



Dubai Aerospace Enterprise (DAE) Ltd

Results for the year ended December 31, 2021

WEBCAST AND CONFERENCE CALL DETAILS

DAE will host its earnings call at 09.00 EST / 14.00 GMT / 18.00 GST / 22:00 SGT on Wednesday February 9, 2022 to review our results for the year ended December 31, 2021.

The webcast can be accessed by registering at www.dubaiaerospace.com/investors.

Or alternatively the call can be accessed live by dialing (UAE) 8000 3570 2653, (Ireland) +353 (0)1 246 5638, (UK) +44 (0)330 336 9105, (USA) +1 323-794-2551, (Singapore) +65 6703 6908 and referencing confirmation ID: 1525134.

Further information can be found on our website <http://www.dubaiaerospace.com>.

FORWARD-LOOKING STATEMENTS

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended. These forward-looking statements relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words “anticipate”, “assume”, “believe”, “budget”, “continue”, “could”, “estimate”, “expect”, “future”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “will” and similar terms and phrases to identify forward-looking statements. Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgements that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows. Any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to vary materially from our future results, performance or achievements, or those of our industry, expressed or implied in such forward-looking statements. All amounts expressed in “USD ” or “dollars” refer to U.S. dollars.

RESULTS ANNOUNCEMENT

We present management's discussion and analysis of the financial condition and results of operations for the year ended December 31, 2021 which should be read in conjunction with the audited consolidated financial statements (the "financial statements") of Dubai Aerospace Enterprise (DAE) Ltd ("DAE") and its subsidiaries (together and hereinafter "we" or "us"). References to "December 31, 2021" are for the year ended December 31, 2021 and to "December 31, 2020" are for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

- Operating profit for the year ended December 31, 2021 was USD 514.4 million compared to USD 584.0 million for the year ended December 31, 2020. During the year ended December 31, 2021 there was a decrease in lease revenue and an increase in expenses offset by an increase in gain on disposal of aircraft.
- Operating cash flows for the year ended December 31, 2021 increased by 31.7% to USD 1,143.0 million compared to USD 867.9 million for the year ended December 31, 2020.
- Adjusted profit⁽¹⁾ for the year ended December 31, 2021 was USD 188.3 million compared to USD 228.9 million for the year ended December 31, 2020.
- Total assets were USD 12,609.6 million at December 31, 2021 compared to USD 12,742.5 million at December 31, 2020.
- Available liquidity was USD 2,910.3 million at December 31, 2021 compared to USD 2,693.0 million at December 31, 2020. Our Liquidity ratio increased to 442.7% at December 31, 2021 from 235.2% at December 31, 2020.
- Net Debt-to-Equity ratio was 2.54:1 times at December 31, 2021 compared to 2.57:1 times at December 31, 2020.

OPERATIONAL HIGHLIGHTS

- Total number of aircraft in the fleet at December 31, 2021 was 385 (December 31, 2020: 374) which consists of 296 owned (December 31, 2020: 298), 79 managed (December 31, 2020: 66) and 10 committed aircraft (December 31, 2020: 10).
- During the year ended December 31, 2021, we purchased 18 owned aircraft (December 31, 2020: 23) and 23 managed aircraft (December 31, 2020: 15) and sold 20 owned aircraft (December 31, 2020: 14) and 10 managed aircraft (December 31, 2020: 14).
- The weighted average age of our owned fleet was 6.7 years at December 31, 2021 compared to 6.2 years at December 31, 2020. The weighted average remaining lease term of our owned fleet at December 31, 2021 was 6.2 years compared with 6.6 years at December 31, 2020.
- During the year ended December 31, 2021, we issued USD 2,550.0 million of unsecured notes and USD 930.0 million of unsecured financings at an average rate of 2.1% and completed the early redemption of USD 2,192.2 million 4.5% to 5.75% senior unsecured notes due from 2022 to 2024.
- The ratio of unsecured debt to total debt increased to 69.8% at December 31, 2021 from 62.6% at December 31, 2020.
- During the year ended December 31, 2021 DAE repurchased USD 150.0 million of ordinary shares (2021: USD 350.1 million).
- During 2021, DAE received its inaugural ESG Risk Rating score of 14.1 which was assessed by Sustainalytics to be "Low Risk" category. Sustainalytics went on to awarded DAE with its ESG Industry Top Rated and ESG Regional Top-Rated accreditations, indicating that in 2021, DAE's ESG Risk Rating from Sustainalytics was among the 50 lowest ratings issued by Sustainalytics in both DAE's industry (Trading & Distribution) and region (Middle East & Africa).

