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# DORIC NIMROD AIR TWO LIMITED

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## Half-Yearly Financial Report

For the period from 1 April 2022 to 30 September 2022

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# CONTENTS

<b>Page</b>	
1	Definitions
4	Summary Information
5	Company Overview
7	Chair's Statement
9	Asset Manager's Report
16	Directors
17	Interim Management Report
18	Responsibility Statement
19	Consolidated Statement of Comprehensive Income
20	Consolidated Statement of Financial Position
21	Consolidated Statement of Cash Flows
22	Consolidated Statement of Changes in Equity
23	Notes to the Consolidated Financial Statements
45	Key Advisors and Contact Information

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## DEFINITIONS

"Administrative Shares"	Subordinated Administrative Shares
"AED"	United Arab Emirates Dirham
"ANZ"	The Australia and New Zealand Banking Group Limited
"Articles"	Company's Articles of Incorporation
"ASKs"	Available Seat Kilometres
"Asset(s)" or the "Aircraft"	Airbus A380 Aircraft owned by DNA 2
"Board" or "Directors"	Company's Board of Directors
"CDS"	Credit Default Swaps
"Certificates"	DNAFA Pass Through Certificates issued in May 2012
"Chair"	Chair of the Board
"Code"	The UK Corporate Governance Code
"C Shares"	Convertible Preference Shares
"DGTRs"	Disclosure Guidance and Transparency Rules
"Distribution Policy"	Distribution of 4.50 Pence per Share per Quarter
"DNA2" or the "Company"	Doric Nimrod Air Two Limited
"DNAFA"	Doric Nimrod Air Finance Alpha Limited
"Doric LLP"	Doric Partners LLP
"Doric" or the "Asset Manager"	Doric GmbH
"DWC"	Dubai World Central International Airport
"EETC"	Enhanced Equipment Trust Certificates
"Emirates" or the "Lessee"	Emirates Airline
"Equity"	C Share Issue
"ESG"	Environmental, Social and Governance
"EU"	European Union
"FCA"	Financial Conduct Authority
"FRC"	Financial Reporting Council
"FVOCI"	Fair Value through Other Comprehensive Income
"FVTPL"	Fair Value through Profit or Loss

**DEFINITIONS** (continued)

"GBP", "£" or "Sterling"	Pound Sterling
"GDP"	Gross Domestic Product
"GFSC"	Guernsey Financial Services Commission
"Grant Thornton"	Grant Thornton Limited
"Group"	The Company and its Subsidiaries
"IAS 1"	International Accounting Standard 1 – Presentation of Financial Statements
"IAS 8"	International Accounting Standard 8 – Accounting Policies
"IAS 16"	International Accounting Standard 16 – Property, Plant and Equipment
"IAS 36"	International Accounting Standard 36 – Impairment of Assets
"IASB"	International Accounting Standards Board
"IATA"	International Air Transport Association
"ICAO"	International Civil Aviation Organization
"IFRIC"	International Financial Reporting Interpretations Committee
"IFRS"	International Financial Reporting Standards
"IFRS 13"	IFRS 13 – Fair Value Measurement
"IFRS 16"	IFRS 16 – Leases
"ISTAT"	International Society of Transport Aircraft Trading
"JTC" or "Secretary" or "Administrator"	JTC Fund Solutions (Guernsey) Limited
"Law"	The Companies (Guernsey) Law, 2008, as Amended
"Lease(s)"	Lease of Aircraft to Emirates
"Loan(s)"	Borrowings obtained by the Group to part-finance the acquisition of Aircraft
"LSE"	London Stock Exchange
"NBV"	Net Book Value
"Nimrod" or "Corporate and Shareholder Adviser"	Nimrod Capital LLP
"Pandemic"	COVID-19 Pandemic
"Period"	1 April 2022 until 30 September 2022

## DEFINITIONS (continued)

"PLF"	Passenger Load Factor
"Registrar"	JTC Registrars Limited
"RPKs"	Revenue Passenger Kilometres
"SFS"	Specialist Fund Segment
"Shareholders"	Shareholders of the Company
"Shares"	Ordinary Preference Shares of the Company
"Share Capital"	Share Capital of the Company
"Subsidiaries"	MSN077 Limited, MSN090 Limited, MSN105 Limited and DNAFA
"UK"	United Kingdom
"USD" or "\$"	US Dollars
"VIU"	Value-In-Use
"Westpac"	Westpac Banking Corporation

## SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA2
Share Price	91.00 pence (as at 30 September 2022) 93.50 pence (as at 12 December 2022)
Market Capitalisation	GBP161.521 million (as at 12 December 2022)
Current / Future Anticipated Dividend	Current dividends are 4.5 pence per quarter per Share (18 pence per annum) and it is anticipated that this will continue until the aircraft leases begin to terminate in 2023
Dividend Payment Dates	April, July, October, January
Currency	Sterling
Launch Date / Share Price	14 July 2011 / 200 pence
Incorporation and Domicile	Guernsey
Aircraft Registration Numbers (Lease Expiry Dates including the 2 year extension)	A6-EDP (14 October 2023) A6-EDT (2 December 2023) A6-EDX (1 October 2024) A6-EDY (1 October 2024) A6-EDZ (12 October 2024) A6-EEB (9 November 2024) A6-EEC (30 November 2024)
Asset Manager	Doric GmbH
Corporate and Shareholder Adviser	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Limited
Auditor	Grant Thornton Limited
Market Makers	finnCap Ltd Investec Bank Jefferies International Ltd Numis Securities Ltd Shore Capital Limited Winterflood Securities Ltd
SEDOL, ISIN, LEI	B3Z6252,GG00B3Z62522, 213800ENH57LLS7MEM48
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

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. For the purpose of this report the Leases are all referred to as 12 year leases.

# COMPANY OVERVIEW

DNA2 is a Guernsey company incorporated on 31 January 2011.

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

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

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

As at 12 December 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 172,750,000 Shares. The Shares were trading at 93.50 pence per Share.

## Investment Objectives and Policy

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

## Subsidiaries

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

The first Asset was acquired by MSN077 Limited on 14 October 2011 for a purchase price of \$234 million and has been leased to Emirates for an expected initial term of 10 years to October 2021, with an extension period of 2 years ending October 2023, with fixed lease rentals for the duration. The loan terms for this aircraft were arranged to match the contractual rental received during the lease term. With the extension option utilized, the loan payments are matching with the contractual rental payments over the now 12 years lease term.

The second Asset was acquired by MSN090 Limited on 2 December 2011 for a purchase price of \$234 million and has been leased to Emirates for an expected initial term of 10 years to December 2021, with an extension period of 2 years ending December 2023, with fixed lease rentals for the duration. The loan terms for this aircraft were arranged to match the contractual rental received during the lease term. With the extension option utilized, the loan payments are matching with the contractual rental payments over the now 12 years lease term.

The third Asset was acquired by MSN105 Limited on 1 October 2012 for a purchase price of \$234 million and has been leased to Emirates for an expected initial term of 10 years to October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The loan terms for this aircraft were arranged to match the contractual rental received during the lease term. With the extension option utilized, the loan payments are matching with the contractual rental payments over the now 12 years lease term.

The fourth Asset, MSN 106, was acquired by DNAFA on 1 October 2012 for a purchase price of \$234 million and has been leased to Emirates for an expected initial term of 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The finance for this aircraft was initially arranged via EETC with payment terms to match the contractual rental received during the initial lease term of 10 years. The EETC will be fully repaid in November 2022.

The fifth Asset, MSN 107, was acquired by DNAFA on 12 October 2012 for a purchase price of \$234 million and has been leased to Emirates for an expected initial term of 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The finance for this aircraft was initially arranged via EETC with payment terms to match the contractual rental received during the initial lease term of 10 years. The EETC will be fully repaid in November 2022.

