DORIC NIMROD AIR THREE LIMITED

Consolidated Annual Financial Report

From 1 April 2021 to 31 March 2022

CONTENTS

DEFINITIONS

"Administrative Shares"	Subordinated administrative shares
"AED"	United Arab Emirates dirham
"AGM"	Annual general meeting
"Amedeo" or the Asset Manager	Amedeo Management Limited
"AR Committee"	Audit and Risk Committee
"Articles"	Company's Articles of Incorporation
"ASKs"	Available seat kilometers
"Asset(s)" or the "Aircraft"	Airbus A380 Aircraft
"ATAG"	Air Transport Action Group
"BA"	British Airways
"Board"	Company's Board of directors
"CDSs"	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
"DTRs"	Disclosure Guidance and Transparency Rules
"DNA3" or the "Company"	Doric Nimrod Air Three Limited
"DNA Alpha"	DNA Alpha Limited
"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
"ESG"	Environmental, Social and Governance
"EU"	European Union
"EU ETS"	European Union Emissions Trading System
"FCA"	Financial Conduct Authority
"FRC"	Financial Reporting Council
"FVOCI"	Fair value through other comprehensive income
"FVTPL"	Fair value through profit or loss
"GBP", "£" or "Sterling"	Pound Sterling

DEFINITIONS (continued)

"GT"	Grant Thornton Limited
"GFSC"	Guernsey Financial Services Commission
"GHG"	Greenhouse gas
"Group"	the Company and its subsidiary
"IAS 1"	International Accounting Standard 1 - Presentation of financial statements
"IAS 8"	International Accounting Standard 8 - Accounting policies
"IAS 16"	International Accounting Standard 16 - Property, Plant and Equipment
"IAS 36"	International Accounting Standard 36 - Impairment of Assets
"IASB"	International Accounting Standards Board
"IATA"	International Air Transport Association
"ICAO"	International Civil Aviation Organization
"IFRIC"	International Financial Reporting Interpretations Committee
"IFRS"	International Financial Reporting Standards
"IFRS 16"	IFRS 16 – Leases
"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
"Registrar"	JTC Registrars Limited
"Law"	The Companies (Guernsey) Law, 2008, as amended
"Lease(s)"	Lease of Aircraft to Emirates
"Loan(s)"	Borrowings obtained by the Group to part-finance the acquisition of Aircraft
"LSE"	London Stock Exchange's
"NBV"	Net book value
"Nimrod" or "Corporate and Shareholder Adviser"	Nimrod Capital LLP
"Pandemic"	COVID-19 pandemic
"Period"	1 April 2021 until 31 March 2022
"PIEs"	Public Interest Entities
"PLF"	Passenger load factor
"Registrar"	JTC Registrars Limited
"RPKs"	Revenue passenger kilometers

DEFINITIONS (continued)

“SDGs”	Sustainable Development Goals
“SFS”	Specialist Fund Segment
“Shareholders”	Shareholders of the Company
“Shares”	Ordinary Preference Shares
“Share Capital”	Share capital of the Company
“SID”	Senior Independent Director
“Subsidiary”	DNA Alpha Limited
“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

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA3
Share Price	42.00 pence (as at 31 March 2022) 48.50 pence (as at 22 July 2022)
Market Capitalisation	GBP106.7m (as at 22 July 2022)
Current / Future Anticipated Dividend	Current dividends are 2.0625 pence per quarter per share (8.25 pence per annum) and it is anticipated that this will continue until the aircraft leases begin to terminate in 2025
Dividend Payment Dates	April, July, October, January
Currency	Sterling
Launch Date / Share Price	2 July 2013 / 100 pence
Incorporation and Domicile	Guernsey
Aircraft Registration Number (Lease Expiry Dates including 2 year extension)	A6-EEK (29 August 2025) A6-EEO (29 October 2025) A6-EEM (14 November 2025) A6-EEL (27 November 2025)
Asset Manager	Amedeo Management Limited
Corporate and Shareholder Adviser	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Limited
Auditor	Grant Thornton Limited
Market Makers	finnCap Ltd Investec Bank Jefferies International Ltd Numis Securities Ltd Shore Capital Limited Winterflood Securities Ltd
SEDOL, ISIN, LEI	B92LHN5, GG00B92LHN58, 213800BMYMCBKT5W8M49
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairthree.com

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

COMPANY OVERVIEW

DNA3 is a Guernsey company incorporated on 29 March 2012.

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

As at 30 July 2022, the last practicable date prior to the publication of this report, the Company's total issued Share capital consisted of the Administrative Shares and 220,000,000 Shares. The Shares were trading at 44.00 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. To pursue its investment objective, the Company has used the net proceeds of placings and other equity capital raisings, together with debt facilities (or instruments), to initially acquire four Airbus A380 Aircraft which are leased to Emirates, the national carrier owned by The Investment Corporation of Dubai based in Dubai, United Arab Emirates.

DNA Alpha

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

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

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

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

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

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

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

COMPANY OVERVIEW (continued)

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

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

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

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

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

Liquidation Resolution
Although the Company does not have a fixed life, the Articles require that the directors convene a general meeting of the Company in November 2026 where an ordinary resolution will be proposed that the Company proceed to an orderly wind-up at the end of the term of the Leases. In the event that the liquidation resolution is not passed, the directors will consider alternatives for the future of the Company, including re-leasing the Assets, or selling the Assets and reinvesting the capital received from the sale of the Assets in other aircraft.

CHAIR’S STATEMENT

During the Period the Company has declared and paid four quarterly dividends of 2.0625 pence per Share each, a rate of dividend payment equivalent to 8.25 pence per Share per annum.

The Company’s investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft. The structures of the operating Leases relating to the Company’s four Aircraft are described on pages 5 to 6.

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 22 July 2022, the latest practicable date prior to this report, the Company had outstanding debt associated with the Aircraft totaling USD 58 million (9% of the initial balance). At the time of writing the share price is 48.5 pence, representing a market capitalisation of GBP 106.7 million based on the 220,000,000 Shares in issue. The Company’s first Lease expiry falls due in August 2025.

All payments by Emirates during the Period and throughout the Lease have been made in accordance with the terms of the Lease. All four of the Company’s Aircraft were put into storage in March 2020. MSNs 132, 133 and 136 have since returned to service. MSN 134 is still parked, currently at Dubai International Airport (DXB).

Despite the war in Ukraine and COVID-19 related travel restrictions in China, global air travel has resumed its strong recovery trend through April 2022, according to IATA. The recovery has been driven by a continuing rebound in international travel, as previously travel-restricted Asian countries have new flexible conditions that allow more foreign travellers to come in. However, inflation, high jet fuel prices and low consumer confidence are points of concern for the coming months, according to IATA. International bookings still show a high willingness to travel abroad, and this trend is expected to last throughout this summer. Although the relation between rising inflation and increase in cost of travel is not straightforward, it is expected to have an impact on passenger decisions sooner or later.

In late February 2022 Emirates’ President, Sir Tim Clark, provided useful insight into the airline’s fleet operating considerations. Following the retirement of Emirates’ first five A380s, Clark noted: “Cutting up the A380 fleet stops there, after these five are retired, all the other aircraft remain. In fact, where we started to drop some, I just decided to bring them back into the program.” With a looming aircraft shortage in Emirates’ fleet in 2024/25, Clark wants to extend aircraft lives: “Life extension will affect about 120 aircraft, 80 of them A380s... The exact numbers haven’t been fixed, it’s a movable feast. Their life will be extended by six to ten years each.” Clark reiterated this stance in late June, commenting Emirates would be: “retaining all the A380s now, probably until the mid-30s, 118 of those.” In its annual report Emirates noted that the high seat factor on the A380 continues to demonstrate the customer preference for the aircraft with the airline embarking on a major two-year retrofit programme from November 2022, to equip 120 existing 777 and A380 aircraft with their latest Premium Economy cabin class, as well as refreshed interiors, at a cost of over USD 1 billion. Clark also seems sceptical about the delivery timelines of the new aircraft types the airline has ordered with Airbus and Boeing, stressing that the planes need to be “in the shape that the contract requires.”

Emirates results for the year to 31 March 2022 reported a 91% year-on-year increase in revenue and a much improved loss of USD 1.1 billion (FY2021: USD 5.5 billion loss) with the target to return to profitability in the current financial year. Emirates ended the financial year with a cash balance of USD 5.7 billion after receiving a further capital injection of USD 954 million from their ultimate shareholder, the Government of Dubai.

Whilst Emirates do not have a formal credit rating, they have previously issued unsecured USD bonds with maturities in 2023, 2025 and 2028. As at 22 July 2022 these instruments are trading at approximately 99.9, 99.4 and 98.5 cents respectively, equivalent to USD running yields in the range of roughly 3.9 to 4.6%. Further details on Emirates and the A380 can be found in the Asset Manager’s report by Amedeo.

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.

CHAIR'S STATEMENT (continued)

On a comparable basis to last year the appraisal value to the Company's asset declined by approximately 16.1% on a USD basis. 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(n), 3 and 10 of the accounts.

The Company's first Lease with Emirates expires in August 2025, approximately three years from now. The Board note the announcement by Doric Nimrod Air One Limited whereby it has agreed to sell an Airbus A380-861 (MSN 016) to Emirates for GBP 25.3 million. This outcome provides some much needed transactional evidence for the A380 and appears to have been well received by shareholders in that company. The opportunity for lease extension, sale or re-lease options for the respective Aircraft with Emirates or other counterparties remains open. 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 latest iteration of the Company's Environmental, Social and Governance (ESG) Policy. This report 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 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 34.

Amedeo 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 2022, 89% of income receivable under the Leases has been received, which has funded the payment down of 86% initial borrowings, whereas under the relevant accounting standard only 70% may be recognised. This mismatch in timing between the receipt and recognition of rental income results in a deferred income creditor of £120 million or 55 pence per Share in the 31 March 2022 balance sheet. This is an artificial accounting adjustment in the sense that it does not represent a liability to pay £120 million to third parties. The faster that income is received and debt repaid the larger the resultant creditor producing a reduction in reported net asset value.

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

On an ongoing basis and assuming the Lease rental is received, and the Loan payments are made as anticipated, such 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

CHAIR'S STATEMENT (continued)

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. I look forward to keeping all Shareholders up to date with further progress.

Charles Wilkinson
Chair

29 July 2022

ASSET MANAGER’S REPORT

At the request of the Board of the Company, this commentary has been provided by the Asset Manager of the Company. The report reflects the information available at the end of March 2022 unless otherwise noted.

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. At the end of January 2022 about 18% of the global commercial passenger aircraft fleet was still in storage. This is an improvement of 5 percentage points compared to the levels six month earlier, but still 11 percentage points higher than in January 2019.

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

Due to the effects of COVID-19, all four aircraft were put into storage in March 2020. Three of them have returned to service in the meantime, while MSN 134 is still parked, currently at Dubai World Central Airport (DWC), after it was temporarily in service between November 2020 and January 2021. Aircraft utilisation for the period from delivery of each Airbus A380 until the end of March 2022 was as follows:

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration	Aircraft Status
132	29/08/2013	31,227	3,671	8h 30m	In Service
133	27/11/2013	31,630	3,358	9h 25m	In Service
134	14/11/2013	29,867	3,183	9h 23m	Parked
136	29/10/2013	31,718	3,363	9h 26m	In Service

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 still has one aircraft owned by the Group stored in Dubai. The lessee has “a comprehensive aircraft parking and reactivation programme [in place], that strictly follows manufacturer’s guidelines and maintenance manuals”. In addition, Emirates has enhanced standards and protocols of their own, to protect and preserve the asset during 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. The aircraft of the Company is in deep storage condition at this time and could be reactivated within weeks of any decision to do so.

ASSET MANAGER'S REPORT (continued)

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

Inspections

The Asset Manager conducted physical inspections and records audits of the aircraft as per the below table. Conditions of the respective aircraft and its technical records were in compliance with the provisions of the respective lease agreements, taking into account the aircraft was in storage at that moment (if applicable).

MSN	Last Inspection	MSN	Last Inspection
132	11/2021[1]	134	04/2022[1]
133	03/2022	136	03/2022

[1] The aircraft was in storage at the time of inspection. Due to the protective measures associated with, the inspection of the aircraft was limited to viewing from the outside from ground level.

2. Market Overview

The impact of COVID-19 on the global economy has been severe, resulting in a contraction in global GDP of 3.4% for 2020, followed by an expected recovery of 5.5% in 2021 and 4.1% in 2022, according to the World Bank. In its latest economic impact analysis from March 2022, the International Civil Aviation Organization (ICAO) estimates that the full year 2021 experienced an overall reduction in seats offered by airlines of 40% compared with pre-crisis 2019 levels. In the current year, the number of seats offered by airlines is expected to be reduced by 20% to 23% from its 2019 levels. This translates into a 34% to 38% seat reduction in the international passenger traffic segment, while domestic air passenger traffic is less affected from the Pandemic.