RESULTS OF OPERATIONS

The following discussion of our results of operations is based on the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position which have been extracted from our financial statements for the year ended December 31, 2021.

<u>Results of operations (in millions of USD)</u>	Year ended	
	2021	Dec 31 2020
Consolidated statement of profit or loss and comprehensive income		
Total revenue	1,238.3	1,300.3
Gain on disposal of aircraft	76.5	34.7
Expenses		
Depreciation and amortization	(568.3)	(559.0)
General and administrative expenses	(79.5)	(77.0)
Cost of providing engineering maintenance services	(59.6)	(43.0)
Loss allowance	(73.9)	(53.9)
Aircraft maintenance	(19.1)	(18.1)
Operating profit	514.4	584.0
Finance income	6.2	15.5
Finance expense	(324.0)	(349.3)
Debt redemption costs	(38.3)	-
Net finance costs	(356.1)	(333.8)
Profit before income tax	158.3	250.2
Income tax expense	(8.3)	(21.3)
Profit for the year	150.0	228.9
Add back debt redemption costs	38.3	-
Adjusted profit for the year	188.3	228.9
Consolidated statement of financial position (Extract)	As at	
	Dec 31, 2021	Dec 31, 2020
Total cash and cash resources	450.8	566.5
Aircraft held for lease	11,279.2	11,321.0
Total assets	12,609.6	12,742.5
Total loans and borrowings	7,813.7	7,907.2
Total equity	2,934.2	2,891.1
Total liabilities and equity	12,609.6	12,742.5
Adjusted EBITDA calculation ⁽¹⁾	Year ended	
	2021	Dec 31 2020
Profit for the year	150.0	228.9
Add back		
Net finance costs	356.1	333.8
Income tax expense	8.3	21.3
Loss allowance	73.9	53.9
Depreciation and amortization	568.3	559.0
Adjusted EBITDA	1,156.6	1,196.9

(1) We define Adjusted EBITDA as profit, excluding net finance costs, loss allowance, income tax expense and depreciation and amortization.

Financial metrics	As at	
	Dec 31, 2021	Dec 31, 2020
Pre-tax margin (<i>per cent</i>) ⁽²⁾	15.9	19.2
Pre-tax return on equity (<i>per cent</i>) ⁽³⁾	6.7	8.4
Net debt to equity (<i>times</i>) ⁽⁴⁾	2.54x	2.57x
Total available liquidity (<i>USD billions</i>) ⁽⁵⁾	2.9	2.7
Unsecured debt/total debt (<i>per cent</i>) ⁽⁶⁾	69.8	62.6
Liquidity coverage ratio (<i>per cent</i>) ⁽⁷⁾	442.7	235.2

All financial information above has been rounded for presentation purposes. Any percentages are based on unrounded figures.

(2) Calculated as profit before income tax divided by total revenue. Pre-tax margin for December 31, 2021 excludes one-off bond redemption costs incurred during 2021.

(3) Calculated as profit before income tax (annualized in the case of interim periods) divided by average total equity. Pre-tax return on equity for December 31, 2021 excludes one-off bond redemption costs incurred during 2021.

(4) Calculated as net debt (being total loans and borrowings, net of debt issuance costs less cash and cash equivalents) divided by total equity.

(5) Calculated as the sum of available revolving credit and cash and cash equivalents.