## COMPANY OVERVIEW (continued)

The sixth Asset, MSN 109, was acquired by DNAFA on 9 November 2012 for a purchase price of \$234 million and has been leased to Emirates for an expected initial term of 10 years ending November 2022, with an extension period of 2 years ending November 2024, in which rental payments reduce. The finance for this aircraft was initially arranged via EETC with payment terms to match the contractual rental received during the initial lease term of 10 years. The EETC will be fully repaid in November 2022.

The seventh Asset, MSN 110, was acquired by DNAFA on 30 November 2012 for a purchase price of \$234 million and has been leased to Emirates for an expected initial term of 10 years ending November 2022, with an extension period of 2 years ending November 2024, in which rental payments reduce. The finance for this aircraft was initially arranged via EETC with payment terms to match the contractual rental received during the initial lease term of 10 years. The EETC will be fully repaid in November 2022.

The Leases for all Aircraft will run for the extended period of twelve years as the Lessee has in all cases made use of the extension option.

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

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

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

Further information about the construction of these Leases is available in note 12 to the Financial Statements.

### Distribution Policy

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

There can be no guarantee that dividends will be paid to Shareholders and, if dividends are paid, 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 period under review, and in accordance with the Distribution Policy, the Company declared two interim dividends of 4.50 pence per Share. One interim dividend of 4.50 pence per Share has been declared after the reporting period. Further details of dividend payments can be found on page 32.

### Return of Capital

The Company intends to return to Shareholders net capital proceeds if and when the Company is wound-up (pursuant to a shareholder resolution, including a 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 June 2025 where an ordinary resolution will be proposed that the Company proceed to an orderly wind-up. In the event that the liquidation resolution is not passed, the Directors will consider alternatives for the future of the Company, including re-leasing the Assets, or selling the Assets and reinvesting the capital received from the sale of the Assets in other aircraft.



## CHAIR'S STATEMENT

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

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft. The structures of the operating leases relating to the Company's seven Aircraft are described on pages 34 and 35.

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 12 December 2022, the latest practicable date prior to this report, the Company had outstanding debt associated with the Aircraft totalling USD 11.8 million (1.15% of the initial balance). At the time of writing the share price is 93.50 pence, representing a market capitalisation of GBP 161.521 million based on the 172,750,000 Shares in issue.

All payments by Emirates during the Period and throughout the Leases have been made in accordance with the respective terms of the Leases. Most of the Company's Aircraft have been stored since March 2020, currently at DWC. One aircraft (MSN 106) returned to service in June 2022.

IATA report that air passenger travel continues its robust recovery, driven by increased demand for domestic flights globally, with the strongest momentum in China (where travel is around 31% below its July 2019 levels). According to IATA, willingness to travel remains strong despite high energy prices, traffic disruptions, and other economic headwinds. 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. According to Emirates' latest update on the cabin retrofit program from August, the airline will upgrade the entire interior cabin of 67 Airbus A380 and 53 Boeing 777-300ER. From November 2022 the airline aims to completely refurbish four aircraft each month, starting with the A380s, followed by the Boeing 777-300ERs. Clark also seems skeptical 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 airline results for the half-year to 30 September 2022 reported a new record profit of USD 1.1 billion, compared to last year's loss of USD 1.6 billion. Emirates revenue, including other operating income, of USD 13.7 billion was up 131% compared with the same period last year. The airline reported an average PLF of 78.5%, compared with 47.9% during the same period last year. Emirates Group ended the period with a strong cash position of USD 8.9 billion on 30 September 2022, compared to USD 7.0 billion, on 31 March 2022.

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 12 December 2022 these instruments are trading at approximately 99.7, 98.5 and 97.0 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 Doric.

The Company's first Lease with Emirates expires in October 2023. In March and April 2022 two of the Company's subsidiaries received notice from Emirates that the lessee is exercising the option to enable it, if it chooses to return the Aircraft, to redeliver the respective Aircraft in the minimum condition equivalent to "half-life" together with a cash sum, as opposed to delivery in full-life condition. In the event the Aircraft are returned to the lessor, Emirates will pay the sum of USD 12 million per Aircraft in addition to the normal monetary compensation arrangements. Notwithstanding the above, the opportunity for lease extension, sale or re-lease for the respective Aircraft with Emirates or other counterparties remains open.

## CHAIR'S STATEMENT (continued)

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

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

For instance, the entirety of the rental income that is receivable under the 12-year Leases (including advance rental received as part of the initial acquisition of the Assets) is credited evenly over each of the 144 months of the Leases. However rental income has been received in advance of this uniform pattern in order to match and fund the accelerated payment down of debt. Thus as at 30 September 2022, some 96% of A Rent receivable under the Leases has been received, which has funded the payment down of 95% initial borrowings, whereas under the relevant accounting standard only some 85% may be recognised. This mismatch in timing between the receipt and recognition of rental income results in a deferred income creditor of GBP 115 million or some 66 pence per Share in the 30 September 2022 balance sheet. This is an artificial accounting adjustment in the sense that it does not represent a liability to pay GBP 115 million to third parties. The faster that income is received and debt repaid the larger the resultant creditor producing a reduction in reported net asset value.

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

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

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

Your Board recognises the importance of ESG matters in relation to shareholders' investment considerations. Our ESG report as previously published within the 31 March 2022 annual financial report sought to address the topic in a pragmatic fashion with no significant updates to be included in this report.

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.

**Geoffrey Hall**  
Chair

**15 December 2022**

# ASSET MANAGER'S REPORT

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

## COVID-19

Despite the beginning of a recovery from COVID-19 being seen in many industries, the impact of the pandemic on the aviation sector has been significant and is still pervasive.

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

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

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

Due to the effects of COVID-19, the aircraft have been stored since March 2020, currently at Dubai World Central International Airport (DWC). One aircraft (MSN 106) has returned to service in June 2022.

## 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 COVID-19 pandemic, Emirates has stored six of the seven Aircraft owned by the Group in Dubai. The Lessee has "a comprehensive aircraft parking and reactivation programme [in place], that strictly follows manufacturer's guidelines and maintenance manuals". In addition, Emirates has enhanced standards and protocols of their own, to protect and preserve the 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. Five aircraft of the Company are in deep storage condition at this time and could be reactivated within weeks.

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

## ASSET MANAGER'S REPORT (continued)

### Inspections

Doric, the asset manager, conducted physical inspections and records audits of the Aircraft as per the below table. Due to the storage of the Aircraft and the protective measures associated with this, the inspections of the Aircraft were limited to viewing the outside of the Aircraft from ground level. The condition of the Aircraft – to the extent visible – and the records were in compliance with the provisions of the respective lease agreements, taking into account that the Aircraft were in storage at that moment.

MSN	Last Inspection	MSN	Last Inspection
077	03/2022	107	04/2022
090	03/2022	109	11/2021
105	06/2022	110	11/2021
106	09/2021		

## 2. Market Overview

The impact of the Pandemic on the global economy has been severe, resulting in a contraction in global GDP of 3.3% in 2020, followed by an expected recovery of 5.7% in 2021 and 2.9% in 2022, according to the World Bank's report on global economic prospects from June 2022. In its latest economic impact analysis from September 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 22% to 24% from its 2019 levels. This translates into a 31% to 34% 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 42.1 billion for 2021, after approximately USD 137.7 billion in the previous year, according to its latest estimates from June 2022. For 2022, the combined net loss of airlines worldwide is expected to reach USD 9.7 billion.

Air passenger travel continues its robust recovery, according to IATA. Industry-wide revenue passenger kilometres (RPKs) grew by 78% between January and July 2022 compared to the same period the year before. The global PLF averaged at 76.2%, up by 12.1 percentage points from last year. The industry's recovery in July 2022, the latest period for which data is available, was driven by increased demand for domestic flights globally, with the strongest momentum in China. In June 2022 domestic air travel in China was about 50% below its June 2019 levels. Only one month later this shortfall reduced to 31% below the July 2019 levels, an improvement of 19 percentage points within a month. International traffic benefitted from easing travel restrictions in Asia Pacific. International RPKs were up by 151% compared to July last year, while domestic air travel increased by 4% compared to July 2021, after trending sideways for the last few months.