The International Air Transport Association (IATA) indicates an airline industry-wide net loss of USD 51.8 billion for 2021, after approximately USD 137.7 billion in the previous year, according to its latest estimates from October 2021. For 2022, the combined net loss of airlines worldwide is expected to reach USD 11.6 billion. However, the estimate does not yet include negative geopolitical impacts from the Russian invasion of Ukraine.

The rebound in global air passenger traffic has continued through calendar year-end 2021, supported by vaccine rollouts, improved testing efficiency and a strong demand over the holiday season, which compensated for the Omicron-related disruptions towards the end of the year. Overall, industry-wide RPKs rose to 41.6% of its 2019 pre-Pandemic levels, which is an improvement of 7.4 percentage points against 2020. Industry-wide capacity, measured in ASKs, recovered to 51.2% of pre-Pandemic levels in 2021. The global PLF averaged at 67.2% last year, down by 15.4 percentage points from 2019.

Global air travel had a soft start into 2022 as disruptions due to the Omicron variant have left their marks. While industry-wide RPKs rose by 82.3% year-on-year in January 2022, this key performance indicator was 4.9% down compared to December 2021. The PLF averaged 64.5% during the month of January 2022, an improvement of 10.8 percentage point compared to the same month a year ago.

With the number of new COVID-19 infections per week more than halved between mid-January and late-February 2022, IATA's outlook beyond Q1 2022 has become more optimistic. However, the war in Ukraine as well as rising inflationary pressure were clearly identified as "downside risks to further recovery". More and more countries have started to lift their international travel restrictions, including some in the long time closed Asia Pacific region such as Australia, while the Chinese international market remains shut. The war in Ukraine will likely disrupt air travel in this area and likely also beyond. With Russian airspace banned for European and US carriers, IATA expects delays, expensive rerouting or complete cancellations of flights on some routes. The spike in oil prices translating into a sharp increase in jet fuel prices will most likely result in higher fares on some routes. This could particularly impact the more price-sensitive leisure travel segment.

Source: IATA, ICAO, World Bank

ASSET MANAGER'S REPORT (continued)

3. Lessee – Emirates

Network

In late January 2022 Emirates announced a resumption of passenger operations between Dubai and five African countries including South Africa, Kenya, Ethiopia, Tanzania, and Zimbabwe by the end of the month. This includes double daily services from Johannesburg and daily services from Cape Town and Durban to Dubai respectively.

With the return of passenger services to and from Casablanca (Morocco) in February 2022, Emirates has fully restored its pre-Pandemic African network with 21 destinations across the continent.

In March 2022 Emirates and Garuda Indonesia launched their codeshare partnership which gives customers of Emirates and Indonesia's national carrier seamless connectivity on 16 routes between Indonesia, the Middle East and Europe. Emirates currently has codeshare cooperation agreements in place with 23 airline partners and two rail companies around the world.

From 1 April 2022 Emirates will re-instate its pre-pandemic flight frequencies to the carrier's nine destinations in India, intending to operate 170 weekly flights from Dubai. Already since March 2022 the lessee has brought back its daily A380 service between Dubai and Mumbai.

From 1 May 2022 Emirates will add a second daily A380 flight from Dubai to Melbourne in Australia, doubling the daily seat capacity to more than 1,000. Demand for international travel is expected to increase following the re-opening of Australia's borders. Reportedly, Australia is the third-largest destination for Emirates' A380. As of May Emirates will also operate A380 services twice daily to Sydney and a daily A380 service to Brisbane. In addition, the lessee will offer daily flights to Perth on a Boeing 777-300ER.

Emirates has confirmed that it will be commencing daily services to Tel Aviv (Israel) from 23 June 2022 with its three-class Boeing 777-300ER, adding another country to its global network. The flight schedules will allow passengers arriving in Dubai to conveniently reach connecting flights to popular holiday destinations including Thailand, India, the Philippines, the Maldives, Sri Lanka, and South Africa.

In late March 2022 Emirates' President, Sir Tim Clark, announced that the airline would continue to fly to Russia "as long as the state, our owner, requires us to fly there" and continued: "We carry humanitarian goods in our holds. We've got NGOs travelling in and out of Russia. We have got the diplomatic community going in and out … so all we're doing is being an enabler, facilitator, without taking a political position on this for the time being".

Current flight schedules indicate that Emirates has deferred A380 services to the following destinations beyond 2022: Beijing, Birmingham, Copenhagen, Hong Kong, Nice, Prague, Shanghai, and Tokyo. Earlier versions of the flight schedules showed that the superjumbo would operate on these routes at some point this year. The adjustments are a result of "a routine review of our operational requirements", according to an Emirates spokesperson.

As of May 2022, Emirates will no longer operate lessor owned aircraft in Russia, due to restrictions imposed upon their insurance policy, but they may continue to operate aircraft they own on Russian routes.

By 31 March 2022, Emirates was operating over 1,100 weekly passenger flights to 127 airports around the world.

Fleet

In late February 2022 Emirates' President, Sir Tim Clark, provided insight into fleet operating considerations for his airline. Reporting on recycling efforts of Emirates' first five A380s recently retired, Clark pointed out that these efforts will not continue with more A380s: "Cutting up the A380 fleet stops there, after these five are retired, all the other aircraft remain. In fact, where

ASSET MANAGER'S REPORT (continued)

we started to drop some, I just decided to bring them back into the program." With a looming aircraft shortage in Emirates' fleet in 2024/25, Clark wants to extend aircraft lives: "Life extension will affect about 120 aircraft, 80 of them A380s, plus about 40 or 50 Boeing 777-300ERs. The exact numbers haven't been fixed, it's a movable feast. Their life will be extended by six to ten years each."

Clark is sceptical about the delivery timelines of the new aircraft types the airline has ordered with Airbus and Boeing. He also stressed that the planes need to be "in the shape that the contract requires":

Boeing 777X

Clark claims Boeing has already produced twelve Boeing 777-9 for Emirates which the manufacturer has put in storage without their engines. But he cannot foresee when these aircraft could be delivered. Due to certification issues he considers it less likely that Boeing will achieve certification in July 2023. At some point Emirates could even cancel the order: "If it goes beyond 2023 and it goes on for another year, we probably cancel the program." But with Airbus A380 and Boeing 747 no longer available for order, the Boeing 777X is the biggest in production aircraft and Clark still hopes to get it even with four years' delay. Only weeks later Boeing had to admit that its late-2023 target for the first 777X deliveries to airline customers is no longer achievable, now aiming for a delivery date in early 2025.

Boeing 787

The aircraft are supposed to be delivered from May 2023. But Clark does not expect the 30 Boeing 787s to join his fleet anytime soon: "Look at the huge backlog, they haven't produced any aircraft lately, that'll take them two or three years to go over that. They [have] got production and quality control issues that they admit, and now after the [Boeing 737] MAX crisis with the regulator saying 'we want to have a good look at everything', that is slowing the whole thing down."

Airbus A350

Emirates has also ordered 50 Airbus A350-900 widebody aircraft with the first deliveries starting in 2023, according to data and aviation analytics provider Cirium. But a legal dispute between manufacturer Airbus and A350 operator Qatar Airways (Qatar) about deterioration of the aircraft's paint and lightning protection issues is challenging this timeline. Upon instruction from its civil aviation authority, Qatar had to ground a significant number of A350s and will not accept any new deliveries from Airbus until the issues have been resolved. Addressing the manufacturer, Clark made clear that he would not accept any deliveries until Airbus has developed a fix: "If we have the same problem on one of our aircraft, we won't take them over."

During the 2021/22 financial year Emirates reportedly extended the operating lease agreements for 12 aircraft, "most of which were due to retire in the current year", according to its annual report.

The table below details the passenger aircraft fleet activity as of 31 March 2022:

Passenger Aircraft Fleet Activity

Aircraft Type	Grounded	In Service
A380	50	71
777	0	124
Total	**50**	**195**
%	**20%**	**80%**

Source: Cirium as of 31 March 2022

Commenting on the number of A380 aircraft currently in service, Sir Tim Clark explained that returning more of them is contingent on being able to hire more crew to operate the jets. Emirates intends to hire 8,000 to 10,000 crew members to fly these A380s, but is constrained by how soon it can re-hire some of the pilots it let go, retrain staff and cope with the changes in the labour market after the pandemic. He would be happy to utilize the additional capacity: "Today, if we had 118 [A380s] they'd all be full," he said.

ASSET MANAGER’S REPORT (continued)

Back in December 2021, Emirates received its 123rd Airbus A380, which also marked the end of production of the world’s largest commercial aircraft. On this occasion, Emirates’ President, Tim Clark, confirmed that “the A380 will remain Emirates’ flagship product for the coming years, and a vital pillar of our network plans”.

Key Financials

In the financial year ending 31 March 2022, Emirates recorded a net loss of AED 3.9 billion (USD 1.1 billion), the second in more than 30 years. This is a significant improvement of the airline’s profitability, after the previous year’s net loss amounted to AED 20.3 billion (USD 5.5 billion). Thanks to an expansion of its global capacity and reinstatement of more passenger flights, the lessee was able to increase its revenue by 91% to AED 59.2 billion (USD 16.1 billion). The share of the cargo business to Emirates’ overall revenue is 37%.

Pandemic-induced travel restrictions and safety measures in many regions around the globe were partially retracted and allowed passenger air travel to recover from its Pandemic lows. During the 2021/22 financial year Emirates carried 19.6 million passengers, almost a tripling from last year, but still two third below its pre-Pandemic levels. As more countries eased travel restrictions, Emirates increased its capacity measured in ASKs, by 150%. At the same time its passenger traffic, measured in RPKs, increased by 235%. This resulted in the average passenger seat load factor of 58.6%, an improvement of 14.3 percentage points compared to last year. Emirates strives to return to 100% of its pre-Pandemic capacity, measured in available tonne kilometres, by the 2023/24 financial year.

Given the substantial increase in flight operations, Emirates’ operating costs increased by 29.8%. The carrier’s fuel cost more than doubled compared to the same period last year, primarily due to a 66% higher fuel uplift in line with increasing flight operations as well as a 75% increase in average fuel prices. Fuel, which had been the largest component of Emirates’ operating cost prior to the Pandemic, accounted for 23% of operating costs. The increase in jet fuel prices was partially mitigated through hedging. Depreciation, amortisation and impairment still remain the largest component of the carrier’s operating cost for the second consecutive year with a share of 30%.

The recovery in Emirates’ operations during the 2021/22 financial year led to an improved EBITDA of AED 17.7 billion (USD 4.8 billion) compared to AED 4.6 billion (USD 1.3 billion) from last year. Demand for air freight also remained strong. The volume of cargo uplifted increased by 14% to 2.1 million tonnes, restoring Emirates’ cargo operation to almost 90% of its pre-Pandemic (2019) levels by volume handled. Robust demand for essential goods and medical supplies and global supply chain issues making air cargo popular due to lower lead times were pushing overall air cargo demand from Emirates’ customers. To meet overall demand in its passenger and cargo businesses the airline recalled employees on furlough or unpaid leave, rehired those previously impacted by layoffs and launched recruitment drives. These measures resulted in an increase in employee numbers by 12.4% to 45,843 at the end of March 2022.

As of 31 March 2022, Emirates’ total liabilities decreased by 1.5% to AED 129.7 billion (USD 35.3 billion USD) compared to the end of the previous financial year. Amongst other things, the airline repaid AED 4.5 billion (USD 1.2 billion) in debt out of the total of AED 17.5 billion (USD 4.8 billion) raised since the beginning of the Pandemic. Total equity came in at an almost unchanged AED 20.3 billion (USD 5.5 billion). Emirates’ equity ratio stood at 13.5% and its cash position, including short term bank deposits, amounted to AED 20.9 billion (USD 5.5 billion) at the end of March 2022. In comparison, the carrier had AED 15.1 billion (USD 4.1 billion) in cash assets and short-term bank deposits at the end of the 2020/21 financial year. The cash flow from operating activities came in at AED 24.4 billion (USD 6.7 billion) in 2021/22, the highest in the company’s history.

During the 2021/22 financial year, the carriers’ ultimate shareholder, the government of Dubai, continued to support the airline and therefore injected equity of AED 3.5 billion (USD 0.95 billion). Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive Emirates Airline and Group, the combined business of Emirates Airline and ground handler dnata, stated in the latest annual report that “our business recovery picked up pace in 2021-22 as Pandemic-related restrictions lifted around the world, particularly in the second half of our financial year”, and added “As a group we invested over AED 7.9 billion [USD 2.2 billion] in new aircraft, engines, equipment, facilities and technologies … As travel restrictions around the world eased, we reinstated services, added flights to dozens of cities, and ramped up our A380 deployment to efficiently serve pent-up customer demand”.

