and the realisation of the Group's asset differ from estimates set forth in the financial statements, the difference in the valuation of the aircraft could be material.

For the year ended 31 March 2021 a further impairment of £65.06 million (2020: £68.4 million) has been recognised.

The valuation of aircraft was deemed to be a key audit matter as:

- judgement is required in assessing whether any indicators of impairment exist and estimation is required for key data inputs to the impairment review model such as the residual value or terminal value and expected useful life of the aircraft as well as the discount rate and inflation rate used;
- the determination of residual values used in determining depreciation,

	requires significant judgement. The basis of valuation used to determine these residual values may either not be appropriate or that the assumptions made by the Group's valuers may not appropriately reflect the current market conditions, including the impact of COVID-19 as well as the limited market for the A380; and The Audit and Risk Committee have referred to this risk in their report on page 39 of the financial statements.

How the scope of our audit responded to the key audit matter	Our procedures included:
	• obtaining an understanding of the relevant business processes and controls associated with the valuation of aircraft assets;
	• evaluating relevant triggers and indicators of impairment such as;
	  ▪ market value decline;
	  ▪ negative developments with regards to market, technology and economy i.e. retirement of A380;
	• assessing the reasonabless of the key inputs used in the impairment model such as discount rate and useful economic life;
	  ▪ reconciled the cash flows within the model to rent schedules;
	  ▪ engaged our valuation specialists to assess the reasonableness of the weighted average cost of capital ("WACC") used by management;
	  ▪ evaluating sensitivity analysis of the key inputs to the model;
	  ▪ assessing the completeness and accuracy of the disclosures in the financial statements;
	• assessing and challenging the residual value estimates used by management by;
	  ▪ assessing the basis of determination of residual values in light of current market conditions;
	  ▪ we worked with our internal aviation industry specialists in assessing the conclusions reached by the Group on the appropriateness of the selected residual values when considered against available market information, contradictory evidence, the terms of the aircrafts lease agreements as well as valuations obtained by the Group's from expert aircraft valuers;
	  ▪ evaluating the competence, capability and objectivity of the valuers used by management; and
	  ▪ assessing the completeness and accuracy of the disclosure related to this material estimation uncertainty as set out in Note 3.

Key observations	While we note the increased estimation uncertainty as a result of COVID-19 and the very limited secondary market for the A380 aircraft in relation to residual values of the Group's assets, we consider the basis of valuation and assumptions used to be appropriate. In addition, we concluded that the inputs used in the impairment review including these residual values, the resulting impairment adjustment of £65.06 million and the disclosures of the resulting sensitivities in note 3 are appropriate.

5.2. **Recognition of lease rental income**

Key audit matter description	The Group's lease has been classified as an operating lease and as such rental income which amounts to £130.4 million (2020: £132.6 million) is recognised on a straight-line basis over the lease term, which differs from the profile of actual rental payments. As stated in Note 2 (L) the lease relating to the aircraft asset has been

	classified as an operating lease. As further stated in Note 3, classification of leases as operating leases is a significant judgement in preparing the financial statements. Note 4 of the financial statements sets out that a significant portion of the lease rentals is receivable in US Dollars and must be appropriately translated into the Sterling functional and presentation currency. The recognition of revenue also requires consideration of all terms of the signed lease contract. The recognition of revenue was deemed to be a key audit matter as: • revenue might not be properly recorded on a straight-line basis in accordance with requirements of IFRS 16 Leases and the lease contract term; • deferred or accrued income might not be recognised appropriately; and • revenue transactions and related amortisation of deferred income are significant to the Group's financial performance, hence any material misstatements in revenue will have an impact on the consolidated statement of comprehensive income.
How the scope of our audit responded to the key audit matter	Our procedures included: • obtaining an understanding of the relevant business processes and controls and adopted a control reliance approach on recognition of lease income; • assessing on whether the classification of the leases as operating is appropriate with reference to the lease terms and the nature of the asset and the requirements of IFRS 16 Leases; • developing independent expectations of lease income for the year based on total lease rentals receivable, the lease term and the applicable foreign exchange rates during the year. • testing the cut-off of lease rental income and the measurement of deferred income at the year-end; • tracing a sample of rental income receipts to bank statements; and • recalculating deferred and accrued rental income recognised in the consolidated statement of financial position and testing accuracy of related translation differences.
Key observations	Having performed the procedures above, we concluded that classification of the lease is appropriate and that revenue recognition is in line with the terms of the signed lease contract and is in line with IFRS 16 Leases. We also concluded that deferred and accrued income balances recorded were appropriate.

5.3. Impact of COVID-19 on the going concern assumption

Key audit matter description	COVID-19 has had a significant impact on the travel industry resulting in many of the world's aircraft being grounded since the pandemic took hold. The Group leases its aircraft to Emirates and the financial wellbeing of this entity and its ability to continue to meet lease rentals as they fall due are a key factor in assessing whether the Group is able to continue as a going concern. Any default in the rentals receivable from Emirates would result in a default on the loan obligations of the Group which could ultimately result in the sale of the aircraft to meet those obligations. Note 2k of the financial statements provides further disclosures on considerations on Going Concern.

How the scope of our audit responded to the key audit matter	Our procedures included: • evaluated the ability of Emirates to meet the lease obligations as they fall due through the analysis of publicly available financial information and through our own independent investigations, including checking credit rating of Emirates; • confirmed with the directors and Investment Manager as to whether any rental restructuring has been requested by Emirates and collaborated responses with other evidence such as adherence to lease payment schedules; • assessed whether there have been any lease payment defaults since the year end by comparing scheduled lease payments to amounts received; and • evaluated the financial support available to Emirates through its main investor the United Arab Emirates ("UAE") and our independent assessment on the main investor's ability to provide support. This included evaluation of publicly available announcements from Emirates, UAE as well as review of financial statements of Emirates.
Key observations	Having carried out the procedures, we concluded that the adoption of going concern basis of accounting is appropriate.