The Middle East, where the Lessee is located, recorded an RPK increase of 206% in the first seven months of the current year compared to the same period in 2021. A less dynamic increase in capacities, measured in available seat kilometres (ASKs) resulted in nearly 29 percentage points improvement of the average PLF to 72.4%.

In July 2022, industry-wide RPKs were about 25% below its pre-pandemic level from July 2019, while capacity measured in ASKs was approximately 24% lower than three years ago. The PLF averaged at 83.5%, a shortfall of 2.0 percentage points compared to its July 2019 levels.

According to IATA willingness to travel remains strong despite high energy prices, traffic disruptions, and other economic headwinds. "The biggest impact going into next year will be what happens in China and whether China starts to relax the situation", IATA's director general Willie Walsh commented on the outlook in September 2022. While China has relaxed internal restrictions within the country resulting in a substantial increase in domestic air travel, border restrictions in China and elsewhere in Asia Pacific still result in a lagged recovery, compared to other regions of the world. Walsh expects the worldwide air passenger travel to return to pre-pandemic levels by 2024.

Source: IATA, ICAO, World Bank

© International Air Transport Association, 2022. Air Passenger Market Analysis July 2022. Available on the IATA Economics page.

© International Civil Aviation Organization. Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 12 September 2022.

## ASSET MANAGER'S REPORT (continued)

### 3. Lessee – Emirates

#### Network

Due to a slower than expected ramp up of resources at Heathrow Airport Emirates was forced to cap further ticket sales for flights between mid-July and mid-August. After a shortage on its own ground staff the airport operator limited the number of departing passengers at 100,000 a day from mid-July. Previously an increasing number of passengers had experienced long queues, baggage delays and flight cancellations. While Emirates has its own ground handling and catering services via its affiliate dnata on-site, which were fully ready and capable of handling all Emirates' flights during the summer peak, the airline has to rely on central services and systems, which are at the responsibility of the airport operator. Originally scheduled until 11 September, the passenger cap has now been extended until the end of October. IATA's Willie Walsh told Reuters that "they [Heathrow Airport] got it completely wrong", noting that airlines had predicted a strong rebound in traffic. In a public statement from mid-July 2022 Emirates noted having reinstated six daily A380 flights since October 2021 with "regularly high seat loads" from the beginning, the airline's operational requirements "cannot be a surprise to the airport".

In early August 2022 Emirates has resumed passenger flights to its third London gateway, London Stansted. The daily Boeing 777 service complements six daily flights to Heathrow and double daily A380 services to Gatwick.

At the end of August 2022 Emirates announced to have carried more than 10 million passengers on nearly 35,000 flights to 130 destinations this summer. It is currently operating at 74% of its pre-Pandemic network/capacity and plans to increase this number to 80% by year end.

In September 2022 United Airlines (United) and Emirates have signed a codeshare agreement. From November on United customers will get access to more than 100 destinations through Emirates' hub in Dubai. In return Emirates' passengers can continue their journey to approximately 200 US cities through Chicago, San Francisco, and Houston.

Between October 2022 and January 2023 Emirates will add a third daily flight to Mauritius, complementing the double daily A380 services to the island off the southeast coast of Africa. Earlier this year the airline renewed its Memorandum of Understanding with the Mauritius Tourism Promotion Authority jointly promoting the destination across Emirates' global network. From March 2023 United intends to offer non-stop flights connecting Newark Liberty Airport with Dubai.

Only months after its inaugural flight to Tel Aviv (Israel) Emirates will add a second daily flight starting 30 October 2022, also boosting Emirates' SkyCargo belly-hold capacity by another 20 tonnes a day to meet demand from businesses, enhancing the import and export opportunities.

In response to the devastating floods haunting Pakistan and leaving millions homeless, Emirates SkyCargo has set up an airbridge between its hub in Dubai and five destinations in Pakistan to offer cargo capacity free of charge on flights to transport relief aid like critical equipment, supplies, food, and other emergency relief goods. Emirates operates 53 passenger flights per week to Pakistan.

From 30 October 2022 Bengaluru (India) will be the second city in India Emirates will serve with an A380. The daily service complements two daily Boeing 777 flights. Post-pandemic Emirates has rebuilt its A380 network of more than 30 destinations on six continents and will reintroduce direct A380 services to Auckland (New Zealand) and Kuala Lumpur (Malaysia) from 1 December. Currently Auckland is linked via a stop in Kuala Lumpur with a Boeing 777-300ER service. In order to meet strong demand from Australia Emirates will also upgrade its service to Perth to an A380 later this year.

Emirates continues to rebuild its capacities to South Africa with additional flights to Johannesburg (three daily flights in total from 1 March 2023), Cape Town (double daily services starting from 1 February 2023) and Durban (daily flights from 1 December 2022). The enhanced schedule will offer 42 weekly services in a combination of A380 and 777 operations.

As of May 2022, Emirates no longer operates leased aircraft in and out of Russia, which includes the Company's aircraft, due to restrictions imposed upon their insurance policy. However, they continue to operate their owned aircraft into this jurisdiction.

By the end of September 2022 the airline was operating passenger and cargo services to 140 airports.

## ASSET MANAGER'S REPORT (continued)

### 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 we started to drop some, I just decided to bring them back into the program." With a looming aircraft shortage in Emirates' fleet in 2024/25, Clark wants to extend aircraft lives: "Life extension will affect about 120 aircraft... Their life will be extended by six to ten years each." In June 2022 Tim Clark publicly confirmed that the airline wants to "retain" all of their currently 118 A380s, "probably until the mid-2030s".

According to Emirates' latest update on the cabin retrofit program from August, the airline will upgrade the entire interior cabin of 67 Airbus A380 and 53 Boeing 777-300ER. From November this year the airline aims to completely refurbish four aircraft each month, starting with the A380s, followed by the Boeing 777-300ERs. The multi-billion-dollar investment runs till April 2025. The comprehensive programme is managed by Emirates' own engineering team and includes the refurbishment of more than 700 First Class suites, 5,000 Business Class and more than 37,000 Economy Class seats, upgraded carpets and stairs as well as refreshed cabin interior panels. In addition, Emirates will install nearly 4,000 new Premium Economy seats across the 120 existing aircraft, currently only available on a handful of A380s. According to the company, this is the largest known retrofit programme ever handled by an airline in-house. The first retrofitted A380s with Premium Economy are scheduled to enter service in December this year to five destinations including New York JFK, San Francisco, Melbourne, Auckland, and Singapore.

One of the reasons for the comprehensive retrofit programme is Clark's scepticism about the delivery timelines of the new aircraft types the airline has ordered with Airbus and Boeing. He also stressed that 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. Because of 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 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."

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

### **Airbus A350**

Emirates has also ordered 50 Airbus A350-900 widebody aircraft with the first deliveries starting in 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."

## ASSET MANAGER'S REPORT (continued)

In June 2022 Tim Clark revealed talks with Airbus to compress the upcoming A350 deliveries, which are scheduled to start in summer 2024, according to Clark: "We'll probably get up to two a month – we've got 50 coming – so we're trying to get the whole lot done in two years to pick up this big capacity hole that we can see."

In addition, Emirates is also weighing an order for the A350-1000, as the capacity gap sometime between 2024 and 2027 due to Boeing's delivery delays would be hard to fill through existing order commitments, said Clark. "This is why we're getting a bit wary and we're looking at the A350. We really only have one place to go."

The table below details the passenger aircraft fleet activity as of 30 September 2022:

### Passenger Aircraft Fleet Activity

Aircraft Type	Grounded	In Service
A380	41	80
777	0	133
<b>Total</b>	<b>41</b>	<b>213</b>
<b>%</b>	<b>16%</b>	<b>84%</b>

Source: Cirium as of 30 September 2022

Commenting on the number of A380 aircraft 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 is not worried to utilize the additional capacity: "Today, if we had 118 [A380s] they'd all be full," he said back in March. In August 2022 Tim Clark assumed to have all A380 aircraft currently parked back in the air by spring 2023.