ASSET MANAGER’S REPORT (continued)

As at the end of March 2022, Emirates has outstanding US dollar debt issuances with maturities in 2023, 2025, and 2028. These bonds were all trading at above par (100 cents) respectively and with running yields ranging from approximately 3.9% to 4.4% in US dollars. There has also been no upward pressure on yields. This level of yields does not appear to indicate any significant financial stress to the issuer. In its most recent annual financial report, the auditor PricewaterhouseCoopers issued an unqualified audit report. And the management of Emirates Group (combined businesses of Emirates Airline and dnata) expects to return to profitability in the 2022/23 financial year “while keeping a close watch on headwinds such as high fuel prices, inflation, new COVID-19 variants, and political and economic uncertainty”. In the second half of the 2021/22 financial year Emirates already generated a net profit of AED 1.9 billion (USD 0.5 billion), which helped to significantly improve profitability in the 2021/22 financial year..

Source: Airline Ratings, Emirates, Reuters, The National

4. Aircraft – A380

As of the end of March 2022, the global A380 fleet consisted of 238 planes with 14 airline operators. Only 97 of these aircraft were in service. The remainder of the fleet is currently parked due to COVID-19. The 14 operators are Emirates (121), Singapore Airlines (17), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Air France (8), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), China Southern Airlines (3), and All Nippon Airways (3).

The A380 became the latest Airbus aircraft type to perform a test flight with one of its engines powered by 100% sustainable aviation fuel (SAF). The particular SAF used for that flight performed by aircraft manufacturer Airbus consisted mainly of used cooking oil as well as some other waste fats. An increasing use of SAF is the single most important measure to meet the aviation industry’s target of net-zero carbon emissions by mid-century and could account for as much as 53% to 71% of carbon reductions required to meet that target.

In January 2022 A380 operator Asiana Airlines dropped plans to redeploy its A380 on routes from Seoul to Frankfurt and Los Angeles for the 2022 summer schedule. Flight schedules now indicate a return for the aviation winter season starting on 30 October 2022.

In February 2022 various sources reported that China Southern Airlines had decided to retire its fleet of five A380s by the end of the year. China’s international borders continue to remain largely closed and the country has a quarantine requirement. Unlike other countries, there is no indication of restrictions being lifted anytime soon.

In February 2022 Airbus announced that the first A380 ever built, with manufacturer’s serial number 1, has been picked to become Airbus’ so-called ZEROe demonstrator, an important tool for Airbus’ aspirations to develop the world’s first zero-emission commercial aircraft by 2035. The multi-year demonstrator programme is designed to test a variety of hydrogen technologies both on the ground and in the air. “It will carry four liquid hydrogen tanks in a caudal position, as well as a hydrogen combustion engine mounted along the rear fuselage”, according to an Airbus press release. Demonstrator aircraft are fundamental to developing new aviation technology and primarily used to test and prove the viability of designs, processes, fuels, materials, and equipment, both on the ground and in the air.

Source: Airbus, Cirium, Simple Flying

DIRECTORS

As at 31 March 2022 the Company had four directors all of whom were independent and non-executive.

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

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

Geoffrey Alan Hall – Chair of the AR 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 Chair of Doric Nimrod Air Two 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.

Fiona Le Poidevin
Fiona Le Poidevin is a non-executive director with a particular focus on listed investment companies and private equity. Among her appointments, Fiona is non-executive director and Audit Chair of ICG-Longbow Senior Secured UK Property Debt Investments Limited, a premium listed company with shares admitted to trading on the Main Market of the LSE. She is also a director of Doric Nimrod Air One Limited, Doric Nimrod Air Two Limited and Doric Nimrod Air Three Limited.

A Chartered Director, Fellow of the Institute of Directors and Chartered Accountant (FCA), Fiona has 25 years’ experience working in financial services in both London and the Channel Islands across the accounting and tax professions with experience in strategy, marketing, PR and the regulatory and listed company environments.

Until the end of July 2020, Fiona was Chief Executive Officer of The International Stock Exchange Group Limited where she was responsible for the commercial aspects of the listed exchange group’s operation.

Previously Fiona was Chief Executive of Guernsey Finance, the promotional body for Guernsey’s finance industry internationally, and prior to this she was an auditor and latterly tax adviser at PwC (London and Channel Islands) and KPMG (Channel Islands) for over 13 years.

Fiona is a member of the AIC Channel Islands Committee and non-executive Chairman of a local Sea Scouts group.

Andreas Josef Tautscher - Chair of the Management Engagement Committee
Andreas Tautscher brings over 33 years’ financial services experience. He serves as a non-executive director and member of the Audit Committee of MJ Hudson PLC which is an AIM traded Financial Services Group. He is also a non-executive director of Globalworth PLC which is an AIM listed Central European property Group. He is an independent director of Condor Ferries Limited. Andreas is a director and Chair of Arolla Partners, an independent director services business in the Channel Islands. From 1994 to 2018 Andreas held various roles at Deutsche Bank and was most recently CEO of the 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 Audit and Risk Committee of Doric Nimrod Air Two Limited, Chair of the Management Engagement Committee of Doric Nimrod Air One Limited and Doric Nimrod Air Two Limited, and a director of Doric Nimrod Air One Limited. He is resident in Guernsey.

SERVICE PROVIDERS

Management and the Delegation of Functions

The directors, whose details are set out on page 16 are responsible for reviewing the business affairs of the Group in accordance with the Articles and have overall responsibility for the Group's activities including all business decisions, review of performance and authorisation of distributions. The Company has delegated management of the Group's Aircraft to Amedeo, which is a company incorporated in Ireland. Further details are outlined below under the heading Asset Manager. The directors delegate secretarial and administrative functions to JTC which is a company incorporated in Guernsey and licenced by the GFSC for the provision of administration services. The registrar function is delegated to the Registrar, which is licensed and regulated by the GFSC.

Asset Manager and Lease and Debt Arranger

Amedeo has been appointed by the Company to provide asset management services to the Group. Pursuant to the Asset Management Agreement, Amedeo will: (i) monitor Emirates' and any subsequent lessees' performance of its obligations under the respective operating Leases and any subsequent lease respectively (which shall include the obligations relating to the maintenance of insurance cover); (ii) provide the Group with information regarding alternatives with respect to any potential sale or re-lease of the Assets; (iii) carry out mid-lease inspections of the Assets; (iv) provide the Group with asset monitoring reports describing the state and any material changes to the state of the Assets; and (v) liaise, as and when necessary, with lenders, on all matters relating to the loans, as required. Amedeo has further undertaken that it will dedicate sufficient time and resources as it reasonably believes is required from time to time to fulfil any contractual arrangements it enters into with the Company.

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

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

Amedeo is a leading aircraft asset manager and principal investor in leasing transactions to customer airlines globally. The aircraft portfolio currently managed by the Amedeo Group, includes 39 aircraft under management and an additional 8 aircraft under oversight. The volume of assets under management is c. $7 billion, which include commercial airliners including A380, A350, A330 and Boeing 777 and 747-F. Amedeo is a member of the ISTAT.

Corporate and Shareholder Adviser

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

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

Secretary & Administrator

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

JTC is a Guernsey incorporated company and provides administration and secretarial services to the Group pursuant to an Administration and Secretarial Agreement. In such capacity, JTC is responsible for the general secretarial functions required by

SERVICE PROVIDERS (continued)

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 Registrar may be found at www.jtcgroup.com.

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

A full list of the Company's service providers is set out on pages 17 to 18.

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 84 and are incorporated here by reference.

Principal Risks and Uncertainties

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

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

The principal risks associated with the Group are:

- **Operational risk:** The Board is ultimately responsible for all operational facets of performance including cash management, asset management, regulatory and listing obligations. The Group has no employees and so enters into a series of contracts/legal agreements with a series of service providers to ensure both operational performance and the regulatory obligations are met. This risk has been mitigated by the Group using well established, reputable and experienced service providers and assessing service providers’ continued appointment on at least an annual basis.

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

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

- **Credit risk:** Emirates is the sole lessee of the Assets and is headquartered in the Middle East. Should Emirates default on the rental payments due to domestic events, events in the wider airline industry or other reasons it is unlikely the Company will be able to meet its targeted dividends or, in the case of ongoing default, continue as a going concern. The risk of default is potentially mitigated by the ability of the Group to sell or re-lease the Assets in the event of a single default. 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 i) changes in demand for second hand aircraft of the type owned by the Group, ii) the limited number of airlines operating the aircraft type, and iii) an increasing trend for airlines to operate newer generation aircraft that produce lower emissions. Therefore, the Board monitors and revises the residual value of the Aircraft on an annual basis, from three independent appraisers, who consider these market trends in the aircraft valuations.

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

MANAGEMENT REPORT (continued)

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

- **Valuation risk:** There is a risk that the useful life or residual value used in determining depreciation are not appropriate or accurately calculated. The Board assess, based on the latest forecast valuations, particularly in light of the ongoing effects of the Pandemic, 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.

Emerging Risks

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

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

Data Protection

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

Going Concern

The Group's principal activities are set out within the Company Overview on page 5. The financial position of the Group is set out on page 59. In addition, note 2(l) to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk.

The Directors, in consultation with the Asset Manager, are monitoring the continuous effect of the Pandemic generally on the aviation industry and specifically on the Group's aircraft values and the financial wellbeing of its Lessee both now and in the future. The Pandemic continues to have 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 some 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. Entering the third year of the Pandemic commercial operators worldwide still had 18% of their combined passenger aircraft fleet stored at the end of January 2022. This compares to a pre-Pandemic level of 7% in January 2019. 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 since the beginning of the Pandemic, and could also negatively impact the sale, re-lease or other disposition of the relevant Aircraft.

MANAGEMENT REPORT (continued)

Given the prolonged impact of the Pandemic, increased lessee counterparty credit risk remains in existence and there could be requests for lease rental deferrals. However, notwithstanding the challenging business environment, Emirates was able to substantially improve its profitability during the 2021-22 financial year, reducing its net loss by 81% to USD 1.1 billion. And the management of Emirates Group (combined businesses of Emirates Airline and dnata) expects to return to profitability in its current financial year.

Reduced rents receivable under the Leases may not be sufficient to meet the debt interest and regular repayments of debt scheduled during the life of the EETC, and may not provide surplus income to pay for the Group’s expenses and permit the declaration of dividends. However, this would only apply if the Lessee became unable to meet its debt repayment obligations or insisted on a rent holiday, and the Lessee has given no indication of either scenario.

The Directors consider that the going concern basis of accounting remains appropriate. Based on current information the Directors have reasonable expectation that the Group has sufficient financial resources, including cash and cash equivalents and expected rent receipts to continue in operational existence for at least twelve months from the date of this report, although the risk to this is higher compared to a pre-COVID-19 environment.

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

The Directors have considered Emirates’ ability to continue paying the lease rentals over the next 12 months and are satisfied that the Group can meet its liabilities as they fall due over this period. Further detail regarding the assumptions adopted when forming this conclusion can be found in the Viability Statement on page 21. Refer to note 12 for expiry dates of the leases.

Viability Statement

In accordance with Provision 31 of the Code, the directors of the Company have considered the prospects of the Group over the period from present until the liquidation resolution is put to Shareholders six months before the last Lease is due to terminate in 2025, a period of four 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 Company as disclosed in the Management Report and the notes to the consolidated financial statements, reviewing on an ongoing basis the risks faced and ensuring that any mitigation measures in place are functioning correctly.

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

— Emirates continues to be a going concern as at the date of the Lessee’s latest signed annual financial report for the financial year ended on March 31, 2022.

— Challenged by the continued effects of the Pandemic on its business, the Lessee was able to quickly adapt its business model, generating additional revenue by expanding its global capacity and reinstating more passenger flights: In its 2021-22 financial year ended on March 31, 2022 the airline increased its revenue by 91% to USD 16.1 billion. The net loss could be reduced by 81% to USD 1.1 billion.

— Although Emirates concluded its last financial year with the second net loss in more than 30 years, the carrier showed a strong operating cash flow of USD 6.7 billion, which contributed to an 38% increase in cash assets amounting to USD 5.7 billion, compared to the previous financial year.

MANAGEMENT REPORT (continued)

— The ultimate shareholder of Emirates Airline has injected another AED 3.5 billion (USD 954 million) into Emirates Airline, during the Period.

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

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

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

The Group retains sufficient cash to cover the forecast operating costs of the Group until the termination date of the Leases in 2025, assuming receipt of planned rental income.

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

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

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

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

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

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

Charles Wilkinson
Chair

Geoffrey Hall
Director

29 July 2022

DIRECTORS' REPORT

The directors present their annual report and audited financial statements of the Group for the financial year ended 31 March 2022.

Principal Activities and Business Review
The principal activity of the Group is to acquire, lease and then sell aircraft. The directors do not envisage any change in these activities for the foreseeable future. A description of the activities of the Group in the year under review is given in the Chair's Statement and the Asset Manager's Report respectively on pages 7 to 9 and 10 to 15.

Status
The Company is a Guernsey domiciled company, the Shares of which are admitted to trading on the SFS. Its registered number is 54908. The Company operates in accordance with the Law.