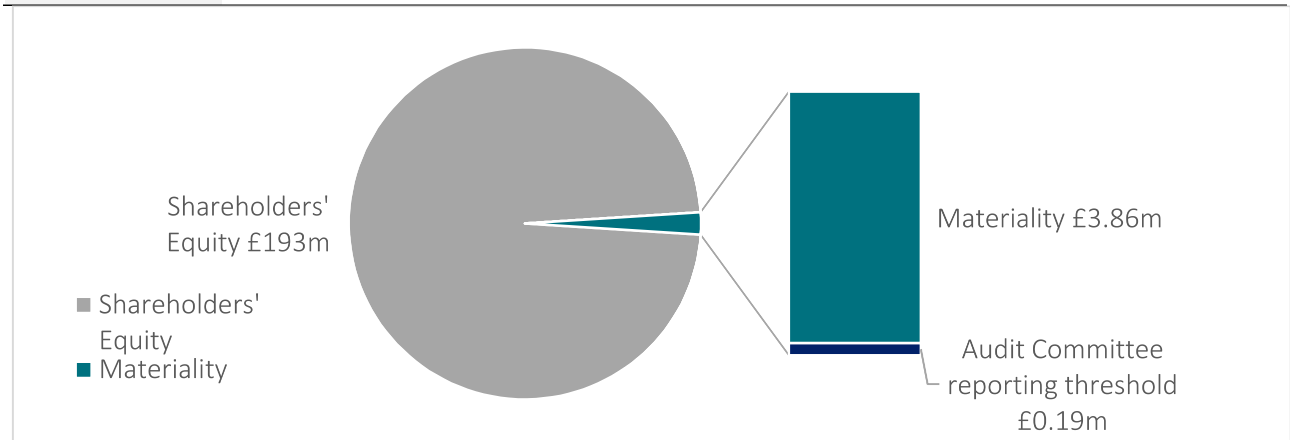
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3,860,000 (2020: £4,560,000)
Basis for determining materiality	2% (2020: 2%) of shareholders' equity.
Rationale for the benchmark applied	Our materiality is based on shareholders' equity of the Group. Comprehensive income is significantly influenced by fluctuations in exchange rates, hence it will not be a stable benchmark to use in our determination of materiality. We consider shareholders' equity to be the most important balance on which the shareholders would judge the performance of the Group.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

Performance materiality was set at 70% of materiality for the 2021 and 2020 audit. In determining performance materiality, we considered the following factors:

a. the quality of the control environment and whether we were able to rely on controls on over a number of business processes; and
b. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.19m (2020: £0.22m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

The Group is administered by a third party Guernsey regulated service provider, as part of our audit we assessed ISAE 3402 report of the service organisations and obtained an understanding of the relevant controls for debt, cash, expenses and revenue. In addition, we also adopted a controls reliance approach in our testing of recognition of lease rental income.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

9. Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Group'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.

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, aviation industry and internal valuation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of aircraft and recognition of lease rental income. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of aircraft and recognition of lease rental income as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and correspondence with the regulator; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Corporate Governance Statement

We are required to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 21;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 22;
- the directors' statement on fair, balanced and understandable set out on page 23;

- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 19;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 19; and
- the section describing the work of the audit committee set out on page 28.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

14. 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.

David Becker,
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
02 August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2021

	Notes	Year ended 31 Mar 2021 GBP	Year ended 31 Mar 2020 GBP
INCOME			
A rent income	4	94,053,630	96,076,197
B rent income	4	36,359,139	36,509,141
Bank interest received		8,542	102,336
		130,421,311	132,687,674
EXPENSES			
Operating expenses	5	(3,754,436)	(3,537,779)
Depreciation of Aircraft	10	(85,740,072)	(93,037,582)
Impairment of Aircraft	10	(65,060,280)	(68,465,211)
		(154,554,788)	(165,040,572)
Net loss for the year before finance costs and foreign exchange losses		(24,133,477)	(32,352,898)
Finance costs	11	(10,664,875)	(15,853,585)
Net loss for the year after finance costs and before foreign exchange losses		(34,798,352)	(48,206,483)
Unrealised foreign exchange gain/(loss)	7	30,831,398	(19,386,570)
Loss for the year		(3,966,954)	(67,593,053)
Other Comprehensive Income		-	-
Total Comprehensive Losses for the year		(3,966,954)	(67,593,053)
		Pence	**Pence**
Loss per Share for the year - Basic and Diluted	9	(2.30)	(39.13)

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

The notes on pages 62 to 92 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Notes	31 Mar 2021 GBP	31 Mar 2020 GBP
NON-CURRENT ASSETS			
Aircraft	10	446,159,788	596,960,140
		446,159,788	596,960,140
CURRENT ASSETS			
Accrued income		5,646,316	4,940,074
Receivables	13	121,312	53,262
Cash and cash equivalents	17	29,926,638	30,016,771
		35,694,266	35,010,107
TOTAL ASSETS		481,854,054	631,970,247
CURRENT LIABILITIES			
Borrowings	15	76,027,801	85,703,367
Deferred income		7,840,789	7,840,789
Payables - due within one year	14	96,745	72,928
		83,965,335	93,617,084
NON-CURRENT LIABILITIES			
Borrowings	15	67,277,093	158,380,240
Financial liabilities at fair value through profit and loss	19	121,420	255,930
Deferred income		137,249,471	151,414,304
		204,647,984	310,050,474
TOTAL LIABILITIES		288,613,319	403,667,558
TOTAL NET ASSETS		193,240,735	228,302,689
EQUITY			
Share capital	16	319,836,770	319,836,770
Retained loss		(126,596,035)	(91,534,081)
		193,240,735	228,302,689
		Pence	**Pence**
Net Asset Value per Ordinary Share based on 172,750,000 (31 March 2020: 172,750,000) Shares in issue		111.86	132.16