(6) Calculated as unsecured loans and borrowings divided by total bank loans.

(7) Calculated as total available liquidity divided by recourse debt payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

DAE is a global aviation services company headquartered in Dubai serving customers in over 60 countries from seven locations in the United Arab Emirates, Jordan, Ireland, Singapore and the United States of America. DAE conducts its activities through two divisions: (i) Aircraft Leasing (DAE Capital) and (ii) Engineering (DAE Engineering). The aircraft leasing division is engaged in acquiring and leasing commercial aircraft to airlines, selling and trading aircraft, and managing aircraft on lease for third-party investors. The engineering division consists of an 80% ownership stake in Joramco, a provider of commercial aircraft maintenance, repair and overhaul (MRO) services.

DAE is 100% owned, directly and indirectly, by Investment Corporation of Dubai ("ICD"), the principal investment arm of the Government of Dubai.

DAE Capital

We are one of the largest aircraft leasing companies in the world. At December 31, 2021 we had a total owned, managed and committed fleet of 385 aircraft which was made up of 296 owned aircraft (including eight aircraft classified as finance lease and loan receivables), 79 managed aircraft and commitments to acquire 10 new, fuel-efficient aircraft for our owned fleet. Our owned and managed aircraft are on lease to 112 lessees in 54 countries

As of December 31, 2021, the aggregate book value of our owned fleet, including aircraft pre-delivery payments and finance lease and loan receivables, was USD 11,459.6 million. In addition, the estimated value of our managed fleet was USD 2,012.6 million. As of December 31, 2021, 91.5% of our leases were subject to fixed lease rates as a percentage of lease revenue. Our future contracted lease rental income amounted to USD 6,414.7 million.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 28.9% of our portfolio based on net book value as of December 31, 2021. Emirates, a related party, is our largest customer representing 12.3% of our fleet based on net book value.

Analysis by aircraft type for our owned and managed portfolio

Aircraft Type	Owned Portfolio	Managed Portfolio	Committed Portfolio *	Total
A320 CEO family	91	34	-	125
A320 NEO family	6	4	-	10
A330-family	20	6	-	26
A350-900	4	-	-	4
Total Airbus	121	44	-	165
B737 NG family	68	27	-	95
B737 MAX family	15	5	10	30
B787 family	11	-	-	11
B777	3	-	-	3
B777F	13	-	-	13
Legacy Boeing	-	1	-	1
Total Boeing	110	33	10	153
ATR 72-600	65	2	-	67
Total	296	79	10	385
Narrow body	180	70	10	260
Wide body	51	7	-	58
Turboprop	65	2	-	67
Total	296	79	10	385

*Commitment portfolio includes 10 aircraft for the owned fleet.

	As at	
	Dec 31, 2021	Dec 31, 2020
<u>Fleet metrics</u>		
Owned fleet (<i>number of aircraft</i>)	296	298
Managed fleet (<i>number of aircraft</i>)	79	66
Weighted average age (<i>years</i>) ⁽¹⁾	6.7	6.2
Weighted average remaining lease term (<i>years</i>) ⁽¹⁾	6.2	6.6
<u>(in millions of USD)</u>		
Net book value of aircraft held for lease	11,279.1	11,321.0
Net book value of aircraft held-for-sale	-	-
Carrying value of finance lease and loan receivables	180.4	185.2
Aggregate net book value	11,459.6	11,506.2

(1) Owned fleet only, weighted averages calculated based on the Cirium/Ascend half-life current market value

DAE Engineering

The Group's Engineering division operates under the brand name Joramco and is a leading independent provider of airframe MRO services in the Middle East with a track record in excess of 55 years. DAE has an 80% ownership stake in Joramco. Joramco's facility of over 100,000 square meters in size is strategically located in Amman, Jordan. DAE believes that the strategic location, combined with a skilled and experienced workforce of approximately 1,000 people giving it a man-hour capability exceeding one million per year, allows the Engineering division to offer a compelling value proposition to airline customers in the Middle East, Europe, Asia, Africa and the CIS countries. Joramco focuses on providing airframe MRO services on Airbus, Boeing, and Embraer aircraft, with a comprehensive suite of MRO capabilities including interiors, composites, paint and avionics.