Results and Dividends
The results of the Group for the financial year are set out on page 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 2021	15 April 2021	30 April 2021	2.0625
30 June 2021	15 July 2021	31 July 2021	2.0625
30 September 2021	14 October 2021	30 October 2021	2.0625
31 December 2021	13 January 2022	29 January 2022	2.0625

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

Announcement Date	Payment Date	Dividend per Share (pence)
12 April 2022	30 April 2022	2.0625
14 July 2022	29 July 2022 (expected payment date)	2.0625

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

Directors
The directors in office are shown on page 16 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 22.

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

DIRECTORS' REPORT (continued)

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

	Number of Shares held as at 31 March 2022	Number of Shares held as at 30 July 2022
Charles Wilkinson	150,000	150,000
Geoffrey Hall	90,000	90,000
Fiona Le Poidevin	0	0
Andreas Tautscher	16,279	16,279

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 period, other than those disclosed in the Directors' Report and at note 23 to the financial statements.

Substantial Controllers of Voting Rights

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

There have been no material changes in the below list of substantial controlling interests between the end of the year under review and 22 July 2022, being the latest practicable date prior to the date of approval of this report.

Name	% of Total Voting Rights	Number of Shares
Tesco Pension Trustees Limited	13.82%	30,405,000
East Riding of Yorkshire Council	9.11%	20,040.008
Schroders plc	5.80%	12,767,100
Seneca IM Limited	5.58%	12,279,500
Quilter Cheviot Limited	5.09%	11,207,020
FIL Limited	5.01%	11,026,443

Corporate Governance

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

As a Guernsey incorporated company and under the DTRs, the Company was not, for the 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 the FRC's website (www.frc.org.uk).

DIRECTORS' REPORT (continued)

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) Provisions 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 (other than that of the Board) 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: On appointment, the Chair was Chair of Doric Nimrod Air One Limited and a director of Doric Nimrod Air Two Limited. The Board considers the directors to be independent. The directors of the Company are also directors of other DNA Companies and therefore the Board has implemented measures to manage any conflicts which might arise as a result of these appointments. The Chair and one other director have been on the Board since incorporation of the Company in March 2012. 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. The Nomination Committee will meet in Q4 2022 to continue discussions around effective succession planning, mindful of the tenure of Board members and the remaining life of the Company.

DIRECTORS' REPORT (continued)

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

Company Response: The previously appointed senior independent director retired during the period. The Board have formed the view that it is not be necessary to appoint an immediate replacement and that such an appointment will be subject to the ongoing consideration of the Board.

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

Company Response: There is no chief executive. However, the Nomination Committee will meet in Q4 2022 to continue discussions around effective succession planning and board composition, mindful of the tenure of Board members and the remaining life of the Company.

(iv) Provision 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' REPORT (continued)

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

Board Responsibilities

The Board comprises four directors, and their biographies appear on page 16 demonstrating the wide range of skills and experience they each bring to the Board. All the directors are non-executive and independent, with Charles Wilkinson acting as Chair.

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

The other significant commitments of the current Chair are detailed in his biography on page 16. 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 £150,000 per annum. All directors receive an annual fee and there are no share options or other performance related benefits available to them. All directors are currently paid a fee of £23,000 per annum. The Chair is paid an additional fee of £6,000 per annum and the chair of the AR Committee is entitled to be paid an additional £4,000 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 Company's Secretary.

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

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

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

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

DIRECTORS' REPORT (continued)

During the year 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***
Charles Wilkinson	5 of 5	N/A	3 of 3	1 of 1	3 of 4
Geoffrey Hall	5 of 5	6 of 6	3 of 3	1 of 1	4 of 4
Fiona Le Poidevin	N/A	N/A	1 of 1	N/A	N/A
Andreas Tautscher	5 of 5	6 of 6	3 of 3	1 of 1	4 of 4

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

Audit and Risk Committee

Mr Hall, Mr Tautscher and Mrs Le Poidevin are all members of the AR Committee, with Mr Hall 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 annually prior to providing a recommendation to the Board on the re-appointment or removal of the auditor. When evaluating the external auditor the AR Committee has regard to a variety of criteria including industry experience, independence, reasonableness of audit plan, ability to deliver constructive criticism, effectiveness of communication with Board and the Group's service providers, quality control procedures, effectiveness of audit process and added value beyond assurance in audit opinion.

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

The AR Committee usually meets in Guernsey at least twice per year, shortly before the Board meets to consider the Group's half-yearly and annual financial reports, and reports to the Board with its deliberations and recommendations and also holds annual planning and final meetings with the auditor. In addition the Board also meets during the audit process with the auditors to discuss issues relating to the residual values of the Assets. The AR Committee operates within clearly defined terms of reference based on The Chartered Governance Institute UK & Ireland recommended terms and provides a forum through which the Group's external auditor report to the Board.

The AR Committee can request information from the Group's service providers with the majority of information being directly sourced from the Asset Manager, the Secretary, the Administrator and the external auditor. The terms of reference of the AR Committee are available on the Company's website and on request from the Secretary.

Each year the Board examines the AR Committee's performance and effectiveness and ensures that its tasks and processes remain appropriate. Key areas covered included the clarity of the AR Committee's role and responsibilities, the balance of skills

DIRECTORS' REPORT (continued)

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 2021 and the half-yearly financial report for the period ended 30 September 2021. The AR Committee also met in March 2022, with the external auditor in attendance, to approve the 2022 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 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 Wilkinson 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 of the Board (including the skills, knowledge, experience, diversity and how effectively members work together to achieve objectives) and make recommendations to the Board with regard to any changes, and to perform a formal and rigorous performance evaluation of the Board, its committees, the Chair and individual directors, including the consideration of having a regular externally facilitated Board evaluation. Full description of the Board evaluation is included on page 26, above.

During the financial year the Nomination Committee met three times, to consider the appointment of a new non-executive director, to consider whether a SID was still required and to undertake the annual performance evaluation of the Board and its committees.

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

- generally use open advertising or the services of external advisers to facilitate the search, unless there is a valid reason for not doing so in which case justification for this decision would be disclosed;
- consider candidates from a wide range of backgrounds; and
- consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.

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

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

DIRECTORS' REPORT (continued)

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

The Nomination Committee met during the period to discuss the appointment of a new non-executive director. Subject to the above approach to board appointments, Fiona Le Poidevin was appointed to the Board on 1 March 2022.

Succession planning is performed based on the results of the Nomination Committee's evaluation of the structure, size and composition of the Board as well as the results of the Board evaluation. In giving full consideration to succession planning for directors, the Nomination Committee takes into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future. The Nomination Committee keeps under review the leadership needs of the Company with a view to ensuring the continued ability of the Company to operate effectively in the marketplace. The Board has a succession plan in place which commenced with the appointment of Andreas Tautscher in August 2019 and continued with the appointment of Fiona Le Poidevin in March 2022. Both directors bring a diverse set of skills and knowledge to the Board from their prior experience and Mrs Le Poidevin's appointment demonstrates the Board's commitment to gender diversity. A Board Evaluation was carried out during the year. The Nomination Committee will meet in Q4 2022 to continue discussions around effective succession planning, mindful of the tenure of Board members and the remaining life of the Company.

Management Engagement Committee

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

During the 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 ongoing process for identifying, evaluating and monitoring the significant risks faced by the Group.

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

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

Asset management services are provided to the Company by Amedeo. Corporate and shareholder advisory services are provided to the Company by Nimrod. Administration and secretarial duties for the Group are performed by JTC.

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

DIRECTORS' REPORT (continued)

Management of Conflicts of Interest

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

The Board considers the director's conflicts of interest at each Board meeting by reviewing a schedule of each 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 lessee, its service providers, society, the government and regulators.

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

The Board's engagement with Shareholders is described in the "Dialogue with Shareholders" section above. All Shareholders are treated equally and no Shareholder receives preferential treatment. When making decisions of relevance to Shareholders, the Board considers first and foremost the likely consequences of their decisions in light of their duty to act in the best interests of

DIRECTORS' REPORT (continued)

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 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 four years whenever it considers the Company's long-term sustainability. All strategic decisions are therefore taken with the success of the Company in mind and the Board would take external advice whenever it considered that such would be beneficial to its decision making process, primarily from its retained service providers (including legal counsel), but also from other external consultants.

The Board recognises that responsible investment and the associated ESG considerations can have a significant impact on investment activity in terms of raising funds, identifying investment opportunities and long-term value creation for Shareholders. Please see more information regarding ESG in the report on pages 34 to 37.

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

Statement of Directors' Responsibilities

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

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

In preparing these 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.

DIRECTORS' REPORT (continued)

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 had been in situ as Auditors of the Group 8 years. As a result, Deloitte retired and Grant Thornton Limited was appointed as external auditor by the Board, both effect from 2 August 2021. Grant Thornton Limited's reappointment will be submitted at the forthcoming annual general meeting to be held pursuant to section 199 of the Law.

Charles Wilkinson
Chair

Geoffrey Hall
Director

Signed on behalf of the Board

on 29 July 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

The Company
The Company is a self-managed Guernsey company incorporated on 29 March 2012. Its Shares were admitted to trading on the SFS on 2 July 2013.

The Company is under the control of its Board of directors on behalf of Shareholders. All directors are independent and non-executive. The Board 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 – Amedeo
- Liaison Agents – Amedeo Services (UK) Limited
- Corporate and Shareholder Adviser – Nimrod
- Secretary and Administrator – JTC
- Registrar – JTC Registrars Limited

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

Subject to any travel restrictions imposed, the directors are required to travel in the fulfilment of their duties. Where circumstances allow, travel is kept to a minimum. The directors are required to travel to Guernsey on at least a quarterly basis for Board and other committee meetings, and to 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 a wholly-owned subsidiary, DNA Alpha. The Group owns four Airbus A380 Aircraft which are leased for twelve years to the Lessee, the national carrier owned by The Investment Corporation of Dubai based in Dubai, United Arab Emirates.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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

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

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

- 1.9% of GHG emissions (e.g. all greenhouse gases, not only CO2);
- 2.5% of carbon emissions; and
- 3.5% of 'effective radiative forcing' – a measure of impact on global warming.

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

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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

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

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

For further information on Emirates' environmental policy and initiatives, please visit the Emirates website where annual environmental reports are also available:

https://www.emirates.com/english/about-us/our-planet/

In the context of the Assets and the associated Lease, the Board 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
Geoffrey Hall – Chair of the AR Committee
Andreas Tautscher – Non-executive Director
Fiona Le Poidevin – Non-executive Director

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

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

- reviewing the Company's financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;

- reporting to the Board on the appropriateness of the Company's accounting policies and practices including critical accounting policies and practices;

- advising the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position, performance, business model and strategy;

- overseeing the relationship with the external auditor and reviewing the effectiveness of the external audit process; and

- Monitoring the systems of internal controls operated by the Company and by the Company's principal service providers.

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

Main Activities of the AR Committee during the Financial Year
The AR Committee assisted the Board in carrying out its responsibilities in relation to financial reporting requirements, compliance and the assessment of internal controls. The AR Committee also managed the Group's relationship with the external auditor 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 report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy.