The consolidated financial statements were approved by the Board of directors and authorised for issue on 2 August 2021 and are signed on its behalf by:

Geoffrey Hall **Director**	**Andreas Tautscher** **Director**

The notes on pages 62 to 92 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2021

	Notes	Year ended 31 Mar 2021 GBP	Year ended 31 Mar 2020 GBP
OPERATING ACTIVITIES			
Loss for the year		(3,966,954)	(67,593,053)
Movement in accrued and deferred income		(1,550,363)	(776,994)
Interest received		(8,542)	(102,336)
Accrued interest		-	7,771
Depreciation of Aircraft	10	85,740,072	93,037,582
Impairment of Aircraft	10	65,060,280	68,465,211
Loan interest payable	11	9,779,836	14,399,273
Movement in interest rate swap	11	(134,510)	431,969
Increase in payables	14	23,818	8,406
Increase in receivables	13	(68,050)	(765)
Foreign exchange movement	7	(30,831,398)	19,386,570
Amortisation of debt arrangement costs	11	1,019,549	1,022,343
NET CASH FROM OPERATING ACTIVITIES		125,063,738	128,285,977
INVESTING ACTIVITIES			
Interest received		8,542	102,336
NET CASH FROM INVESTING ACTIVITIES		8,542	102,336
FINANCING ACTIVITIES			
Dividends paid	8	(31,095,000)	(31,095,000)
Repayments of capital on borrowings	20	(83,075,662)	(81,852,226)
Interest on borrowings	20	(10,084,861)	(14,123,129)
NET CASH USED IN FINANCING ACTIVITIES		(124,255,523)	(127,070,355)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		30,016,771	28,236,268
Increase in cash and cash equivalents		816,757	1,317,958
Effects of foreign exchange rates		(906,890)	462,545
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	29,926,638	30,016,771

The notes on pages 62 to 92 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2021

	Notes	Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2020		319,836,770	(91,534,081)	228,302,689
Total Comprehensive Losses for the year		-	(3,966,954)	(3,966,954)
Dividends paid	8	-	(31,095,000)	(31,095,000)
Balance as at 31 March 2021		319,836,770	(126,596,035)	193,240,735

	Notes	Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2019		319,836,770	7,153,972	326,990,742
Total Comprehensive Losses for the year		-	(67,593,053)	(67,593,053)
Dividends paid	8	-	(31,095,000)	(31,095,000)
Balance as at 31 March 2020		319,836,770	(91,534,081)	228,302,689

The notes on pages 62 to 92 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

The consolidated financial statements incorporate the results of the Subsidiaries.

The Company was incorporated in Guernsey on 31 January 2011 with registered number 52985. The address of the registered office is given on page 93. Its Share Capital consists Shares and Administrative Shares. The Company's Shares have been admitted to trading on the SFS of the LSE Main Market.

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling of the Aircraft. The principal activities of the Group are set out in the Chair's Statement and Management Report on pages 10 to 12 and pages 13 to 17 respectively.

2 ACCOUNTING POLICIES

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

(a) Basis of Preparation

The consolidated 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 as adopted by the EU and applicable Guernsey law. The consolidated financial statements have been prepared on a historical cost basis modified for the revaluation value on the interest rate swap.

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 consolidated financial statements and is not expected to have any impact on future financial periods except where stated otherwise:

- IAS 1 and IAS 8, 'changes in accounting estimates and error' on definition of material - 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. The effective date is for annual periods beginning on or after 1 January 2020. The standard has not had a material impact on the financial statements or performance of the Group.

2 ACCOUNTING POLICIES (continued)

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

New and Revised Standards in issue but not yet effective
IFRS 16 - Covid-19 related rent concessions. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The standard is not expected to have a material impact on the financial statements or performance of the Group as it is applicable to lessees. The effective date is for annual periods beginning on or after June 2020. The standard is not expected to have a material impact on the financial statements or performance of the Group and is not endorsed by the EU.

IAS 1 Classification of Liabilities as Current or Non-current. The IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The effective date is for annual periods beginning on or after 1 January 2023. The standard is not expected to have a material impact on the financial statements or performance of the Group and is not endorsed by the EU.

(c) Basis of Consolidation
The consolidated financial statements incorporate the results of the Company and its Subsidiaries.

The Company owns 100 per cent. of all the shares in the Subsidiaries, and has the power to govern the financial and operating policies of the Subsidiaries so as to obtain benefits from their activities. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) Taxation
The Company and its Subsidiaries have been assessed for tax at the Guernsey standard rate of 0 per cent.

(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) Interest Income
Interest income is accounted for on an accruals basis.

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

2 ACCOUNTING POLICIES (continued)

(h) Foreign Currency Translation (continued)

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 at 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.

(k) Going Concern

The directors have prepared these financial statements for the year ended 31 March 2021 on the going concern basis.