As vocal proponent of the A380, Tim Clark recently used multiple occasions to speak about a successor model for the A380. He believes that the largest planes currently offered from Airbus and Boeing, A350-1000 and 777-9, are too small to replace the A380 in Emirates' fleet: "If you take the A380s out of the frame by the mid-2030s, how are you going to make it work? Do we see massive upgrades of airfields or new airfields?" Clark fears that available slots will not keep up with the future growth in passenger numbers, if demand returns to its long-term pre-Pandemic growth path of 4.5% per year and that larger aircraft than currently orderable are needed. However, Clark admits building a new plane the size of the current A380 or even bigger is a challenging business case: "Do I think that airlines will step up and sign up to this project? Doubtful at this stage." Geoff Van Klaveren from independent aviation consultancy firm IBA confirms Emirates' view: "A very large plane is key to Emirates' business model, because 70% of their passengers connect to other flights, but I don't think Airbus or Boeing will build one just for them", adding that the most likely outcome is that even larger variants of the A350 and 777X will be made instead.

### Key Financials

In the first half of its 2022/23 financial year ending on 30 September 2022, Emirates recorded a net profit of AED 4.0 billion (USD 1.1 billion), a record half-year performance for the company. This is a significant improvement of the airline's profitability, after Emirates generated a net loss of AED 5.8 billion (USD 1.6 billion) in the same period the year before. The airline "continued to focus on restoring its global passenger network and connections through its Dubai hub, restarting services and adding flights to meet customer demand across markets". Revenue, including other operating income, was up 131% from the same period last year and reached AED 50.1 billion (USD 13.7 billion). Emirates attributes the strong turnaround performance to strong passenger demand for international travel across markets and "the airline's ability to plan ahead to meet the demand, activate capacity, and attract customers".

Pandemic-induced travel restrictions and safety measures in many regions around the globe were partially retracted and allowed for a continuing recovery of passenger air travel. Between April and September 2022 Emirates carried 20.0 million passengers, more than doubling the number from the same period the year before. Cargo uplift came in 14% lower than last year, as Emirates reallocated capacities temporarily used for Emirates' SkyCargo operations back to passenger operations.

## ASSET MANAGER'S REPORT (continued)

As more countries eased travel restrictions, Emirates increased its capacity measured in ASKs, by 123%. At the same time its passenger traffic, measured in RPKs, increased by 265%. This resulted in the average PLF of 78.5%, an improvement of 30.6 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 73%. The carrier's fuel cost more than tripled compared to the same period last year, primarily due to a 65% higher fuel uplift in line with increasing flight operations as well as a doubling in average oil prices. Fuel, which had been the largest component of Emirates' operating cost prior to the Pandemic, accounted for 38% of total operating costs in the first half of the company's 2022/23 financial year. This is one of the highest ratios on record for the airline. In the same period last year this ratio amounted to only 20% with depreciation, amortization and impairment being the largest component of the carrier's operating cost at that time.

The recovery in Emirates' operations during the first six months of the 2022/23 financial year led to an improved EBITDA of AED 14.7 billion (USD 4.0 billion) compared to AED 5.0 billion (USD 1.4 billion) from last year.

As of 30 September 2022, Emirates' total liabilities decreased by 2.4% to AED 126.5 billion (USD 34.5 billion USD) compared to the end of the previous financial year. Amongst other things, the airline repaid AED 6.3 billion (USD 1.7 billion) in bonds and term loans. Total equity came in at AED 25.9 billion (USD 7.0 billion), an improvement of 27.2% since the beginning of the current financial year. Emirates' equity ratio stood at 17.0% and its cash position, including short-term bank deposits, amounted to AED 27.8 billion (USD 7.6 billion) at the end of September 2022. In comparison, the carrier had AED 20.9 billion (USD 5.7 billion) in cash assets and short-term bank deposits at the end of the 2021/22 financial year. The net cash flow from operating activities came in at AED 20.6 billion (USD 5.6 billion) for the period between April and September 2022, a threefold increase compared to the same period the year before.

Due to the company's strong cash flow generation, which ultimately resulted in a positive net change in cash and cash equivalents, and a solid liquidity position, the carrier did not require additional support from its ultimate shareholder, the government of Dubai. Since the beginning of the Pandemic, the airline had received support via equity injections from its shareholder.

As at the end of September 2022, Emirates has outstanding US dollar debt issuances with maturities in 2023, 2025, and 2028. These bonds were all trading close to par and with running yields ranging from approximately 3.9% to 4.6% 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.

In a press release Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive of Emirates Airline and Group, assesses the prospects for their future business as follows: "For the coming months, we remain focused on restoring our operations to pre-pandemic levels and recruiting the right skills for our current and future requirements. We expect customer demand across our business divisions to remain strong in H2 2022-23. However, the horizon is not without headwinds, and we are keeping a close watch on inflationary costs and other macro-challenges such as the strong US dollar and the fiscal policies of major markets."

In line with its growing business activities Emirates Group grew its employee base within a six-month period till the end of September 2022 by 10% to 93,893 persons but did not report the split in headcount change for its two individual entities Emirates Airline and ground handler dnata.

On a group level Sheikh Ahmed "expects to return to our track record of profitability at the close of our full financial year".

### Miscellaneous

Emirates has won three awards at the Skytrax World Airline Awards 2022, including World's Best Economy Class, World's Best Economy Class Catering, and for the 17th consecutive time, World's Best Inflight Entertainment.

Source: Bloomberg, CNN, Emirates, Reuters, The Guardian



## ASSET MANAGER'S REPORT (continued)

### 4. Aircraft – A380

As of the end of September 2022, the global A380 fleet consisted of 236 planes with 14 airline operators. Only 125 of these aircraft were in service. The remainder of the fleet is currently parked. The 14 operators are Emirates (121), Singapore Airlines (17), Deutsche Lufthansa (14), Qantas (10), 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).

Citing "steep rise and customer demand" and delays to deliveries of on-order aircraft, Lufthansa decided it will return its A380s to regular passenger service from summer 2023. The carrier is still assessing how many it will return to service and on which routes. As recently as last November, Lufthansa CEO Carsten Spohr ruled out the reactivation of Lufthansa's superjumbo even if passenger demand were to exceed then-current forecasts.

After dropping initial plans to redeploy its A380 on routes from Seoul to Frankfurt and Los Angeles for the 2022 summer schedule earlier this year, Asiana Airlines announced in mid-June 2022 to operate daily A380 services on routes between Seoul Incheon and Bangkok as well as Los Angeles during this summer: "As the demand for international travel that has been stifled by Covid-19 is exploding, [seat capacity on popular routes have been constrained] and we hope that the A380 flight with top-of-the-line facilities will improve the customer experience, as well as expand the supply of seats."

In response to strong international travel demand, Qantas is operating a third A380 on the Melbourne-Los Angeles route and switches on the now Sydney-Singapore-London route back to the A380.

All Nippon Airways (ANA) reactivated two of its three A380s in July 2022 for scheduled passenger services between Tokyo Narita and Honolulu (Hawaii, US).

In August 2022 maintenance provider Lufthansa Technik Philippines (LTP) opened a new hangar at Manila Airport, which can accommodate an A380. LTP has completed heavy maintenance checks for several A380 operators in the past.

The New Straits Times (NST) reports in September 2022 that A380 operator Malaysia Airlines (Malaysia) "is believed to be returning all six of its Airbus A380 to aircraft manufacturer by year-end". The discussions are still ongoing according to NST, and the deal could be part of the airline's recent purchase of 20 A330neo aircraft. Malaysia had put up the A380s for sale since summer last year.

Source: Cirium, New Straits Times, Simple Flying

## DIRECTORS

As at 30 September 2022 the Company had four directors all of whom were independent and non-executive.