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

AUDIT AND RISK COMMITTEE REPORT (continued)

Financial Reporting and Significant Issues

The AR Committee's primary role in relation to financial reporting is to review, with its service providers and the external auditor, the appropriateness of the half-year and annual financial statements, the significant financial reporting issues and accounting policies and disclosures in the financial statements. The AR Committee has considered the key risks identified as being significant to these accounts and the most appropriate treatment and disclosure of any new significant issues identified during the audit and half-year reviews as well as any recommendations or observations made by the external auditor, Deloitte. To aid its review the AR Committee considered reports prepared by external service providers, including Amedeo 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 four Airbus A380 aircraft. An annual review is required of the residual value of the Assets as per IAS 16, which defines residual value as *"the estimated amount that an entity would currently obtain from disposal of the Asset, after deducting the estimated costs of disposal, if the Asset were already of an age and in the condition expected at the end of its useful life."*	The Group has engaged three internationally recognised expert appraisers to provide the Group with independent third party consultancy valuation services. In the absence of sales data for similar used Assets, appraisers are heavily reliant on databases containing historical data points of aircraft sales relating to large commercial aircraft. Interpretation of historical data, as well as the landscape within the aviation industry is the basis for the current market value and provides, together with the expected developments in the future, the foundation for their opinions on future values. Furthermore, the appraisers' valuations take into account specific technical and economic developments as well as general future trends in the aviation industry and the macro-economic outlook. In the aftermath of Airbus' February 2019 decision to discontinue the A380 production in 2021, a number of A380 operators disclosed plans to withdraw at least parts of their A380 fleets earlier than originally anticipated. Furthermore, it became obvious that A380s returned following the expiration of operating lease agreements would be difficult to be placed with a new operator within a reasonable period of time and owners were forced to explore alternative scenarios for revenue generation like engine lease. This also includes part-out activities for the first few A380s returned from Singapore Airlines. The spread of COVID-19 and comprehensive travel restrictions around the world came along with an unprecedented drop in air travel that resulted in less demand for widebody aircraft like the A380 due to its large capacity metrics. The landscape for travel has significantly improved since the Pandemic with passenger numbers increasing, which in effect has led to certain operators like Lufthansa to reverse its Pandemic-era decision to retire the aircraft. Although this is positive news for the A380, more developments will need to be seen in the market for this aircraft type.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review	How the AR Committee addressed these significant issues
	Due to the A380-specific developments over the last few years there is an increasing risk that the underlying assumptions of the Base Value concept might not be met at the time when the Leases expire. For this reason the Asset Manager recommended 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 value (excluding inflation), not an estimate of the amount that would currently be achieved and which therefore could be different, and so this is not a direct application of the IAS 16 definition. This approach has been taken because current market values in today's prices for comparable twelve year old A380 were not available at the reporting date. A decrease in USD terms in the residual value of the Aircraft from the prior year has resulted in an adjustment made to depreciation in the current year, details of which have been disclosed in note 10. As updated valuations of all Assets as at the financial year end were commissioned and received from third party professional valuers and analysed by the Asset Manager and the directors, the AR Committee believes that those valuations are appropriate for use in preparing the financial statements. Therefore, the average residual values excluding inflation used in the accounts are based on these appraisals. Upon review of the advice they have received from Amedeo and the appraisers, the AR Committee is of the opinion that, the latest estimate of the residual soft values excluding inflation of the Assets is a reasonable approximation of the residual value of the Aircraft within the IAS 16 definition. Residual values remain exposed to estimation uncertainty. This is disclosed in note 3 and has been highlighted by the auditor in their key observations section of the valuation and ownership of aircraft key audit matter.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review	How the AR Committee addressed these significant issues
Recording foreign exchange gains/losses IFRS require that certain transactions denominated in currencies other than the presentation currency (including, most importantly, the cost of the Assets) be translated into presentation currency at the exchange rate ruling at transaction date, whilst monetary balances (principally the outstanding borrowings) are translated at the rate prevailing on the reporting date. The resultant figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences. During the year the Group recorded a significant foreign exchange rate profit due to the appreciation of Sterling against the US dollar and the consequent decrease in the Sterling value of the US dollar denominated debt.	In assessing foreign exchange, the AR Committee has considered the issue at length and is of the opinion that, on an ongoing basis and assuming the lease and loan payments are made as anticipated, such exchange differences do not reflect the commercial substance of the situation in the sense that the key transactions denominated in US dollars are in fact closely matched. Rental income received in US dollars is used to pay loan repayments due which are likewise denominated in US dollars. US dollar lease rentals and loan repayments are furthermore fixed at the outset of the Group's life and are very similar in amount and timing. The AR Committee concluded that the matching of the lease rentals to settle loan repayments therefore mitigates risks of foreign exchange fluctuations. The AR Committee carefully considered the disclosure in note 20 (b) to the Consolidated Financial Statements to ensure that the reality of the Group's foreign exchange risk exposure is properly explained.
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 Amedeo during the year which comment on the performance of Emirates. The Lessee recorded its second loss in over 30 years during its 2021-22 financial year, which ended on 31 March 2022. The airline reported a loss of AED 3.9 billion (USD 1.1 billion) after last year's AED 20.3 billion (USD 5.5 billion) loss. Emirates ended its 2021-22 financial year with 20.9 billion AED (5.7 billion USD) in cash assets (including bank deposits). This includes another capital injection of AED 3.5 billion (0.95 billion USD) from its ultimate shareholder, the Government of Dubai, and refund payments to customers in the amount of 8.3 billion AED (2.3 billion USD). The cash flow from operating activities came in at AED 24.4 billion (USD 6.7 billion) in 2021/22, the highest in the company's history. The management of Emirates Group (combined businesses of Emirates Airline and dnata) expects to return to profitability in the 2022/23 financial year "while keeping a close watch on headwinds such as high fuel prices, inflation, new COVID-19 variants, and political and economic uncertainty". In the second half of the 2021/22 financial year Emirates already generated a net profit of AED 1.9 billion (USD 0.5 billion), which helped to significantly improve profitability and reduced the net loss on an annual basis by 81% to AED 3.9 billion (USD 1.1 billion).

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review	How the AR Committee addressed these significant issues
	In line with IFRS 16, Emirates is recording its future lease payment liabilities (including its right-of-use asset) in its latest annual financial statements. Furthermore, the management of the airline concluded that the company is a going concern. The auditors did not challenge that view in its independent auditor's report, which is dated 9 May 2022. During the last financial year, Emirates accelerated its global network recovery. On 31 March 2022 the airline was flying to 127 passenger destinations or 90% of its pre-Pandemic network. The number of passengers nearly tripled compared to the year before, while the airline's capacity for passenger services, measured in available seat kilometres (ASKs), increased by 150%. Emirates strives to return to 100% of its pre-Pandemic capacity, measured in available tonne kilometres (ATKMs) by the 2023/24 financial year. Demand for airfreight remained strong and the volume of cargo uplifted increased by 14% to 2.1 million tonnes, restoring Emirates' cargo operation to almost 90% of its pre-Pandemic (2019) levels by volume handled. Cargo services, which represent 37% of the carrier's total revenue, continued to produce a robust yield. At the end of the 2021/22 financial year all Boeing 777-300ER, 124 in total, had returned to service. The number of A380 in service reached 71 with another 50 temporarily parked. 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 transaction and could potentially have an impact on the committed future lease rental receipts.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review	How the AR Committee addressed these significant issues
	Emirates is owned by the Investment Corporation of Dubai, a state-owned holding company that can be characterized as a sovereign wealth fund owned by the Government of Dubai. It is neither listed, nor carry its bond issuances an issuer rating. However, Emirates' senior unsecured US Dollar bonds with maturities in 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 agreement between Emirates and the Company include a hell or high-water clause, the lease rental stream and any other contractual payment primarily depends to Emirates' ability to meet its financial obligations, whenever they fall due. As of 8 June 2022, Emirates' bonds were trading (bid-ask midpoint) at around 100.3 cents (2023 maturity), 100.4 cents (2025 maturity), and 99.6 cents (2028 maturity), representing US Dollar running yields from approximately 3.9% to 4.5%. 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 Credit Default Swaps 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-April 2022, the annual insurance premium on one US Dollar face value in Emirates bonds was approximately 145bps, which is below the longer-term average of around 170bps. Considering that aviation is one of the hardest hit sectors by COVID-19, the Credit Default Swap 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 Amedeo on the performance of Emirates and would continue to monitor Emirates' overall performance. The AR Committee carefully considered the disclosure in note 20(c) to the financial statements to ensure that this concentration of credit risk is properly reflected.

AUDIT AND RISK COMMITTEE REPORT (continued)

Significant issues for the year under review	How the Committee addressed these significant issues
Consideration of any triggers for impairment IAS 36 Impairment of Assets requires that a review for impairment be carried out by the Group when there is an indication of impairment of an asset and if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review will compare the carrying amount of the Asset with its recoverable amount, 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 2022. 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 current year review, an impairment loss of £23,108,481 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, a 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 7 to 9 and the Asset Manager's Report on pages 10 to 15.

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 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 some 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

AUDIT AND RISK COMMITTEE REPORT (continued)

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. Entering the third year of the Pandemic commercial operators' worldwide still had 18% of their combined passenger aircraft fleet stored at the end of January 2022. This compares to a pre-pandemic level of 7% in January 2019. 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 since the beginning of the Pandemic, 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. However, notwithstanding the challenging business environment, Emirates was able to substantially improve its financial position during the 2021-22 financial year, reducing its net loss by 81% to USD 1.1 billion. And the management of Emirates Group (combined businesses of Emirates Airline and dnata) expects to return to profitability in its current financial year.

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

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 reasonable expectation that the Group has sufficient financial resources, including cash and cash equivalents and expected rent receipts to continue in operational existence for at least twelve months from the date of this report, although the risk to this is higher compared to a pre-COVID-19 environment.

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

The Directors have considered Emirates' ability to continue paying the lease rentals over the next 12 months and are satisfied that the Group can meet its liabilities as they fall due over this period. Further detail regarding the assumptions adopted when forming this conclusion can be found in the Viability Statement on page 21. Refer to note 12 for expiry dates of the leases.

Internal Controls

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

The most recent report on the internal control of JTC's administration services, prepared in accordance with the ISAE 3402, for the period from 1 April 2021 to 31 March 2022, has been provided.

Internal Audit

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

AUDIT AND RISK COMMITTEE REPORT (continued)

External Audit

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

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

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

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

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

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

Appointment and Independence

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

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.

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.

AUDIT AND RISK COMMITTEE REPORT (continued)

Non-Audit Services

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

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

Committee Evaluation

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

An internal evaluation of the AR Committee's effectiveness will be carried out in 2022.

Geoffrey Hall
Chair of the Audit and Risk Committee

29 July 2022

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

Opinion
We have audited the consolidated financial statements of Doric Nimrod Air Three Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and notes to the Consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Guernsey, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Challenging the assumptions used in management's base case cash flow forecasts and considering their reasonableness based on other evidence obtained during the audit;
- Performing our own scenario analysis to assess the reasonableness of management's assessment; and
- Considering potential mitigating actions that management could take in response to possible future liquidity risks.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's business model including effects arising from macro-economic uncertainties such as Brexit, Covid-19 and Russia's invasion of Ukraine, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period.

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 ability to continue as a going concern for a period of at least twelve months from when the consolidated financial statements are authorised for issue.

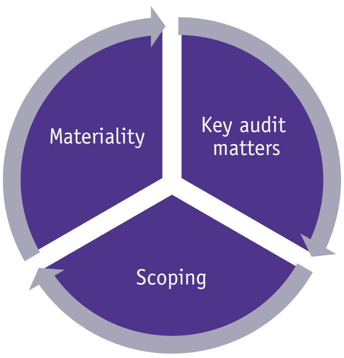
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORIC NIMROD AIR THREE LIMITED (continued)

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the consolidated financial statements' section of this report.

Our approach to the audit

Grant Thornton



Overview of our audit approach

Overall materiality: £1,794,000, which represents approximately 3% of the Group's net assets value ("NAV") as at 31 March 2022 determined at the fieldwork stage of the audit.

Key audit matters were identified as:

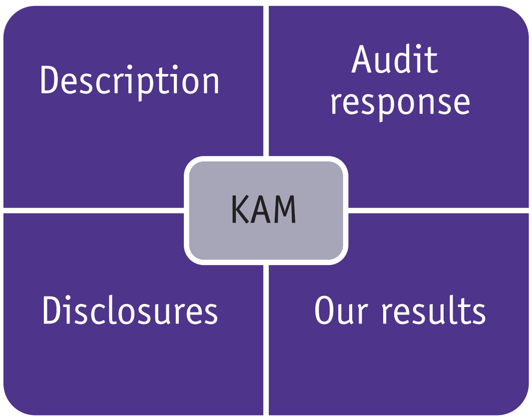
- Valuation of aircraft (same as last year)

The predecessor auditor's report for the year ended 31 March 2021 included two (2) key audit matters that have not been reported as key audit matters in our current year's report. These relate to recognition of lease rental income and the impact of COVID-19 on the going concern assumption. Lease rental income, although remains as a significant risk, does not include significant judgment. Whilst as a result of COVID-19, there are still some uncertainties in the travel industry, the Groups' lessee proved to be resilient during the most difficult times.

Our audit approach was a risk-based substantive audit.

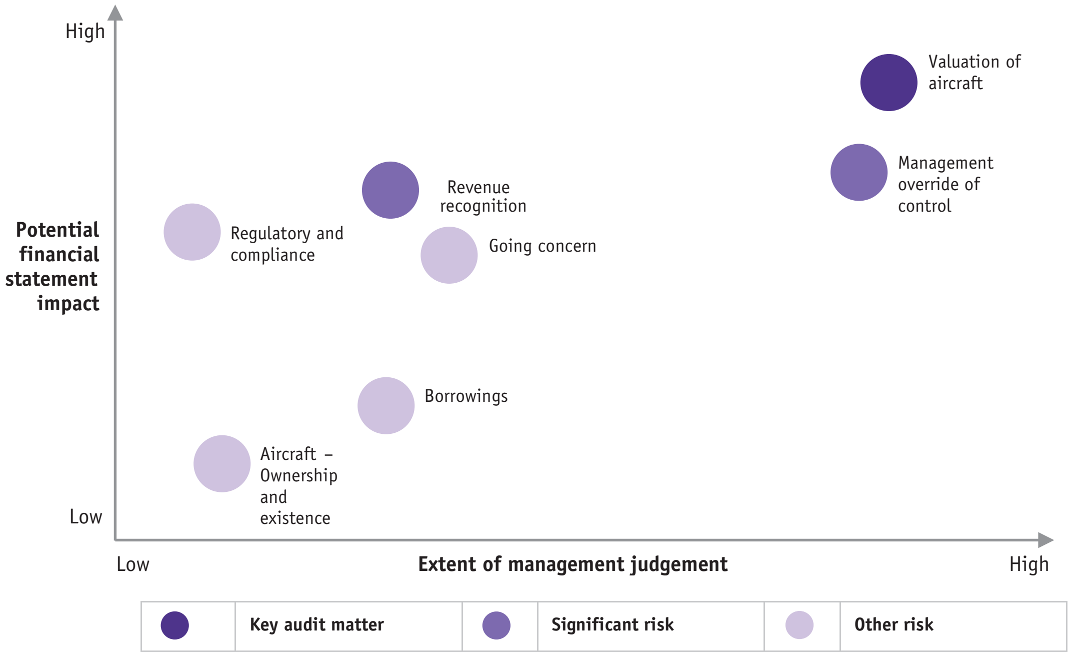
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



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

<table>
<tr><th>Key Audit Matter</th><th>How our scope addressed the matter</th></tr>
<tr><td>Valuation of aircraft
We identified the valuation of aircraft as one of the most significant assessed risks of material misstatement due to error.