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 financial wellbeing of its Lessee both now and in the future. The Pandemic continues to have a pervasive impact on the global economy and it remains possible that the Group’s future performance could be impacted in this prolonged period of uncertainty. In many jurisdictions restrictions on the ability of people to travel still adversely affect the airline sector, and by extension the aircraft leasing sector. The risk therefore remains that some airlines may not be able to pay rent as it falls due. The impact of the Pandemic on the aviation industry has been significant with a large part of the global passenger aircraft fleet temporarily grounded. These factors, together with wider economic uncertainty and disruption, have had an adverse impact on the future value of the Aircraft Assets owned by the Group, and could also negatively impact the sale, re-lease or other disposition of the relevant Aircraft.

Given the prolonged impact of the Pandemic, increased Lessee counterparty credit risk remains in existence and there could be requests for lease rental deferrals. Reduced rents receivable under the Leases may not be sufficient to meet the debt interest and regular repayments of debt scheduled during the life of each Loan and the EETC, and may not provide surplus income to pay for the Group’s expenses and permit the declaration of dividends.

The option to remarket the Aircraft following a potential event of default by the Lessee has not been taken into account. The period of time necessary to successfully complete such a process is beyond the twelve months forecasting horizon of the going concern considerations. This applies in particular in times of COVID-19, as various restrictions are still in place to contain the Pandemic.

The directors consider that the going concern basis of accounting remains appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

2 ACCOUNTING POLICIES (continued)

(k) Going Concern (continued)

Based on current information the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, although the risk to this is clearly higher since the Pandemic hit the sector.

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

Note 15 ('Borrowings') describes the borrowings obtained by the Group to part-finance the acquisition of its Aircraft. The Group has obligations under the Loans to make scheduled repayments of principal and interest, which are serviced by the receipt of lease payments from Emirates. The equipment notes were issued by DNAFA to Wilmington Trust and the proceeds from the sale of the equipment notes financed a portion of the purchase price of the four Airbus A380-861 aircraft, with the remaining portion being financed through contribution from the Company of the C Share issue proceeds.

The Group's aircraft with carrying values of £446,159,788 are pledged as security for the Group's borrowings (see note 15).

The directors, with the support of its Asset Manager, believe that it is reasonable to assume as of date of approval of annual 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, 2021.
- Challenged by an unprecedented drop in passenger air travel during 2020, the Lessee reacted quickly and temporarily adjusted its business model with a particular focus on air cargo services. The high pandemic-driven demand in this space helped the Lessee to contain its losses in the passenger segment.
- Although Emirates concluded its last financial year with the first net loss in more than 30 years and refunded already paid tickets in the amount of US$ 2.3 billion, it still has a substantial cash position, which also benefited from the support of its ultimate shareholder.
- Emirates confirmed to have access to the capital markets and was able already able to secure committed offers for the financing of two upcoming aircraft deliveries.
- The Government of Dubai has injected capital in the combined amount of US$3.1 billion into Emirates so far, since the Pandemic brought global air travel to a near halt. It previously had publicly confirmed that they will financially support Emirates during this period.
- Emirates' listed debt and CDS's are trading at non-distressed levels, indicating the trust capital markets have in Emirates.
- As of the date of the annual financial report, the Board is not aware of a formal request to the Group for a lease payment 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.
- If end of lease negotiations with Emirates have not been concluded by the end of the terms of each current Lease, the Lease rentals due under the existing agreements must continue to be paid

2 ACCOUNTING POLICIES (continued)

(k) Going Concern (continued)

Whilst there is some uncertainty as to the airline industry in general, and specifically Emirates’ financial position and credit risk profile, on the basis that (i) Emirates has shown no intention of failing to meet its obligations (ii) Emirates has the financial backing to continue paying these rentals, the directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation.

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 23. 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.

2 ACCOUNTING POLICIES (continued)

(m) Property, Plant and Equipment - Aircraft

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

Depreciation is recognised so as to write off the cost of the 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 2021, the estimated residual value of the seven planes ranges from £32.0 million to £34.1 million (31 March 2020: £37.7 million to £40.1 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 2021, there has been a £9,555,580 increase in the annual depreciation charge as compared to what the charge would have been if based on residual value determined as at 31 March 2020 translated at the foreign exchange prevailing as at 31 March 2020.

The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed annually and is an estimate of the fair amount the entity would receive today. Useful life is also reviewed annually 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.

At each audited Consolidated Statement of Financial Position date, the Group reviews the carrying amounts of its Aircraft to determine whether there is any indication that those Assets have suffered an impairment loss. 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.

2 ACCOUNTING POLICIES (continued)

(n) Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognised if the Group's obligations, specified in the contract, expire or are discharged or cancelled.

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

Under IFRS 9, on initial recognition, a financial asset is classified 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 as 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 as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2 ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

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

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

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

ii) Financial liabilities held at amortised cost

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

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

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

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

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

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

2 ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

iii) Financial Assets and Financial Liabilities at fair value through profit or loss (continued)

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

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.

Following are the critical judgements and estimates that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates
Residual Value, Impairment and Useful Life of Aircraft
As described in note 2 (m), the Group depreciates the Assets on a straight line basis over the estimated useful life of the Assets after taking into consideration the estimated residual value. IAS 16 requires residual value to be determined as an estimate of the amount that the Group would currently obtain from disposal of the Asset, after deducting the estimated costs of disposal, if the Asset were of the age and condition expected at the end of its useful life. However, there are currently no data for aircraft of a similar type of sufficient age for the directors available to make a direct market comparison in making this estimation. 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 since the prior financial year. Details of which have been disclosed in note 10.