### **Geoffrey Alan Hall – Chair of the Company and of the Nomination Committee**

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

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

### **Charles Edmund Wilkinson**

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

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

### **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 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 AR Committee and 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, a leading independent director services business in the Channel Islands. From 1994 to 2018 Andreas held various roles at Deutsche Bank and was most recently CEO of the Channel Islands and Head of Financial Intermediaries for EMEA. He was previously a non-executive director of the Virgin Group. Andreas qualified as a Chartered Accountant in 1994.

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

# INTERIM MANAGEMENT REPORT

A description of important events which have occurred during the Period, their impact on the performance of the Company as shown in the financial statements and a description of the principal risks and uncertainties facing the Company are given in the Chair's Statement, Asset Manager's Report, and the Notes to the Financial Statements contained on pages 23 to 44 and are incorporated here by reference.

There were no material related party transactions which took place in the Period, other than those disclosed at note 22 of the Notes to the Financial Statements.

## Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company for the previous six months of the financial year are unchanged from those disclosed in the Company's Consolidated Annual Financial Report for the year ended 31 March 2022.

## Going Concern

The Group's principal activities are set out within note 1. The financial position of the Group is set out on page 23. In addition, note 19 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The Directors, 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.
- The Lessee benefits from a continuous recovery of air travel from its Pandemic lows, generating additional revenue by expanding its global capacity and reinstating more passenger flights: In the first half of its 2022/23 financial year ending on 30 September 2022, Emirates reported an increase in revenue, including other operating income, of 131% to USD 13.7 billion compared to the same period the year before. A net profit of USD 1.1 billion between April and September 2022 marks a record half-year performance for the company. In the same period the year before the Lessee generated a net loss of USD 1.6 billion.
- Emirates has produced a strong operating cash flow in the first half of its 2022/23 financial year and increased its cash assets and short-term bank deposits to USD 7.6 billion.
- Emirates' listed debt and CDSs are trading at non-distressed levels.
- As at the date of the Consolidated Financial Statements, the Board is not aware of a formal request to the Group for a lease deferral or any other efforts that would result in the restructuring of the existing transaction.
- Emirates has paid all lease rentals due to the Group in a timely manner.

The Directors have considered Emirates' ability to continue paying the lease rentals and are satisfied that the Company can meet its liabilities as they fall due over the next twelve months from the date of approval of the half-yearly financial statements. 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-Pandemic 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.

# RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

In preparing the Consolidated Financial Statements included within the half-yearly financial report, the Directors are required to:

- prepare and present the Consolidated Financial Statements in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK, and the DTR of the UK FCA;
- ensure the Consolidated Financial Statements has adequate disclosures;
- select and apply appropriate accounting policies;
- make accounting estimates that are reasonable in the circumstances; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of the Consolidated Financial Statements that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

1. the Consolidated Financial Statements included within the half-yearly financial report of Doric Nimrod Air Two Limited for the six months ended 30 September 2022 ("the interim financial information") which comprises consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and the related explanatory notes, have been presented and prepared in accordance with IAS 34, Interim Financial Reporting, as adopted for use in the UK, and the DTR of the UK FCA.
2. The interim financial information presented, as required by the DTR of the UK FCA, includes:
  - a. an indication of important events that have occurred during the first 6 months of the financial year, and their impact on the Consolidated Financial Statements;
  - b. a description of the principal risks and uncertainties for the remaining 6 months of the financial year;
  - c. related parties' transactions that have taken place in the first 6 months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
  - d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first 6 months of the current financial year.

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

Signed on behalf of the Board of directors of the Company.

**Geoffrey Hall**  
Chair

**Andreas Tautscher**  
Director

**15 December 2022**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2022 to 30 September 2022

	Notes	1 Apr 2022 to 30 Sep 2022 GBP	1 Apr 2021 to 30 Sep 2021 (As restated) GBP
<b>INCOME</b>			
A rent income	4	51,129,676	44,014,715
B rent income	4	18,328,012	18,266,980
Bank interest received		70,589	14,749
		69,528,277	62,296,444
<b>EXPENSES</b>			
Operating expenses	5	(1,941,980)	(1,919,978)
Depreciation of Aircraft	10	(28,450,522)	(32,442,608)
		(30,392,502)	(34,362,586)
Net profit for the Period before finance costs and foreign exchange losses		39,135,775	27,933,858
Finance costs	11	(3,131,369)	(3,669,612)
Net profit for the Period after finance costs and before foreign exchange losses		36,004,406	24,264,246
Unrealised foreign exchange losses	7	(8,255,874)	(1,356,291)
Profit for the Period		27,748,532	22,907,955
Other Comprehensive Profit		–	–
Total Comprehensive Profit for the Period		27,748,532	22,907,955
		<b>Pence</b>	<b>Pence</b>
Earnings per Share for the Period – Basic and Diluted	9	16.06	13.26

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

The notes on pages 23 to 44 form an integral part of these Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 Sep 2022 GBP	31 Mar 2022 GBP
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment – Aircraft	10	303,255,099	331,705,621
Financial assets at fair value through profit and loss	19	36,142	–
		303,291,241	331,705,621
<b>CURRENT ASSETS</b>			
Accrued income		6,770,067	7,016,693
Receivables	13	256,364	116,540
Cash and cash equivalents	17	30,527,558	28,328,157
		37,553,989	35,461,390
<b>TOTAL ASSETS</b>		<b>340,845,230</b>	<b>367,167,011</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	15	41,915,593	62,995,731
Deferred income		52,268,876	26,955,846
Payables – due within one year	14	65,978	88,470
		94,250,447	90,040,047
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15	5,507,800	8,766,531
Financial liabilities at fair value through profit and loss	19	–	989
Deferred income		62,484,221	101,957,714
		67,992,021	110,725,234
<b>TOTAL LIABILITIES</b>		<b>162,242,468</b>	<b>200,765,281</b>
<b>TOTAL NET ASSETS</b>		<b>178,602,762</b>	<b>166,401,730</b>
<b>EQUITY</b>			
Share Capital	16	319,836,770	319,836,770
Retained loss		(141,234,008)	(153,435,040)
		178,602,762	166,401,730

	Pence	Pence
Net Asset Value per Ordinary Share based on 172,750,000 (31 March 2022: 172,750,000) Shares in issue	103.39	96.33

The Consolidated Financial Statements were approved by the Board of Directors and authorised for issue on 15 December 2022 and are signed on its behalf by:

**Geoffrey Hall**  
Director

**Andreas Tautscher**  
Director

The notes on pages 23 to 44 form an integral part of these Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 April 2022 to 30 September 2022

	Notes	30 Sep 2022 GBP	30 Sep 2021 (As restated) GBP
<b>OPERATING ACTIVITIES</b>			
Profit for the Period		27,748,532	22,907,955
Movement in accrued and deferred income	4	(13,913,837)	(1,891,603)
Interest received		(70,589)	(14,749)
Depreciation of Aircraft	10	28,450,522	32,442,608
Loan interest payable	11	1,511,059	3,210,921
Increase in interest rate swap	11	(37,131)	(87,707)
(Decrease)/Increase in payables	14	(22,492)	38,248
Increase in receivables	13	(139,822)	(136,826)
Foreign exchange movement	7	8,255,874	1,356,291
Amortisation of debt arrangement costs	11	1,657,441	511,171
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>53,439,557</b>	<b>58,336,309</b>
<b>INVESTING ACTIVITIES</b>			
Interest received		70,589	14,749
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>70,589</b>	<b>14,749</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	8	(15,547,500)	(15,547,500)
Repayments of capital on borrowings	20	(35,289,495)	(39,389,708)
Interest on borrowings	20	(1,435,700)	(3,125,759)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(52,272,695)</b>	<b>(58,062,967)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			
Increase in cash and cash equivalents		1,237,451	288,091
Effects of foreign exchange rates		961,950	349,437
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	17	<b>30,527,558</b>	<b>30,564,166</b>

The notes on pages 23 to 44 form an integral part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 April 2022 to 30 September 2022

	Notes	Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2022		319,836,770	(153,435,040)	166,401,730
Total Comprehensive Profit for the Period		–	27,748,532	27,748,532
Dividends paid	<i>8</i>	–	(15,547,500)	(15,547,500)
Balance as at 30 September 2022		319,836,770	(141,234,008)	178,602,762

		Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2021 (As previously reported)		319,836,770	(126,596,035)	193,240,735
Restatement		–	4,560,506	4,560,506
Balance as at 1 April 2021 (As restated)		319,836,770	(122,035,529)	197,801,241
Total Comprehensive Profit for the Period		–	22,907,955	22,907,955
Dividends paid	<i>8</i>	–	(15,547,500)	(15,547,500)
Balance as at 30 September 2021 (As restated)		319,836,770	(114,675,074)	205,161,696

The notes on pages 23 to 44 form an integral part of these Consolidated Financial Statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2022 to 30 September 2022

## 1 GENERAL INFORMATION

The Consolidated Financial Statements incorporate the results of the Subsidiaries.