Included in the Group's statement of financial position as at 31 March 2022 is an aircraft asset with a balance of £232,003,692 (2021: £292,634,892) as disclosed in Note 10 to the consolidated financial statements.

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

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

Note 3 further describes that 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 value of the aircraft it owns. This together with the wider economic uncertainty and disruption, are likely to have an adverse impact on the future value of the aircraft asset owned by the Group, as well as on the sale, re-lease, or other disposition of the relevant aircraft.

As disclosed in Note 3, if the assumptions used in the determining the valuations prove to be false, actual results of operations and the realisation of the Group's aircraft asset differ from estimates set forth in the consolidated financial statements, the difference in the valuation could be material.</td><td>In responding the the key audit matter, we performed the following audit procedures:

• We have assessed that the Group's accounting policies regarding the Valuation of Aircraft is in accordance with International Accounting Standard (IAS) 16 – Property, Plant and Equipment;

• We held detailed discussions with management, including directors to obtain an understanding of the processes and controls in place regarding the valuation of aircraft. We have also obtained understanding of the supporting documentation or papers prepared and approved by management;

• We have obtained and assessed detailed supporting documentation from management for key inputs, assumptions and methodology used from which the valuation of aircraft are derived;

• We have assessed and documented the competence, capability and objectivity of the external appraisers that management have engaged in the process;

• We have assessed all information provided including all appraiser's report, lease agreement, amendment to such agreement, redelivery condition side letter and valuation report from asset manager. We have challenged management on their method selection and why alternative methods, assumptions and data that could have been used were not (i.e. use of half-life rather than full-life);

• We have engaged our internal aircraft asset valuation specialists to assist us in performing the testing of the valuation of the aircraft which included the following:

○ Assisted in determining whether the valuation methodologies used to estimate the residual values of the aircraft are consistent with methods usually used by similar companies;

○ Used their knowledge of the market to assess and corroborate valuation inputs by reference to comparable transactions, and independently compiled databases/indices;

○ Assisted in determining whether the appraisers were appropriate, qualified and independent; and

• We have assessed the sufficiency of related disclosures in the consolidated financial statements.

Our results
We have not identified any matters after completing our procedures as indicated above in relation to the valuation of aircraft.</td></tr>
</table>

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

Our application of materiality
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the consolidated financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

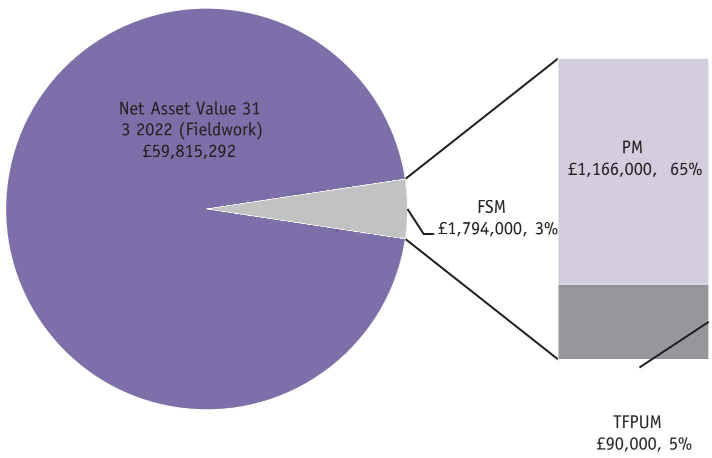
Materiality measure	Group
Materiality for consolidated financial statements as a whole	We define materiality as the magnitude of misstatement in the consolidated financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these consolidated financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£1,794,000, which represents approximately 3% of the Group's NAV as of 31 March 2022 determined at the fieldwork stage of the audit.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • NAV is the most appropriate benchmark considering the following: – Although the Group does not have a fixed life, the Group has one operation - i.e. leasing (then selling) its sole aircraft. The lease term is for 12 years ending in 2023. The shareholders (primary users of consolidated financial statements) focus is on the NAV after the Lease end as they are concerned as to how much return they would get for their shares. – The lenders secondary focus (main focus being profit-before-tax/rental income considering this is the means for them to be repaid by the Group), is the value of the aircraft asset considering that the lease is secured by the said asset. • We have updated the materiality to 31 March 2022 NAV at the fieldwork stage of the audit as the initial materiality determined is higher and based on our professional judgment it is appropriate to use the updated materiality for audit purposes; and • Our materiality threshold was set at the lower end of our acceptable range due to the Group being a listed entity and in line with our methodology.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the consolidated financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole.
Performance materiality threshold	£1,166,000 which is 65% of the consolidated financial statement materiality.

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

Materiality measure	Group
Significant judgements made by auditor in determining the performance materiality	• In determining performance materiality, we made the following significant judgements: • Performance materiality be set at 65% of the consolidated financial statement materiality, as the probability that the aggregate of uncorrected and undetected misstatements that exceed materiality was assessed as low; and • Our determination is based on the fact that no misstatements were identified in the prior year audit and our assessment of the control environment which concluded there were effective controls around business processes and financial reporting activities.
Specific materiality	We have not determined a lower level of specific materiality.
Communication of misstatements to the Audit and Risk Committee	We determine a threshold for reporting unadjusted differences to the Audit and Risk Committee.
Threshold for communication	£90,000, which is approximately 5% of the consolidated financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



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

An overview of the scope of our audit
We performed a risk-based audit that requires an understanding of the Group's business and in particular matters related to:

- Assessment of audit risk, our evaluation of materiality and our allocation of performance materiality to determine our audit scope for the Group. We took into account size, risk profile, the organisation of the Group and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed;

- The day-to-day management of the Group and the maintenance of the Group's accounting records are being outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of, and evaluating, internal controls at the Group and the third-party service providers, and inspecting records and documents held by these third-party service providers;

- We performed tests of the operating effectiveness of controls and substantive testing on significant risk accounts – i.e. the revenue occurrence considering lease rental income is based on the schedule of rental payments stated in the lease agreements;

- We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks; and

- For highly subjective estimates made by management, such as the valuation of the aircraft asset, we engaged an external expert to confirm the reasonableness of the valuation methodology used with consideration to industry valuation benchmarks used by market participants.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual financial report, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the consolidated financial statements or a material misstatement of the other information. 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.

Corporate governance statement
We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's voluntary compliance with the provisions of the UK Corporate Governance Code.

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 consolidated financial statements and our knowledge obtained during the audit:

- the directors' statement in the consolidated financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements and the directors' identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the consolidated financial statements;

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

- the directors' explanation in the consolidated annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;

- the directors' statement that they consider the consolidated annual report and consolidated financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy;

- the directors' confirmation in the consolidated annual report that they have carried out a robust assessment of the principal and emerging risks facing the company including the impact of Covid-19 and the disclosures in the consolidated annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated including the impact of Covid-19;

- the section of the consolidated annual report that describes the review of the effectiveness of the Group's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and

- the section of the consolidated annual report describing the work of the Audit and Risk Committee, including significant issues that the Audit and Risk Committee considered relating to the consolidated financial statements and how these issues were addressed.

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

- proper accounting records have not been kept by the Company; or

- the Company's financial statements are not in agreement with the accounting records; or

- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the consolidated financial statements
As explained more fully in the Statement of Director's Responsibilities as set out on page 22 the directors are responsible for the preparation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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 regarding irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the consolidated financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and the industry in which it operates. We determined that the following laws and regulations were most significant: IFRSs, the Companies (Guernsey) Law, 2008, the UK Corporate Governance Code, the Financial Conduct Authority’s Disclosure Guidance and Transparency Rules, and the relevant tax compliance regulations in the jurisdictions in which the Company operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the consolidated financial statements, and those laws and regulations relating to bribery and corruption practices;

- We obtained an understanding of how the Group is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and papers provided to the Audit and Risk Committee;

- We enquired of management and the Board of Directors whether they were aware of any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected or alleged fraud;

- We assessed the susceptibility of the Group’s consolidated financial statements to material misstatement, including how fraud might occur. We considered the possibility of fraud through management override and, based on our understanding we designed and incorporated the following audit procedures into our audit strategy to identify instances of fraud and non-compliance with such laws and regulations:

  - identifying and assessing the design and implementation of controls management has put in place to prevent and detect fraud;

  - challenging assumptions and judgements made by management in its significant accounting estimates;

  - utilising a valuation specialist to check external valuation reports;

  - identifying and testing journal entries, in particular, any journal entries posted for which we have not identified and/or tested the relevant control; and

  - obtaining an understanding of the nature of the journal entries as mentioned above and checking whether such journals are in line with our understanding of the business of the Group and, as necessary, obtaining supporting documentation for such journals.

- These audit procedures were designed to provide reasonable assurance that the consolidated financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also,

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

the further removed non-compliance with laws and regulations from events and transactions reflected in the consolidated financial statements, the less likely we would become aware of it.

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;

- Relevant laws and regulations and potential fraud risks were communicated to all engagement team members. We remained alert to any indication of fraud or non-compliance with laws and regulations throughout the audit.

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Date: 29 July 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	Year ended 31 Mar 2022 GBP	Year ended 31 Mar 2021 (As restated) GBP
INCOME			
A rent income	4	52,577,701	55,249,852
B rent income	4	20,458,592	20,472,384
Bank interest received		11,811	7,837
		73,048,104	75,730,073
EXPENSES			
Operating expenses	5	(1,803,109)	(1,731,914)
Depreciation of Aircraft	10	(37,522,717)	(44,554,550)
Impairment of Aircraft	10	(23,108,481)	(48,655,256)
		(62,434,307)	(94,941,720)
Net profit/(loss) for the year before finance costs and foreign exchange (losses)/profit		10,613,797	(19,211,647)
Finance costs	11	(4,914,671)	(7,318,998)
Net profit/ (loss) for the year after finance costs before foreign exchange (losses)/ profit		5,699,126	(26,530,645)
Unrealised foreign exchange (loss)/gain	7	(3,047,970)	11,998,761
Profit/(Loss) for the year		2,651,156	(14,531,884)
Total Comprehensive Profit/(Losses) for the year		2,651,156	(14,531,884)
		Pence	**Pence**
Earnings per Share for the year - Basic and Diluted	9	1.21	(6.61)

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

The notes on pages 62 to 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	31 Mar 2022 GBP	31 Mar 2021 (As restated)* GBP	31 Mar 2020 (As restated)* GBP
NON-CURRENT ASSETS				
Property, Plant and Equipment – Aircraft	10	232,003,692	292,634,892	385,844,698
CURRENT ASSETS				
Receivables	13	147,027	124,564	60,243
Cash and cash equivalents	18	13,976,504	13,749,583	13,719,497
		14,123,531	13,874,147	13,779,740
TOTAL ASSETS		246,127,223	306,509,039	399,624,438
CURRENT LIABILITIES				
Borrowings	15	42,224,604	39,933,913	42,306,342
Deferred income		7,680,455	3,632,029	3,184,479
Rebates	16	356,487	339,805	381,116
Payables - due within one year	14	107,245	99,211	75,896
		50,368,791	44,004,958	45,947,833
NON-CURRENT LIABILITIES				
Borrowings	15	23,039,678	61,758,176	112,658,700
Deferred income		112,725,220	124,922,062	132,083,168
Rebates	16	178,243	509,707	938,717
		135,943,141	187,189,945	245,680,585
TOTAL LIABILITIES		186,311,932	231,194,903	291,628,418
TOTAL NET ASSETS		59,815,292	75,314,136	107,996,020
EQUITY				
Share capital	17	208,953,833	208,953,833	208,953,833
Retained loss		(149,138,542)	(133,639,697)	(100,957,813)
		59,815,291	75,314,136	107,996,020

	Pence	Pence	Pence
Net Asset Value per Share based on 220,000,000 (31 March 2021: 220,000,000) shares in issue	27.19	34.23	49.09