The Group’s future performance can potentially be impacted should COVID-19 have a pervasive and prolonged impact on the aviation industry and on the business of its lessee and also affect the residual values of the aircraft it owns. 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.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates

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

If the estimate of uninflated residual value for use in calculating depreciation had been decreased by 30 per cent. with effect from the beginning of this period, the depreciation charge for the period would have increased by approximately £16.3 million (31 March 2020: £10.3 million). However because residual value is a component of the VIU calculation that forms part of the impairment loss calculation, the overall impact on profit for the period would be £58.3 million.

An increase in residual value by 30 per cent. would have had an equal but opposite effect. 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.

The impairment assessment was performed by comparing the depreciated cost of the Aircraft with VIU (since it was not possible to measure fair value less costs of disposal because there is no basis for making a reliable estimate of the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions hence, the entity used the asset's value in use as it recoverable amount). 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 WACC (6.5 per cent.). The present value of the cash flows was lower than depreciated cost which therefore gave rise to an impairment loss.

Residual values for the purpose of the impairment test are determined to be the soft values (at an inflation rate of 1.5 per cent 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 Company's Aircraft asset could differ from the estimates set forth in these financial statements, and the difference could be material.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates

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

Additionally, these values have been tested with regards its sensitivity to the discount rates. Discount rates at a -0.5 per cent. and +0.5 per cent. interval have been tested on either side of the WACC (6.5 per cent.) initially, with -1 per cent. and +1 per cent. 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 WACC which would include a return for the time value of money (inflation). The inflated values (1.5 per cent. 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. Pricing increases of 1.5 per cent. p.a. is considered to be the best estimation as to what the Group would receive for residual value in future years on a like for like basis, taking the current economic climate into account.

Rental cash flows to the end of the contract has been used in the calculation of the future cash flow as the cash flows are contractual. Any assumptions with regards issues in counterparty credit risk would be reflected in the discount rate used to calculate the net present value of future cash flows. The directors, with the support of its Asset Manager believe that for the Group it is reasonable to assume as of date of approval of annual financial statements that Emirates will continue with the contracted lease rental payments and there is no evidence at this time that either Emirates will default. The marketability of the aircraft post Lease will depend on how demand for air travel will bounce back in a post COVID-19-crisis environment.

The directors on the advice of the Asset Manager considers that 6.5 per cent. is the most appropriate WACC for the following reasons:

- The discount rate should be a rate commensurate with what a normal market participant would consider to be the risk inherent in the assets.
- The risk profile of Emirates. Emirates unsecured USD bonds indicate a running USD yield of 3.8 per cent. to 4.4 per cent., depending on the maturity.
- By using soft values to approximate residual values (and 1.5 per cent. p.a. inflation), the discount rate is considered appropriate to avoid double counting of risk.

Based on the impairment review performed, an impairment loss of £65,060,280 was recognised in the current year (31 March 2020: £68,465,211), which resulted in an updated carrying value of the Aircraft in total to £446,159,788 at year end (31 March 2020: £596,960,140), as reflected in note 10.

If the discount rates had been decreased by 0.5 percentage points with effect from the beginning of this year, the net profit for the year and closing Shareholders' equity would have been increased by approximately £4.2 million. An increase in the discount rates by 0.5 percentage points would have had an equal but opposite effect.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

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

If the latest residual value estimates had been decreased by 30 per cent., the impairment loss would have increased by £42 million. This together with the increased depreciation charge of £16.3 million (see page 58) means that the overall impact of a 30 per cent. fall in residual values would be to reduce net profit for the year and closing Shareholders equity by 58.3 million. An increase in residual value estimates would have an equal and opposite effect.

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, since it was not possible to measure fair value less costs of disposal because there is no basis for making a reliable estimate of the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions hence the Group used the asset's VIU as it recoverable amount.

The directors review the carrying amount of its Assets at each audited Statement of Financial Position date 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, significant changes in the technology and regulatory environments, evidence from internal reporting which indicates that the economic performance of the Assets are, or will be, worse than expected.

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

- The impact of COVID-19 on the business of airlines and indirectly aircraft values, as well as on the credit risk profile of the Company's Lessee could indicate the need for impairment.

Judgements
Operating Lease Commitments - Group as Lessor
The Group has entered into operating leases on seven (31 March 2020: seven) Assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these Assets and accounts for the contracts as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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.

This judgement is made on the basis that this is representative of the operations of the Group due to the following:

- the Company'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.

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 2021 GBP	Year ended 31 Mar 2020 GBP
A rent income	93,199,282	96,145,220
Revenue received but not yet earned	(30,892,146)	(33,887,353)
Revenue earned but not received or due in the Period	23,921,845	25,961,400
Amortisation of advance rental income	7,824,649	7,856,930
	94,053,630	96,076,197
B rent income	35,663,124	35,663,124
Revenue earned but not yet received	719,816	856,207
Revenue received but not received in the Period	(23,801)	(10,190)
	36,359,139	36,509,141
Total rental income	130,412,769	132,585,338

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

An adjustment has been made to spread the actual total income receivable over the term of the respective Lease on an annual basis. In addition, advance rentals received have also been spread over the full term of the leases.

5 OPERATING EXPENSES

	Year ended 31 Mar 2021 GBP	Year ended 31 Mar 2020 GBP
Corporate shareholder and advisor fee (note 22)	869,620	850,485
Asset management fee (note 22)	2,102,717	2,056,446
Liaison agency fee (note 22)	11,941	11,630
Administration fees (note 22)	171,051	189,025
Bank interest and charges	1,224	1,327
Accountancy fees	33,197	32,514
Registrars fee (note 22)	15,054	15,389
Audit fee	52,650	46,850
Directors' remuneration (note 6)	212,000	213,327
Directors' and officers' insurance*	204,092	29,478
Legal and professional expenses	45,845	56,255
Annual fees	16,178	15,877
Other operating expenses	18,867	19,176
	3,754,436	3,537,779

*Due to market conditions at renewal, the directors' and officers' insurance premium was subject to a large increase.