The Company was incorporated in Guernsey on 31 January 2011 with registered number 52985. The address of the registered office is given on page 45. Its Share Capital consists of Shares and Administrative Shares. The Company's Shares have been admitted to trading on the SFS of the LSE's Main Market.

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling of the Aircraft. The principal activities of the Group are set out in the Chair's Statement and Asset Manager's Report on pages 7 to 8 and pages 9 to 15 respectively.

## 2 ACCOUNTING POLICIES

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

### (a) Basis of Preparation

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

This report is to be read in conjunction with the Annual Financial Report for the year ended 31 March 2022 which is prepared in accordance with IFRS as adopted by the EU and any public announcements made by the Group during the Period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below:

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

#### New and amended IFRS Standards that are effective for the current period

The following Standard and Interpretation issued by the IASB and IFRIC has been adopted in the current period. The adoption has not had any impact on the amounts reported in these financial statements and is not expected to have any impact on future financial periods:

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 Group's financial position, performance or disclosures in its financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 2 ACCOUNTING POLICIES (continued)

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

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

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immateriality information.

### (c) Prior period restatement

A prior year adjustment of £4,560,506 to the opening retained earnings as at March 2021 was recognised in the Annual Financial Report for the year ended 31 March 2022. This was a result of the prior year adjustment in respect of the unrealised foreign exchange profit/loss on the deferred income liability. The unrealised foreign exchange profit/loss for the period ended 31 March 2022 was correctly reflected in the Annual Financial Report for the year ended 31 March 2022 but in the Half Year Financial Report for the period ending 30 September 2021 the unrealised foreign exchange profit/loss was incorrectly stated.

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 losses for the period ending 30 September 2021	(4,441,186)	3,084,895	(1,356,291)
Profit for the financial year period ending 30 September 2021	19,823,060	3,084,895	22,907,955
Earnings per Share (pence) for the period ending 30 September 2021	11.47	1.79	13.26

### (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 Subsidiaries have been assessed for tax at the Guernsey standard rate of zero percent (0%).

### (f) Share Capital

Shares are classified as equity. Incremental costs directly attributable to the issue of Shares are recognised as a deduction from equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 2 ACCOUNTING POLICIES (continued)

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

### (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).

### (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 20. In addition, note 19 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The Directors, 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.
- The Lessee benefits from a continuous recovery of air travel from its Pandemic lows, generating additional revenue by expanding its global capacity and reinstating more passenger flights: In the first half of its 2022/23 financial year ending on 30 September 2022, Emirates reported an increase in revenue, including other operating income, of 131% to USD 13.7 billion compared to the same period the year before. A net profit of USD 1.1 billion between April and September 2022 marks a record half-year performance for the company. In the same period the year before the Lessee generated a net loss of USD 1.6 billion.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 2 ACCOUNTING POLICIES (continued)

### (l) Going Concern (continued)

- Emirates has produced a strong operating cash flow in the first half of its 2022/23 financial year and increased its cash assets and short-term bank deposits to USD 7.6 billion.
- Emirates' listed debt and CDSs are trading at non-distressed levels.
- As at the date of the Consolidated Financial Statements, the Board is not aware of a formal request to the Group for a lease deferral or any other efforts that would result in the restructuring of the existing transaction.
- Emirates has paid all lease rentals due to the Group in a timely manner.

The Directors have considered Emirates' ability to continue paying the lease rentals and are satisfied that the Company can meet its liabilities as they fall due over the next twelve months from the date of approval of the half-yearly financial statements. 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-Pandemic 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 2 ACCOUNTING POLICIES (continued)

### (n) Property, Plant and Equipment – Aircraft (continued)

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. The estimated residual value of the seven planes ranges from £28 Million to £29.9 Million (2021: £32.0 Million to £34.1 Million). Residual values have been arrived at by taking the average amount of three independent external valuers and after taking into account disposition fees where applicable. The residual values of the A380 Aircraft were determined using soft values excluding inflation, which best approximates residual value as required by IAS 16.

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.

### (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 at amortised cost.

#### *i) Financial assets held at amortised cost*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 2 ACCOUNTING POLICIES (continued)

### (o) Financial instruments (continued)

#### *i) Financial assets held at amortised cost (continued)*

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

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

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

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

#### *ii) Financial liabilities held at amortised cost*

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

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

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

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

##### *(a) Classification*

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

##### *(b) Recognition/derecognition*

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

##### *(c) Measurement*

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

### (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 period from 1 April 2022 to 30 September 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 and Useful Life of Aircraft

As described in note 2 (n), 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. During the annual financial report for the year ended 31 March 2022, it was determined that the use of soft values excluding inflation best approximates 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.

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 decreased by 30 percent with effect from the beginning of this period, the depreciation charge for the period would have increased by approximately £14.8 Million (30 September 2021: £11.0 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.

#### Estimates

##### Impairment

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, which is the higher of its current fair value less costs to sell and its value-in-use.

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 Property, Plant and Equipment and IAS 36 Impairment of Assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

### Estimates (continued)

#### Impairment (continued)

The Board together with the Asset Manager have conducted an impairment review in the 31 March 2022 year as the below items resulted in pricing changes for the Aircraft:

- The 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.

Based on the impairment review performed, an impairment loss of £39,850,734 was recognised in the 31 March 2022 year, which resulted in an updated carrying value of the Aircraft in total to £331,705,621 at that year end, as reflected in note 10.

For the current period 1 April 2022 to 30 September 2022, the Board has considered if there are any further impairment triggers as set out under IAS 36 and concluded that an interim impairment review at the 30 September 2022 period end was not practicable. The Company will again be carrying out a full and thorough appraisal of residual values come the next March financial year end.

### Judgements

#### Operating Lease Z – Group as Lessor

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

### Functional Currency

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

- the 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 debt 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 period from 1 April 2022 to 30 September 2022

## 4 RENTAL INCOME

	1 Apr 2022 to 30 Sep 2022 GBP	1 Apr 2021 to 30 Sep 2021 GBP
A rent income	36,969,207	42,558,530
Adjustment to spread total income receivable over the term of the Leases	10,059,147	(2,516,562)
Amortisation of advance rental income	4,101,322	3,972,747
	51,129,676	44,014,715
B rent income	18,574,644	17,831,562
Adjustment to spread total income receivable over the term of the Leases	(246,632)	435,418
	18,328,012	18,266,980
Total rental income	69,457,688	62,281,695

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

	1 Apr 2022 to 30 Sep 2022 GBP	1 Apr 2021 to 30 Sep 2021 GBP
Corporate shareholder and advisor fee (note 22)	452,054	442,106
Asset management fee (note 22)	1,093,053	1,069,000
Liaison agency fee	–	6,058
Administration fees (note 22)	66,567	79,276
Bank interest and charges	800	712
Accountancy fees (note 22)	20,197	16,723
Registrars fee (note 22)	8,672	6,267
Audit fee	21,154	21,250
Directors' remuneration (note 6)	106,000	106,000
Directors' and officers' insurance	140,358	137,140
Legal and professional expenses	20,286	31,236
Annual fees	–	2,256
Other operating expenses	12,839	1,954
	1,941,980	1,919,978

## 6 DIRECTORS' REMUNERATION

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 7 UNREALISED FOREIGN EXCHANGE LOSSES (As restated)

	1 Apr 2022 to 30 Sep 2022 GBP	1 Apr 2021 to 30 Sep 2021 (As restated) GBP
Cash at bank	961,950	349,438
Borrowings	(9,217,824)	(1,705,729)
	(8,255,874)	(1,356,291)

The foreign exchange loss in the period reflects the 17.7 percent movement in the Sterling/US dollar exchange rate from 1.3138 as at 31 March 2022 to 1.1170 as at 30 September 2022.