The consolidated financial statements were approved by the Board of directors and authorised for issue on 29 July 2022 and are signed on its behalf by:

Charles Wilkinson
Director

Geoffrey Hall
Director

*Refer to note 2(c) for details

The notes on pages 62 to 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022

	Notes	Year ended 31 Mar 2022 GBP	Year ended 31 Mar 2021 (As restated) GBP
OPERATING ACTIVITIES			
Profit/(loss) for the year		2,651,156	(14,531,884)
Movement in deferred income		(8,148,415)	(6,713,552)
Interest received		(11,811)	(7,837)
Depreciation of Aircraft	10	37,522,717	44,554,550
Impairment of Aircraft	10	23,108,481	48,655,256
Loan interest payable	11	4,527,333	6,931,660
Increase in payables		8,036	23,315
Increase in receivables		(22,463)	(64,321)
Foreign exchange movement	7	3,047,970	(11,998,761)
Amortisation of debt arrangement costs	11	387,338	387,338
NET CASH FROM OPERATING ACTIVITIES		63,070,342	67,235,764
INVESTING ACTIVITIES			
Interest received		11,811	7,837
NET CASH FROM INVESTING ACTIVITIES		11,811	7,837
FINANCING ACTIVITIES			
Dividends paid	8	(18,150,000)	(18,150,000)
Repayments of capital on borrowings	21	(40,335,982)	(41,716,622)
Interest on borrowings	21	(4,420,370)	(7,185,167)
NET CASH USED IN FINANCING ACTIVITIES		(62,906,352)	(67,051,789)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		13,749,583	13,719,497
Increase in cash and cash equivalents		175,801	191,812
Effects of foreign exchange rates		51,120	(161,726)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	13,976,504	13,749,583

The notes on pages 62 to 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Notes	Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2021 (As previously reported)		208,953,833	(133,192,147)	75,761,686
Restatement		–	(447,550)	(447,550)
Balance as at 1 April 2021 (As restated)		208,953,833	(133,639,697)	75,314,136
Total Comprehensive Losses for the year		–	2,651,156	2,651,156
Dividends paid	8	–	(18,150,000)	(18,150,000)
Balance as at 31 March 2022		208,953,833	(149,138,541)	59,815,292

		Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2020 (As previously reported)		208,953,833	(133,657,684)	95,296,149
Restatement		–	12,699,871	12,699,871
Balance as at 1 April 2020 (As restated)		208,953,833	(100,957,813)	107,996,020
Total Comprehensive Losses for the year		–	(14,531,884)	(14,531,884)
Dividends paid	8	–	(18,150,000)	(18,150,000)
Balance as at 31 March 2021 (As restated)		208,953,833	(133,639,697)	75,314,136

The notes on pages 62 to 84 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1 GENERAL INFORMATION

The consolidated financial statements incorporate the results of the Company and its Subsidiary (together known as the Group).

The Company was incorporated in Guernsey on 29 March 2012 with registered number 54908. The address of the registered office is given on page 84. Its Share Capital consists of Shares and Administrative Shares. The Company’s Shares have been admitted to trading on the SFS of the LSE Main Market.

The Company’s investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling of the Aircraft. The principal activities of the Company are set out in the Chair’s Statement and Management Report on pages 7 to 9 and 19 to 22 respectively.

2 ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial statements have been prepared in conformity with IFRS as adopted by the EU, which comprise standards and interpretations approved by the IASB and IFRIC and applicable Guernsey law. The financial statements have been prepared on a going concern basis under the historical cost convention.

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

(b) Adoption of new and revised Standards

New and amended IFRS Standards that are effective for current year

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

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

New and Revised Standards in issue but not yet effective

IAS 1 ‘Presentation of financial statements’ 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. This standard is effective for annual periods beginning on or after 1 January 2023 deferred until accounting periods starting not earlier than 1 January 2024. The new standard does not have a significant impact on the Company’s financial position, performance or disclosures in its financial statements.

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

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

— clarify the explanation of the definition of material; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

2 ACCOUNTING POLICIES (continued)

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

New and Revised Standards in issue but not yet effective (continued)
— incorporate some of the guidance in IAS 1 about immateriality information.

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

— IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

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

— IFRS 16 Leases - Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

— IAS 41 Agriculture - Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 are all effective for annual periods beginning on or after 1 January 2022. The standard is not expected to have a material impact on the financial statements or performance of the Group.

(c) Prior period restatement

A prior year adjustment of £447,550 has been recognised to the opening retained earnings. This is as a result of the prior year adjustment in respect of the unrealised foreign exchange profit/loss on the deferred income liability. This has since been classified as a non-monetary item. As a consequence, the deferred income liability and the related unrealised foreign exchange was overstated/understated.

The following table summarises the impact on the Group's consolidated financial statements:

	2021 (as previously stated) GBP	**Correction GBP**	**2021 (Restated) GBP**
Unrealised foreign exchange profit	25,146,182	(13,147,421)	11,998,761
Loss for the financial year	(1,384,463)	(13,147,421)	(14,531,884)
Deferred income liability	128,106,538	447,550	128,554,091
Retained loss	(133,192,147)	(447,550)	(133,639,697)
Earnings per share (pence)	(0.63)	(5.98)	(6.61)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

2 ACCOUNTING POLICIES (continued)

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

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

(e) Taxation
The Company and its Subsidiary have been assessed for tax at the Guernsey standard rate of 0 percent

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

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

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

(i) 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. 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.

(j) 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.

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

As the lessee is based in the Middle East, rental income as well as the net book value of aircraft held by the Group is all considered to be from the Middle East. Revenue from the Group's country of domicile, Guernsey, was £Nil (2021: £Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2022

2 ACCOUNTING POLICIES (continued)

(l) Going Concern

The Group's principal activities are set out within note 1. The financial position of the Group is set out on page 59. In addition, note 20 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

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

— Emirates continues to be a going concern as at the date of the Lessee's latest signed annual financial report for the financial year ended, 31 March 2022.

— Challenged by the continued effects of the Pandemic on its business, the Lessee was able to quickly adapt its business model, generating additional revenue by expanding its global capacity and reinstating more passenger flights. In its 2021-22 financial year ended 31 March 2022 annual financial report, the airline reported an increase in revenue by 91% to USD 16.1 billion. Net losses have also been reported to be significantly reduced by 81% which translates to USD 1.1 billion compared to prior year reported net loss of USD 5.5 billion.

— Although Emirates concluded its last financial year with the second net loss in more than 30 years, the carrier showed a strong operating cash flow of USD 6.7 billion, which contributed to an 38% increase in cash assets amounting to USD 5.7 billion, compared to the previous financial year.

— The ultimate shareholder of Emirates Airline has injected another USD 954 million into Emirates Airline, during their financial year-end.

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

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

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

The Directors have considered Emirates' ability to continue paying the lease rentals until the end of the current lease agreement in December and are satisfied that the Company can meet its liabilities as they fall due over the next twelve months from the date of approval the Annual Financial Report. Refer to note 12 for expiry dates of the Leases.

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

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

(m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

2 ACCOUNTING POLICIES (continued)

(m) Leasing and Rental Income (continued)

Rental income and advance lease payments from operating leases are recognised on a straight-line basis over the term of the relevant Lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased Asset and amortised on a straight-line basis over the lease term.

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

(n) Property, Plant and Equipment - Aircraft

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

Subsequently, depreciation is recognised so as to write off the cost of each Asset less the estimated residual value over the estimated useful life of the Asset of 12 years, using the straight line method. As at 31 March 2022, the estimated residual value of the four planes ranges from £30.2 million to £30.8 million (31 March 2021: £34.4 million to £34.8 million). Residual values have been arrived at by taking the average amount of three independent external valuers and after taking into account disposition fees where applicable. The residual values of the A380 Aircraft were determined using soft values excluding inflation, which best approximates residual value as required by IAS 16.

Due to the change in the estimate of residual value of the Aircraft which have been translated at the foreign exchange rate prevailing as at 31 March 2022, there has been a £3,631,539 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 2021 translated at the foreign exchange prevailing as at 31 March 2021.

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.

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 value in use as it recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

2 ACCOUNTING POLICIES (continued)

(o) Financial instruments

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

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

Under IFRS 9, on initial recognition, a financial asset is classified 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.

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.

(p) Dividend policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Estimates

Residual Value, Impairment and Useful Life of Aircraft

As described in note 2 (m), the Group depreciates the Assets on a straight line basis over the estimated useful life of the Assets after taking into consideration the estimated residual value.

IAS 16 requires residual value to be determined as an estimate of the amount that the Group would currently obtain from the disposal of the Asset, after deducting the estimated costs of disposal, if the Asset were of the age and condition expected at the end of its useful life. 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 Aircrafts since the prior financial year. Details of which have been disclosed in note 10.

The Group's future performance can potentially be impacted should the Pandemic 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.

If the estimate of uninflated residual value for use in calculating depreciation had been increased by 30 percent with effect from the beginning of this year, the depreciation charge for the year would have increased by approximately £8 million (31 March 2021: £7.4 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 £30.4 million.

An increase in residual value by 30 percent 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

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

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

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

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

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

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

Rental cash flows to the end of the contract has been used in the calculation of the future cash flow as the cash flows are contractual. Any assumptions with regards issues in counterparty credit risk would be reflected in the discount rate used to calculate the net present value of future cash flows.

The directors, with the support of its Asset Manager believe that for the Group it is reasonable to assume as of the date of approval of the annual financial statements that Emirates will continue with the contracted lease rental payments and there is no evidence at this time that either

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Residual Value, Impairment and Useful Life of Aircraft (continued)
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 percent 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 percent to 4.4 percent, depending on the maturity.
- By using soft values to approximate residual values (and 1.5 percent p.a. inflation), the discount rate is considered appropriate to avoid double counting of risk.

Based on the impairment review performed, an impairment loss of £23,108,481 was recognized the current year (31 March 2021: £48,655,256), which resulted in an updated carrying value of the Aircraft in total to £232,003,692 at year end (31 March 2021: £292,634,892), 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 £2.4 million. An increase in the discount rates by 0.5 percentage points would have had an equal but opposite effect.

If the latest residual value estimates had been decreased by 30 percent, the impairment loss would have increased by £22.4 million to £45.5million. This together with the decreased depreciation charge of £8 million (see page 58) means that the overall impact of a 30 percent fall in residual values would be to reduce net profit for the year and closing Shareholders equity by £30.4 million. An increase in residual value estimates would have an equal and opposite effect

As described in note 2(n), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

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

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 items may result in pricing changes for the Aircraft:

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

Judgements

Operating Lease Commitments - Group as Lessor

The Group has entered into operating leases on four (31 March 2021: four) Assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangement, including consideration of the useful life versus the useful economic life of the aircraft, that it retains all the significant risks and rewards of ownership of these Assets as well as assumes the entirety of the residual value risk, and accounts for the contracts as operating leases.

Functional Currency

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

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

- the 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;
- Lease rentals that are received in USD (as per note 4 and 12) are used to pay the USD loan payments on the USD denominated debt;
- In addition, the set-up of the leasing structures was designed to offer a GBP return to GBP investors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

4 RENTAL INCOME

	Year ended 31 Mar 2022 GBP	Year ended 31 Mar 2021 GBP
A rent income	44,415,493	48,536,299
Adjustment to spread total income receivable over the term of the lease	5,259,464	3,815,705
Amortisation of advance rental income	3,182,333	3,184,479
Deduction of rebate monies	(279,589)	(286,631)
	52,577,701	55,249,852
B rent income	20,472,385	20,472,385
Adjustment to spread total income receivable over the term of the lease	(13,793)	(1)
	20,458,592	20,472,384
Total rental income	73,036,293	75,722,236

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

5 OPERATING EXPENSES

	Year ended 31 Mar 2022 GBP	Year ended 31 Mar 2021 GBP
Corporate shareholder and advisor fee (note 23)	490,403	478,443
Asset management fee (note 23)	662,050	645,961
Liaison agent fee (note 23)	55,981	71,517
Administration fees (note 23)	95,424	91,890
Bank interest and charges	22,577	2,898
Accountancy fees	22,295	21,480
Registrar fees (note 23)	13,894	18,494
Audit fee	44,200	33,900
Directors' remuneration (note 6)	97,396	102,000
Directors' and officers' insurance*	257,233	186,512
Legal and professional expenses	24,301	24,468
Annual fees	1,000	13,910
Other operating expenses	16,355	40,441
	1,803,109	1,731,914

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

6 DIRECTORS' REMUNERATION

Under their terms of appointment, each director is paid a fee of £23,000 per annum by the Group, except for the Chair, who receives £29,000 per annum and the Chair of Audit committee, who receives £27,000 per annum. The rate of remuneration per director has remained unchanged.