6 DIRECTORS' REMUNERATION

Under their terms of appointment, each director is paid a fee for their services as a director of the Company at a fee of £48,000 per annum, except for the Chair, who receives £59,000 per annum and the Chair of Audit committee, who received £57,000 per annum. The rate of remuneration per director has remained unchanged.

7 UNREALISED FOREIGN EXCHANGE GAINS/(LOSSES)

	Year ended 31 Mar 2021 GBP	Year ended 31 Mar 2020 GBP
Cash at bank	(906,891)	462,545
Deferred income	13,320,712	(6,914,198)
Borrowings	18,417,577	(12,934,917)
	30,831,398	(19,386,570)

The foreign exchange gain in the year reflects the 9.89 per cent. movement in the Sterling/US dollar exchange rate from 1.242 as at 31 March 2020 to 1.3783 as at 31 March 2021.

8 DIVIDENDS IN RESPECT OF EQUITY SHARES

	Year ended 31 Mar 2021	
	GBP	**Pence per share**
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
Third interim dividend	7,773,750	4.50
Fourth interim dividend	7,773,750	4.50
	31,095,000	18.00

	Year ended 31 Mar 2020	
	GBP	**Pence per share**
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
Third interim dividend	7,773,750	4.50
Fourth interim dividend	7,773,750	4.50
	31,095,000	18.00

Refer to the Subsequent Events in note 23 in relation to dividends declared and paid in April and July 2021.

9 LOSS PER SHARE

LPS is based on the net loss for the year attributable to holders of Shares of the Company of £3,966,954 (31 March 2020: net loss £67,593,053) and 172,750,000 (31 March 2020: 172,750,000) Shares being the weighted average number of Shares in issue during the year.

There are no dilutive instruments and therefore basic and diluted LPS are identical.

10 PROPERTY, PLANT AND EQUIPMENT - AIRCRAFT

	Aircraft GBP
COST	
As at 1 Apr 2020	1,039,148,193
As at 31 Mar 2021	1,039,148,193
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
As at 1 Apr 2020	442,188,053
Depreciation charge based on previous residual values	76,184,493
Adjustment due to change in US dollar residual values	3,596,911
Adjustment due to FX movements on residual values	5,958,668
Depreciation charge for the year	85,740,072
Adjustment due to impairment	65,060,280
As at 31 Mar 2021	592,988,405
CARRYING AMOUNT	
As at 31 Mar 2021	446,159,788
As at 31 Mar 2020	596,960,140

The Group used forecast 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 2021 of 1.3783 (31 March 2020: 1.2420) and a 5.6 per cent. decrease in average appraised residual values in US Dollar terms, resulted in a £9,555,580 increase 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 2020 residual value and foreign exchange rates.

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

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

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

11 FINANCE COSTS

	Year ended 31 Mar 2021 GBP	Year ended 31 Mar 2020 GBP
Amortisation of debt arrangements costs	1,019,549	1,022,343
Loan interest	9,779,836	14,399,273
Fair value adjustment on financial assets at fair value through profit and loss	(134,510)	431,969
	10,664,875	15,853,585

12 OPERATING LEASES

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

31 March 2021	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft - A rental receipts	78,011,587	68,647,792	-	146,659,379
Aircraft - B rental receipts	36,041,010	89,610,362	-	125,651,372
	114,052,597	158,258,154	-	272,310,751

31 March 2020	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft - A rental receipts	96,174,936	162,754,125	-	258,929,061
Aircraft - B rental receipts	35,663,124	125,651,372	-	161,314,496
	131,838,060	288,405,497	-	420,243,557

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

MSN077 - term of the lease is for 12 years ending October 2023. The initial lease is for 10 years ending October 2021, with an extension period of 2 years ending October 2023, in which rental payments reduce. The lease extension option was confirmed on 17 October 2019 and therefore extended by 2 years to the expiry date of October 2023.

MSN090 - term of the lease is for 12 years ending December 2023. The initial lease was for 10 years ending December 2021, with an extension period of 2 years, in which rental payments reduce. The lease extension option was confirmed on 5 December 2019 and therefore extended by 2 years to the expiry date of December 2023.

12 OPERATING LEASES (continued)

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

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

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

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

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

At the end of each lease the Lessee has the right to exercise an option to purchase the Asset if the Group chooses to sell the Asset. If a purchase option event occurs the Group and the Lessee will be required to arrange for a current market value appraisal of the Asset to be carried out by three independent appraisers. The purchase price will be equal to the average valuation of those three appraisals.

13 RECEIVABLES

	31 Mar 2021 GBP	31 Mar 2020 GBP
Prepayments	82,182	14,294
Sundry debtors	39,130	38,968
	121,312	53,262

The above carrying value of receivables is equivalent to fair value.

14 PAYABLES (amounts falling due within one year)

	31 Mar 2021 GBP	31 Mar 2020 GBP
Accrued administration fees	16,158	18,257
Accrued audit fee	51,200	28,110
Other accrued expenses	29,387	26,561
	96,745	72,928

The above carrying value of payables is equivalent to the fair value.