## 8 DIVIDENDS IN RESPECT OF EQUITY SHARES

	1 Apr 2022 – 30 Sep 2022	
	GBP	Pence per Share
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
	15,547,500	9.00

  

	1 Apr 2021 – 30 Sep 2021	
	GBP	Pence per Share
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
	15,547,500	9.00

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

## 9 EARNINGS PER SHARE (As restated)

Earnings per Share is based on the net profit for the period, attributable to holders of Shares of the Company of £27,748,532 (30 September 2021 restated: net profit £22,907,955) and 172,750,000 (30 September 2021: 172,750,000) Shares being the weighted average number of Shares in issue during the year.

There are no dilutive instruments and therefore basic and diluted loss per Share are identical.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 10 PROPERTY, PLANT AND EQUIPMENT – AIRCRAFT

	Aircraft 30 Sep 2022 GBP	Aircraft 31 March 2022 GBP
<b>COST</b>		
Opening balance	1,039,148,193	1,039,148,193
Closing balance	1,039,148,193	1,039,148,193
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>		
As at 1 April 2022	707,442,572	592,988,405
Depreciation charge based on previous residual values	28,450,522	65,329,921
Adjustment due to change in US dollar residual values	–	12,186,058
Adjustment due to FX movements on residual values	–	(2,912,547)
Net depreciation charge for the year	28,450,522	74,603,433
Adjustment due to impairment	–	39,850,734
<b>CARRYING AMOUNT</b>		
Closing balance	303,255,099	331,705,621

The Group is depreciating its Aircraft so as to ensure that the carrying value of its Aircraft at the termination of its Leases equals the uninflated residual dollar value determined at 31 March 2022 in accordance with methodology set out in note 3, translated into Sterling at the exchange rate prevailing at 31 March 2022.

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

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

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

## 11 FINANCE COSTS

	1 Apr 2022 to 30 Sep 2022 GBP	1 Apr 2021 to 30 Sep 2021 GBP
Amortisation of debt arrangements costs	1,657,441	511,171
Loan interest	1,511,059	3,210,921
Fair value adjustment on financial assets at fair value through profit and loss	(37,131)	(52,480)
	3,131,369	3,669,612

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 12 OPERATING LEASES

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

	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
<b>30 Sep 2022</b>				
Aircraft – A rental receipts	39,824,902	4,142,603	–	43,967,505
Aircraft – B rental receipts	40,854,646	31,398,392	–	72,253,038
	80,679,548	35,540,995	–	116,220,543
<b>31 March 2022</b>				
Aircraft – A rental receipts	63,898,609	8,119,394	–	72,018,003
Aircraft – B rental receipts	38,919,484	51,908,198	–	90,827,682
	102,818,093	60,027,592	–	162,845,685

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

MSN077 – term of the Lease is for 12 years ending October 2023. The initial lease is for 10 years ending October 2021, with an extension period of 2 years ending October 2023, in which rental payments reduce. The lease extension option was confirmed on 17 October 2019 and therefore extended by 2 years to the expiry date of October 2023. The Group has received notice from Emirates that the Lessee is exercising the option to enable it, in the absence of any subsequent agreement, to redeliver the Aircraft in the minimum condition equivalent to "half-life" together with a cash sum, as opposed to delivery in full-life condition. In the event the Aircraft is returned to the Lessor, Emirates will pay the sum of USD12m to the Group's Subsidiary, in addition to the normal monetary compensation arrangements, on or prior to the Lease expiry date.

MSN090 – term of the Lease is for 12 years ending December 2023. The initial lease was for 10 years ending December 2021, with an extension period of 2 years, in which rental payments reduce. The lease extension option was confirmed on 5 December 2019 and therefore extended by 2 years to the expiry date of December 2023. The Group has received notice from Emirates that the Lessee is exercising the option to enable it, in the absence of any subsequent agreement, to redeliver the Aircraft in the minimum condition equivalent to "half-life" together with a cash sum, as opposed to delivery in full-life condition. In the event the Aircraft is returned to the Lessor, Emirates will pay the sum of USD12m to the Group's Subsidiary, in addition to the normal monetary compensation arrangements, on or prior to the Lease expiry date.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 12 OPERATING LEASES (continued)

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

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

## 13 RECEIVABLES

	30 Sep 2022 GBP	31 Mar 2022 GBP
Prepayments	217,038	77,249
Sundry debtors	39,326	39,291
	256,364	116,540

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

## 14 PAYABLES (due within one year)

	30 Sep 2022 GBP	31 Mar 2022 GBP
Accrued administration fees	14,077	14,817
Accrued audit fee	27,889	46,900
Other accrued expenses	24,012	26,753
	65,978	88,470

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

## 15 BORROWINGS

	30 Sep 2022 GBP	31 Mar 2022 GBP
Bank loans	19,356,705	25,849,194
Equipment Notes	28,745,564	48,249,386
	48,102,269	74,098,580
Associated costs	(678,876)	(2,336,318)
	47,423,393	71,762,262
Current portion	41,915,593	62,995,731
Non-current portion	5,507,800	8,766,531

Notwithstanding the fact that £35.3 Million debt was repaid during the current period, as per the Consolidated Statement of Cash Flows, the value of the borrowings has decreased by £26 Million due to the 17.7 percent movement in the Sterling / US dollar exchange rate for the period from 1.3138 at 31 March 2022 to 1.117 at 30 September 2022. See note 20.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 15 BORROWINGS (continued)

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:

	30 Sep 2022 GBP	31 Mar 2022 GBP
Amount due for settlement within 12 months	42,807,443	66,405,834
Amount due for settlement after 12 months	6,179,257	9,789,108

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 16 SHARE CAPITAL

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

Issued	Administrative Shares	Shares	Total Shares
Issued shares as at 30 Sep 2022 and 31 March 2022	2	172,750,000	172,750,002

  

Issued Shares	Administrative Shares GBP	Shares GBP	Total GBP
Total Share Capital as at 30 Sep 2022 and as at 31 March 2022	–	319,836,770	319,836,770

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

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

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

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

The holders of Administrative Shares shall not have the right to receive notice of and no right to attend, speak and vote at general meetings of the Company, except for the Liquidation Proposal Meeting or if there are no Shares in existence

## 17 CASH AND CASH EQUIVALENTS

	30 Sep 2022 GBP	31 Mar 2022 GBP
Cash at bank	17,839,609	15,380,457
Cash deposits	12,687,949	12,947,700
	30,527,558	28,328,157

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 18 FINANCIAL INSTRUMENTS

The Group's main financial instruments comprise:

- (a) Cash and cash equivalents that arise directly from the Group's operations;
- (b) The Loans secured on non-current assets; and
- (c) Interest rate swap

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

	30 Sep 2022 GBP	31 Mar 2022 GBP
<b>Financial assets</b>		
Interest rate swap	36,142	–
<b>Financial assets at fair value through profit or loss</b>	36,142	–
<b>Financial assets</b>		
Cash and cash equivalents	30,527,558	28,328,157
Receivables (excluding prepayments)	39,288	39,288
<b>Financial assets at amortised cost</b>	30,566,846	28,367,445
<b>Financial liabilities</b>		
Interest rate swap	–	989
<b>Financial liabilities at fair value through profit or loss</b>	–	989
Borrowings	47,423,393	71,762,263
<b>Financial liabilities measured at amortised cost</b>	47,423,393	71,762,263

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

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

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

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

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

Level 3: Valuation techniques using significant unobservable inputs.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

The following tables show the Group's financial assets and liabilities as at 30 September 2022 and 31 March 2022 based on hierarchy set out in IFRS:

30 Sep 2022	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>Financial assets at fair value through profit and loss</b>				
Interest rate swap	–	36,142	–	36,142

  

31 March 2022	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>Financial liabilities at fair value through profit and loss</b>				
Interest rate swap	–	989	–	989

### Derivative financial instruments

The following tables show the Group's derivative position as at 30 September 2022 and 31 March 2022:

30 Sep 2022	Financial asset at fair value GBP	Notional amount US dollar	Maturity
<b>Interest Rate Swap</b>			
MSN090 Loan	36,142	2,381,731	4 Dec 2023

  

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

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

#### (a) Capital Management

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

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

The 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

No changes were made in the objectives, policies or processes for managing capital during the Period (None for the period from 1 April 2021 to 31 March 2022).