7 UNREALISED FOREIGN EXCHANGE (LOSSES)/GAINS

	Year ended 31 Mar 2022 GBP	Year ended 31 Mar 2021 (As restated) GBP
Cash at bank	51,123	(161,721)
Borrowings	(3,073,014)	12,055,651
Rebates	(26,079)	104,831
	(3,047,970)	11,998,761

The foreign exchange gain in the year reflects the 4.91 percent movement in the Sterling/US dollar exchange rate from 1.3783 as at 31 March 2021 to 1.3138 as at 31 March 2022.

8 DIVIDENDS IN RESPECT OF EQUITY SHARES

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

	Year ended 31 Mar 2021	
	GBP	Pence per Share
First interim dividend	4,537,500	2.0625
Second interim dividend	4,537,500	2.0625
Third interim dividend	4,537,500	2.0625
Fourth	4,537,500	2.0625
	18,150,000	8.25

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

9 EARNINGS PER SHARE (As restated)

Earnings per share is based on the net profit for the year attributable to holders of Shares in the Company of £2,651,156 (31 March 2021 restated: net loss for the year of £14,531,884) and 220,000,000 (31 March 2021: 220,000,000) Shares being the weighted average number of Shares in issue during the year.

There are no dilutive instruments and therefore basic and diluted earnings per share are identical.

10 PROPERTY, PLANT AND EQUIPMENT – AIRCRAFT

	Aircraft 31 Mar 2022 GBP	Aircraft 31 Mar 2021 GBP
COST		
As at 1 April	618,050,915	618,050,915
ACCUMULATED DEPRECIATION AND IMPAIRMENT		
As at 1 April	325,416,025	232,206,217
Depreciation charge based on previous residual values	33,891,178	37,267,931
Adjustment due to change in US dollar residual values	4,876,882	4,564,502
Adjustment due to FX movements on residual values	(1,245,343)	2,722,117
Net depreciation charge for the year	37,522,717	44,554,550
Adjustment due to impairment	23,108,481	48,655,256
As at 31 March	386,047,223	325,416,025
CARRYING AMOUNT		
As at 31 March	232,003,692	292,634,892

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 2022 of 1.3138 (31 March 2021: 1.3783) and a 16.1 percent decrease in average appraised residual values in US Dollar terms, resulted in a £3,631,539 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 2021 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).

Note 15 ('Borrowings') describes the borrowings obtained by the Company to part-finance the acquisition of its Aircraft. The Company has obligations under the Loan to make scheduled repayments of principal and interest, which are serviced by the receipt of lease payments from Emirates. The Company's Aircraft with a carrying value of £232,003,692 is pledged as security for the Company's borrowings (see note 15).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

11 FINANCE COSTS

	Year ended 31 Mar 2022 GBP	Year ended 31 Mar 2021 GBP
Amortisation of debt arrangements costs	387,338	387,338
Interest payable	4,527,333	6,931,660
	4,914,671	7,318,998

12 OPERATING LEASES

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

31 Mar 2022	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft – A rental receipts	45,798,806	22,931,649	–	68,730,454
Aircraft – B rental receipts	20,472,384	51,190,344	–	71,662,728
	66,271,190	74,121,993	–	140,393,182

31 Mar 2021	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft – A rental receipts	44,025,219	65,853,895	–	109,879,114
Aircraft – B rental receipts	20,472,384	71,662,728	–	92,135,112
	64,497,603	137,516,623	–	202,014,226

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

12 OPERATING LEASES (continued)

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

13 RECEIVABLES

	31 Mar 2022 GBP	31 Mar 2021 GBP
Prepayments	146,987	124,524
Sundry debtors	40	40
	147,027	124,564

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

14 PAYABLES (due within one year)

	31 Mar 2022 GBP	31 Mar 2021 GBP
Accrued administration fees	9,496	9,838
Accrued audit fee	40,800	33,200
Accrued registrar fees (note 23)	1,016	4,259
Other accrued expenses	55,933	51,914
	107,245	99,211

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

For the year ended 31 March 2022

15 BORROWINGS

	31 Mar 2022 GBP	31 Mar 2021 GBP
Equipment Notes	66,644,902	103,460,047
Associated costs	(1,380,620)	(1,767,958)
	65,264,282	101,692,089
Current portion	42,224,604	39,933,913
Non-current portion	23,039,678	61,758,176

Notwithstanding the fact that £40.3 million (31 March 2021: £41.7 million) debt was repaid during the year, as per the Consolidated Statement of Cash Flows, the value of the borrowings has decreased by £35.8 million (31 March 2021: £53.3 million) due to the 4.91 percent movement in the Sterling / US dollar exchange rate for the year from 1.3783 at 31 March 2021 to 1.3138 at 31 March 2022. See note 21.

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

	31 Mar 2022 GBP	31 Mar 2021 GBP
Amount due for settlement within 12 months	46,145,772	44,355,945
Amount due for settlement after 12 months	22,922,132	65,835,747

In order to finance the acquisition of the Assets, the Subsidiary used the Certificates. The Certificates have an aggregate face amount of approximately $630 million, made up of "Class A" certificates and "Class B" certificates. The Class A certificates in aggregate have a face amount of $462 million with an interest rate of 5.250 percent and a final expected distribution date of 30 May 2023. The Class B certificates in aggregate had a face amount of $168 million with an interest rate of 6.125 percent and were repaid on 30 November 2019. There is a separate trust for each class of Certificate. The trusts used the funds from the Certificates to acquire equipment notes. The equipment notes were issued to Wilmington Trust, National Association as pass through trustee in exchange of the consideration paid by the purchasers of the Certificates. The equipment notes were issued by the Subsidiary and the proceeds from the sale of the equipment notes financed a portion of the purchase price of the four airbus A380-861 Aircraft, with the remaining portion being financed through contribution from the Group of the Share issue proceeds. The holders of the equipment notes issued for each Aircraft have the benefit of a security interest in such Aircraft. The remaining balance is being repaid by continuing to amortise borrowings that pays both principal and interest through periodic payments.

In the directors' opinion, the carrying values of the equipment notes are approximate to their fair value.

16 REBATES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

17 SHARE CAPITAL

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

Issued	Administrative Shares	Shares
Issued shares as at 31 Mar 2022 and 31 Mar 2021	2	220,000,000

Issued	Administrative Shares GBP	Shares GBP	Total GBP
Shares			
Share Capital as at 31 Mar 2022 and 31 Mar 2021	–	208,953,833	208,953,833

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

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

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

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

18 CASH AND CASH EQUIVALENTS

	31 Mar 2022 GBP	31 Mar 2021 GBP
Cash at bank	13,976,504	13,749,583
	13,976,504	13,749,583

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

19 FINANCIAL INSTRUMENTS

The Group's main financial instruments comprise:

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

(b) The debt secured on non-current assets.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

	31 Mar 2022 GBP	31 Mar 2021 GBP
Financial assets		
Cash and cash equivalents	13,976,504	13,749,583
Receivables (excluding prepayments)	40	40
Financial assets measured at amortised cost	13,976,544	13,749,623
Financial liabilities		
Payables	–	99,209
Rebates	178,243	509,707
Borrowings	65,264,282	101,692,089
Financial liabilities measured at amortised cost	65,442,525	102,301,005

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

(a) Capital Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents disclosed in note 18 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 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign Currency Risk

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

Lease rentals (as detailed in notes 4 and 12) are received in US dollars and Sterling. Those lease rentals received in US dollars are used to pay the equipment note repayments due, also in US dollars (as detailed in note 16). Both US dollar lease rentals and equipment note repayments are fixed and are for similar sums and similar timings. The matching of lease rentals to settle equipment note repayments therefore minimise risks caused by foreign exchange fluctuations.

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

	31 Mar 2022 GBP	31 Mar 2021 GBP
Debt (US dollar) - Liabilities	66,644,902	103,460,047
Cash and cash equivalents (US dollar) - Asset	1,057,690	1,363,793

The following table details the Group's sensitivity to a 15 percent (31 March 2021: 25 percent) appreciation of the US dollar against sterling. This represents the directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. The table below shows that profit and other equity fall where the US dollar strengthens 15 percent because the net dollar liabilities increase in pound terms. (31 March 2021: 25 percent). For a 15 percent (31 March 2021: 25 percent) weakening of the US dollar against the pound, there would be a comparable but opposite impact on the profit and other equity.

	31 Mar 2022 US dollar Impact GBP	31 Mar 2021 US dollar Impact GBP
Profit or loss	10,155,389	(20,964,768)
Net asset value	10,155,389	(20,964,768)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit Risk

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

Refer to the going concern section page 20 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 2022 GBP	31 Mar 2021 GBP
Receivables (excluding prepayments)	40	40
Cash and cash equivalents	13,976,504	13,749,583
	13,976,544	13,749,623

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

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

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

(d) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The Group's main financial commitments are its ongoing operating expenses and payments on equipment notes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity Risk (continued)

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

31 Mar 2022	1-3 months GBP	3-12 months GBP	1-2 years GBP	2-5 years GBP	Over 5 years GBP
Financial liabilities					
Payables - due within one year	107,245	–	–	–	–
Equipment Notes	23,122,415	23,023,357	22,922,132	–	–
Rebates	234,176	234,176	234,176	–	–
	23,463,836	23,257,533	23,156,308	–	–

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	99,209	–	–	–	–
Equipment Notes	22,223,184	22,132,761	43,986,298	21,849,450	–
Rebates	234,176	234,176	702,529	–	–
	22,556,569	22,366,937	44,688,827	21,849,450	–

(e) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows. It is the risk that fluctuations in market interest rates will result in a reduction in deposit interest earned on bank deposits held by the Group.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the year ended 31 March 2022

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Interest Rate Risk (continued)

31 Mar 2021	Variable interest GBP	Fixed interest GBP	Non-interest Bearing GBP	Total GBP
Financial Assets				
Receivables (excluding prepayments)	–	–	40	40
Cash and cash equivalents	13,749,583	–	–	13,749,583
Total Financial Assets	13,749,583	–	40	13,749,623
Financial Liabilities				
Payables	–	–	99,209	99,209
Equipment Notes	–	103,460,047	–	103,460,047
Rebates	–	–	849,512	849,512
Total Financial Liabilities	–	103,460,047	948,721	104,408,768
Total interest sensitivity gap	13,749,583	103,460,047		

If interest rates had been 250 basis points (31 March 2021: 50 basis points) higher throughout the year and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2022 would have been £349,413 (31 March 2021: £68,748) greater due to an increase in the amount of interest receivable on the bank balances.

If interest rates had been 250 basis points (31 March 2021: 50 basis points) lower throughout the year and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2022 would have been £349,413 (31 March 2021: £68,748) lower due to a decrease in the amount of interest receivable on the bank balances.

21 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	31 Mar 2022 GBP	31 Mar 2021 GBP
Opening Balance	103,460,047	157,120,338
Cash flows paid - capital	(40,335,982)	(41,716,622)
Cash flows paid - interest	(4,420,370)	(7,185,167)
Non-cash flows		
- Interest accrued	4,527,333	6,931,660
- Rebates movement	314,781	470,320
- Effects of foreign exchange – Rebates	26,079	(104,831)
- Effects of foreign exchange - Loans	3,073,014	(12,055,651)
Closing Balance	66,644,902	103,460,047

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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For the year ended 31 March 2022

22 ULTIMATE CONTROLLING PARTY

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

23 RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Significant contracts who provide key management personnel to the reporting entity

Amedeo is the Group's Asset Manager.

During the year, the Group incurred £718,031 (31 March 2021: £731,131) of expenses with Amedeo of which £662,050 (31 March 2021: £645,960) related to asset management fees as shown in note 5, £55,981 (31 March 2021: £71,517) was liaison agent fees and £nil (31 March 2021: £13,653) reimbursed expenses. As at 31 March 2022, £74,030 (31 March 2021: £90,935) was prepaid to this related party.

Nimrod is the Group's Corporate and Shareholder Advisor.

During the year, the Group incurred £490,403 (31 March 2020: £484,903) of expenses with Nimrod. As at 31 March 2022, £nil (31 March 2021: £nil) was owing to this related party.

Significant contracts

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

During the year, the Group incurred £13,894 (31 March 2021: £18,494) of expenses with JTC Registrars as shown in note 5. As at 31 March 2022 £1,016 (31 March 2020: £4,259) was owing to this related party.

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

During the year, the Group incurred expenses with JTC Fund Services (Guernsey) Limited of £95,424, in addition to accountancy fees of £22,295 (31 March 2021: £91,890 in addition to accountancy fees of £21,480) as shown in note 5. As at 31 March 2022, £9,496 (31 March 2021: £9,838) was owing to this related party.

Related parties

The Board are considered to be key management personnel. For details regarding the directors' remuneration please refer to note 6. Shares held by them are disclosed on page 24 in the directors' report.

24 SUBSEQUENT EVENTS

On 12 April 2022, a further dividend of 2.25 pence per Share was declared and this was paid on 30 April 2022.

On 14 July 2022, a further dividend of 2.25 pence per Share was declared and this will be paid on 29 July 2022.

No other subsequent events to disclose.

KEY ADVISERS AND CONTACT INFORMATION

KEY INFORMATION

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

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