15 BORROWINGS

	31 Mar 2021 GBP	31 Mar 2020 GBP
Bank loans	57,025,093	103,024,411
Equipment Notes	89,635,668	145,434,612
	146,660,761	248,459,023
Associated costs	(3,355,867)	(4,375,416)
	143,304,894	244,083,607
Current portion	76,027,801	85,703,367
Non-current portion	67,277,093	158,380,240

Notwithstanding the fact that £83.1 million (31 March 2020: £81.90 million) debt was repaid during the year, as per the Consolidated Statement of Cash Flows, the value of the borrowings has decreased by £100.8 million (31 March 2020: £67.6 million) due to the 9.89 per cent. movement in the Sterling / US dollar exchange rate for the period from 1.242 at 31 March 2020 to 1.3783 at 31 March 2021. See note 19.

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 2021 GBP	31 Mar 2020 GBP
Amount due for settlement within 12 months	81,296,113	96,011,173
Amount due for settlement after 12 months	72,631,218	170,819,676

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

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

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

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

15 BORROWINGS (continued)

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

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

16 SHARE CAPITAL

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

Issued	Administrative Shares	Shares	C Shares
Issued shares as at 31 March 2021 and 31 March 2020	2	172,750,000	-

	Administrative Shares GBP	Shares GBP	C Shares GBP	Total GBP
Issued Shares				
Total Share Capital as at 31 March 2021 and as at 31 March 2020	-	319,836,770	-	319,836,770

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

16 SHARE CAPITAL (continued)

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. However the Board has considered the potential impact of the Pandemic on the arrangements for the AGM. The Group is required by The Companies (Guernsey) Law, 2008, as amended, to hold an AGM. Measures taken by the States of Guernsey in response to the Pandemic mean that attendance at the AGM by Shareholders who are not residents of Guernsey is not reasonably practicable.

Due to the Pandemic there will be little opportunity to physically interact with the directors therefore AGM's are not performed in person. However, the Board considers it important that all Shareholders have the opportunity to make their views known and to exercise their voting rights at the AGM. The Group strongly encourages all Shareholders to exercise their votes in respect of the meeting in advance and to submit any questions they may have to either the Secretary or the Corporate and Shareholder Adviser.

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

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

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

17 CASH AND CASH EQUIVALENTS

	31 Mar 2021	31 Mar 2020
	GBP	GBP
Cash at bank	29,926,638	16,916,567
Cash deposits	-	13,100,204
	29,926,638	30,016,771

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

18 FINANCIAL INSTRUMENTS

The Group’s main financial instruments comprise:

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

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

(c) Interest rate swap

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

	31 Mar 2021 GBP	31 Mar 2020 GBP
Financial assets		
Cash and cash equivalents	29,926,638	30,016,771
Receivables (excluding prepayments)	39,130	38,968
Financial assets at amortised cost	29,965,768	30,055,739
Financial liabilities		
Interest rate swap	121,420	255,930
Financial liabilities at fair value through profit or loss	121,420	255,930
Payables	96,745	72,928
Borrowings	143,304,894	244,083,607
Financial liabilities measured at amortised cost	143,401,639	244,156,535

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

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

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

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

Level 3: Valuation techniques using significant unobservable inputs.

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

The following tables show the Group's financial assets and liabilities as at 31 March 2021 and 31 March 2020 based on hierarchy set out in IFRS:

31 March 2021	**Level 1 GBP**	**Level 2 GBP**	**Level 3 GBP**	**Total GBP**
Financial liabilities at fair value through profit and loss				
Interest rate swap	-	121,420	-	121,420

31 March 2020	**Level 1 GBP**	**Level 2 GBP**	**Level 3 GBP**	**Total GBP**
Financial liabilities at fair value through profit and loss				
Interest rate swap	-	255,930	-	255,930

Derivative financial instruments

The following tables show the Group's derivative position as at 31 March 2021 and 31 March 2020:

31 March 2021 Interest Rate Swap	**Financial liability at fair value GBP**	**Notional amount US dollar**	**Maturity**
MSN090 Loan	121,420	10,154,511	4 Dec 2023

31 March 2020 Interest Rate Swap	**Financial asset at fair value GBP**	**Notional amount US dollar**	**Maturity**
MSN090 Loan	255,930	18,363,118	4 Dec 2023

19 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 reviews and agrees policies for managing each of these risks and these are summarised below:

(a) Capital Management

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

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

The Group's 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 2021 and 2020.

(b) Foreign Currency Risk

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

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

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

	31 Mar 2021 GBP	31 Mar 2020 GBP
Debt (US dollar) - Liabilities	(146,660,761)	(248,459,023)
Financial (liabilities at fair value through profit and loss	(121,420)	(255,930)
Cash and cash equivalents (US dollar) – Asset	9,324,381	10,223,979

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign Currency Risk (continued)

The following table details the Group's sensitivity to a 25 per cent. (31 March 2020: 25 per cent.) appreciation and depreciation in Sterling against the US dollar. 25 per cent. (31 March 2020: 25 per cent.) represents the directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 25 per cent. (31 March 2020: 25 per cent.) change in foreign currency rates. A positive number below indicates an increase in profit and other equity where Sterling strengthens 25 per cent. (31 March 2020: 25 per cent.) against the US dollar. For a 25 per cent. (31 March 2020: 25 per cent.) weakening of Sterling against the US dollar, there would be a comparable but opposite impact on the profit and other equity:

	31 Mar 2021 US dollar Impact GBP	31 Mar 2020 US dollar Impact GBP
Profit or loss	27,491,560	47,698,195
Assets	(1,840,592)	(1,993,610)
Liabilities	29,332,152	49,691,805

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

(c) Credit Risk

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

Refer to the going concern section on pages 64 to 66 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 2021 GBP	31 Mar 2020 GBP
Receivables (excluding prepayments)	39,130	38,968
Cash and cash equivalents	29,926,638	30,016,771
	29,965,768	30,055,739

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit Risk (continued)

Surplus cash in the Company is held in Barclays. Surplus cash in the Subsidiaries is held in accounts with Barclays, Westpac and ANZ, which have credit ratings given by Moody's of A1, Aa2 and Aa3 respectively. Moody's considers the outlook of the banks current ratings to be stable.