### (b) Foreign Currency Risk

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

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

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

	30 Sep 2022 GBP	31 Mar 2022 GBP
Debt (US dollar) – Liabilities	(48,102,269)	(74,098,581)
Financial assets/liabilities at fair value through profit and loss	36,142	(989)
Cash and cash equivalents (US dollar) – Asset	7,508,809	6,305,946

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

	30 Sep 2022 US dollar Impact GBP	31 Mar 2022 US dollar Impact GBP
Profit or Loss	(6,083,598)	(10,169,191)
Net asset value	(6,083,598)	(10,169,191)

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

### (c) Credit Risk

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

Refer to the going concern section on pages 25 to 26 where an assessment of Emirates is made.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Credit Risk (continued)

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

	30 Sep 2022 GBP	31 Mar 2022 GBP
Receivables (excluding prepayments)	39,288	39,291
Cash and cash equivalents	30,527,558	28,328,157
	30,566,846	28,367,448

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

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

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

### (d) Liquidity Risk

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

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

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

30 Sep 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	65,978	-	-	-	-
Bank loans	5,795,344	8,001,835	5,301,262	877,995	-
Equipment notes	29,010,264	-	-	-	-
	34,871,586	8,001,835	5,301,262	877,995	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (d) Liquidity Risk (continued)

31 March 2022	1-3 months GBP	3-12 months GBP	1-2 years GBP	2-5 years GBP	Over 5 years GBP
<b>Financial liabilities</b>					
Interest rate swap	–	–	–	989	–
Bank loans	4,925,184	12,122,202	7,549,680	2,239,427	–
Equipment notes	24,693,762	24,664,686	–	–	–
	29,618,946	36,786,888	7,549,680	2,240,416	–

### (e) Interest Rate Risk

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

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

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

30 Sep 2022	Variable interest GBP	Fixed interest GBP	Non-interest Bearing GBP	Total GBP
<b>Financial assets</b>				
Interest rate swap	36,142	–	–	36,142
Receivables (excluding prepayments)	–	–	39,288	39,288
Cash and cash equivalents	30,527,558	–	–	30,527,558
<b>Total Financial Assets</b>	30,563,700	–	39,288	30,602,988
<b>Financial liabilities</b>				
Payables	–	–	65,978	65,978
Bank loans	–	19,356,705	–	19,356,705
Equipment notes	–	28,745,564	–	28,745,564
<b>Total Financial Liabilities</b>	–	48,102,269	65,978	48,168,247
<b>Total interest sensitivity gap</b>	30,563,700	48,102,269		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (e) Interest Rate Risk (continued)

31 Mar 2022	Variable interest GBP	Fixed interest GBP	Non-interest Bearing GBP	Total GBP
<b>Financial assets</b>				
Receivables (excluding prepayments)	–	–	39,291	39,291
Cash and cash equivalents	28,328,157	–	–	28,328,157
<b>Total Financial Assets</b>	28,328,157	–	39,291	28,367,448
<b>Financial liabilities</b>				
Interest rate swap	989	–	–	989
Payables	–	–	88,470	88,470
Bank loans	–	25,849,194	–	25,849,194
Equipment notes	–	48,249,386	–	48,249,386
<b>Total Financial Liabilities</b>	989	74,098,580	88,470	74,188,039
<b>Total interest sensitivity gap</b>	28,329,146	74,098,580		

If interest rates had been 250 basis points (31 March 2022: 250 basis points) higher throughout the Period and all other variables were held constant, the Group's net assets attributable to Shareholders as at 30 September 2022 would have been £764,093 (31 March 2022: £748,166) greater due to an increase in the amount of interest receivable on the bank balances.

If interest rates had been 250 basis points (31 March 2022: 250 basis points) lower throughout the Period and all other variables were held constant, the Group's net assets attributable to Shareholders as at 30 September 2022 would have been £764,093 (31 March 2022: £748,166) lower due to a decrease in the amount of interest receivable on the bank balances.

## 20 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	30 Sep 2022 GBP	30 Sep 2021 GBP
Opening Balance	74,098,580	146,660,761
Cash flows paid – capital	(35,289,495)	(39,389,708)
Cash flows paid – interest	(1,435,700)	(3,125,759)
Non-cash flows		
– Interest accrued	1,511,059	3,210,921
– Effects of foreign exchange	9,217,822	1,705,731
<b>Closing Balance</b>	48,102,266	109,061,946

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2022 to 30 September 2022

## 21 ULTIMATE CONTROLLING PARTY

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

## 22 RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

### Significant contracts who provide key management personnel to the reporting entity

Doric is the Group's Asset Manager.

During the Period, the Group incurred £1,093,053 (30 September 2021: £1,069,445) of expenses with Doric of which £1,093,053 (30 September 2021: £1,069,000) related to asset management fees as shown in note 5, and £nil (30 September 2021: £445) was reimbursed expenses. At 30 September 2022, £nil (31 March 2022: £nil) was owing to this related party.

Nimrod is the Group's Corporate and Shareholder Advisor.

During the Period, the Group incurred £452,054 (30 September 2021: £442,106) of expenses with Nimrod. As at 30 September 2022, £nil (31 March 2022: £ nil) was owing to this related party.

### Significant contracts

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

During the Period, the Group incurred £8,672 (30 September 2021: £6,267) of expenses with JTC Registrars as shown in note 5. As at 30 September 2022, £1,114 (31 March 2022: £979) was owing to this related party.

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

During the Period, the Group incurred administration fees with JTC Fund Services (Guernsey) Limited of £66,567 (30 September 2021: £79,276) with JTC Fund Solutions (Guernsey) Limited as shown in note 5. In addition, the Group incurred accounting fees of £20,197 (30 September 2021: £16,723) with this related party. As at 30 September 2022, £14,077 (31 March 2022: £14,817) was owing to this related party.

### Related parties

The Board are considered to be key management personnel. For details regarding the Directors' remuneration please refer to note 6.

## 23 SUBSEQUENT EVENTS

On 13 October 2022, a further dividend of 4.50 pence per Share was declared and this was paid on 31 October 2022.

The Class A certificates Equipment Notes in DNAFA were repaid on 30 November 2022.

No further subsequent events to note.

# KEY ADVISORS AND CONTACT INFORMATION

## KEY INFORMATION

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

## MANAGEMENT AND ADMINISTRATION

### Registered Office

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Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey GY1 2HT

### Asset Manager

Doric GmbH  
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63065 Offenbach am Main  
Germany

### Corporate and Shareholder Advisor

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1-3 Norton Folgate  
London  
E1 6DB

### Solicitors to the Company (as to English Law)

Herbert Smith Freehills LLP  
Exchange House  
Primrose Street  
London, England  
EC2A 2EG

### Registrar

JTC Registrars Limited  
Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey GY1 2HT

### Company Secretary and Administrator

JTC Fund Solutions (Guernsey) Limited  
Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey GY1 2HT

### Lease and Debt Arranger

Doric Asset Finance GmbH & Co. KG  
Berliner Strasse 114  
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Germany

### Advocates to the Company (as to Guernsey Law)

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### Auditor

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