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

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

(d) Liquidity Risk

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

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

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

31 Mar 2021	**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	96,745	-	-	-	-
Interest rate swap	-	-	-	121,420	-
Bank loans	9,814,220	24,325,091	16,251,577	9,331,009	-
Equipment Notes	23,591,591	23,565,212	47,048,632	-	-
	33,502,556	47,890,303	63,300,209	9,452,429	-

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity Risk (continued)

31 Mar 2020	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	72,928	-	-	-	-
Interest rate swap	-	-	-	255,930	-
Bank loans	10,891,253	32,673,760	37,885,837	28,390,079	-
Equipment Notes	26,237,012	26,209,148	52,331,901	52,211,859	-
	37,201,193	58,882,908	90,217,738	80,857,868	-

(e) Interest Rate Risk

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

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

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Interest Rate Risk (continued)

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

	Variable interest GBP	Fixed interest GBP	Non-interest Bearing GBP	Total GBP
31 Mar 2021				
Financial assets				
Receivables (excluding prepayments)	-	-	39,130	39,130
Cash and cash equivalents	29,926,638	-	-	29,926,638
Total Financial Assets	29,926,638	-	39,130	29,965,768
Financial liabilities				
Interest rate swap	121,420	-	-	121,420
Payables	-	-	96,745	96,745
Bank loans	-	57,025,093	-	57,025,093
Equipment Notes	-	89,635,668	-	89,635,668
Total Financial Liabilities	121,420	146,660,761	96,745	146,878,927
Total interest sensitivity gap	29,805,218	146,660,761		

19 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 2020				
Financial assets				
Receivables (excluding prepayments)	-	-	38,968	38,968
Cash and cash equivalents	30,016,771	-	-	30,016,771
Total Financial Assets	30,016,771	-	38,968	30,055,739
Financial liabilities				
Interest rate swap	255,930	-	-	255,930
Payables	-	-	72,928	72,928
Bank loans	-	103,024,411	-	103,024,411
Equipment Notes	-	145,434,612	-	145,434,612
Total Financial Liabilities	255,930	248,459,023	72,928	248,787,881
Total interest sensitivity gap	29,760,841	248,459,023		

If interest rates had been 50 basis points higher throughout the period and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2020 would have been £149,026 (31 March 2020: £148,804) greater due to an increase in the amount of interest receivable on the bank balances.

If interest rates had been 50 basis points lower throughout the period and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2020 would have been £149,026 (31 March 2020: £148,804) lower due to a decrease in the amount of interest receivable on the bank balances.

20 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	31 Mar 2021 GBP	31 Mar 2020 GBP
Opening Balance	248,459,026	317,100,191
Cash flows paid - capital	(83,075,662)	(81,852,226)
Cash flows paid - interest	(10,084,861)	(14,123,129)
Non-cash flows		
- Interest accrued	9,779,836	14,399,273
- Effects of foreign exchange	(18,417,578)	12,934,917
Closing Balance	146,660,761	248,459,026

21 ULTIMATE CONTROLLING PARTY

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

22 RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Doric is the Group's Asset Manager.

During the year, the Group incurred £2,103,349 (31 March 2020: £2,056,440) of expenses with Doric of which £2,102,717 (31 March 2020: £2,056,446) related to asset management fees as shown in note 5, and £632 (31 March 2020: £nil) was reimbursed expenses. At 31 March 2021, £nil (31 March 2020: £nil) was owing to this related party.

Amedeo Services (UK) Limited was the liaison agent.

During the year, the Group incurred £11,941 (31 March 2020: £11,630) of expenses with Amedeo Services (UK) Limited which related to liaison agent fees as shown in note 5. At 31 March 2021, £7,908 (31 March 2020: £7,767) was prepaid to this related party. The Group terminated the agreement with the liaison agent with immediate effect on 21 April 2021.

Nimrod is the Group's Corporate and Shareholder Advisor.

During the year, the Group incurred £880,925 (31 March 2020: £850,485) of expenses with Nimrod. As at 31 March 2021, £nil (31 March 2020: £ nil) was owing to this related party.

22 RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS (continued)

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

During the year, the Group incurred £15,054 (31 March 2020: £15,389) of expenses with JTC Registrars as shown in note 5. As at 31 March 2021, £1,092 (31 March 2020: £1,269) 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 £171,051 (31 March 2020: £189,025) of expenses with JTC Fund Solutions (Guernsey) Limited as shown in note 5. As at 31 March 2021, £16,158 (31 March 2020: £18,257) was owing to this related party.

23 SUBSEQUENT EVENTS

On 15 April 2021, a further dividend of 4.5 pence per Share was declared and this was paid on 30 April 2021.

On 15 July 2021, a further dividend of 4.5 pence per Share was declared and this will be paid on 30 July 2021.

The services provided by Amedeo Services (UK) Limited as liaison agent to the Group was terminated with immediate effect on 21 April 2021.

DORIC NIMROD AIR TWO LIMITED

KEY ADVISERS AND CONTACT INFORMATION

KEY INFORMATION

Exchange: Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker: DNA2
Listing Date: 14 July 2011
Financial Year End: 31 March
Base Currency: Pound Sterling
ISIN: GG00B3Z62522
SEDOL: B3Z6252
LEI: 213800ENH57LLS7MEM48
Country of Incorporation: Guernsey
Registration number: 52985

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