Five aircraft hangars occupying more than 30,000 square meters of the Joramco facility can accommodate up to 17 wide body and narrow body aircraft at the same time. Joramco currently has 13 aircraft type approvals including the Boeing 737, 787 and 777 aircraft families, Airbus A320, A330 and A340 families and Embraer E175 and E190 families and regulatory approvals from over 25 aviation authorities including EASA in the European Union, the FAA in the United States, the CARC in Jordan and the GCAA in the UAE.

COVID-19

As a result of the continued impact of COVID-19 on the aviation sector, revenues for our customers have continued to be disrupted as governmental authorities around the world put in place necessary travel restrictions to contain the spread of COVID-19. As a result, we have received a diverse range of requests for support from our airline customers. In evaluating these requests, we seek solutions that create value for both the airline and DAE.

As at December 31, 2021 we have executed relief packages with 43 airline customers, which has increased from 33 customer as at December 31, 2020. Relief has principally been provided in the form of rent deferrals or other leases amendments.

The total value of rent deferrals is USD 230.5 million or 20.1% of Trailing Twelve Months (TTM) lease revenue. Of the total, USD 228.8 million has been incurred and USD 1.7 million relates to future rental. Of the USD 228.8 million incurred, USD 92.3 million has been completed and USD 136.5 million remains accrued at December 31, 2021.

In addition, we have entered into various lease amendments principally involving near-term relief in exchange for lease extensions and other lease value enhancements, the total value of these amendments is USD 203.2 million or 17.7% of TTM lease revenue.

Due to the support provided to our airline customers, we have recognized accrued revenue of USD 136.5 million, within other assets, and a corresponding loss allowance of USD 22.4 million as at December 31, 2021, compared to USD 107.2 million and USD 10.7 million respectively as at December 31, 2020.

In addition, our trade and other receivables balance was USD 204.4 million as at December 31, 2021 compared to USD 199.7 million as at December 31, 2020. During the year ended December 31, 2021 we have seen an increase in our loss allowance, increasing to USD 93.0 million compared to USD 57.7 million at December 31, 2020. Our net trade and other receivables balance was USD 111.4 million as at December 31, 2021 compared to USD 142.0 million as at December 31, 2020.

If the impact of COVID-19 is prolonged the amounts due from our airline customers and associated loss allowance may increase in future periods. However, we expect the global travel industry to recover, and we are well positioned to manage the impact of COVID-19 on our business due to the strength of our balance sheet and liquidity position.

We hold security of USD 459.8 million in the form of cash or letters of credit. We also hold maintenance reserves of USD 1,188.4 million. In addition, we continue to have access to USD 2.9 billion of available liquidity to support the on-going operation of the Group as needed.

Environment, Social and Governance Framework

DAE is committed to maintaining an effective Environmental, Social and Governance Framework (“ESG”). DAE provides annual ESG Reporting to stakeholders which is presented in accordance with the Global Reporting Institute (GRI) Standards, and DAE holds an ESG Risk Rating of 14.1 from Sustainalytics, who consider DAE’s enterprise value to be of ‘Low Risk’ of material financial impacts driven by ESG factors. Sustainalytics awarded DAE with its ESG Industry Top Rated and ESG Regional Top Rated accreditations, indicating that in 2021, DAE’s ESG Risk Rating from Sustainalytics was among the 50 lowest ratings issued by Sustainalytics in both DAE’s industry (Trading & Distribution) and region (Middle East & Africa). In the ESG Report, DAE set out targets which seek to continually enhance our ESG frameworks, and which further demonstrate DAE’s commitment to effective ESG risk management. The ESG Report, Risk Rating Summary, and further information is available on DAE’s website <https://dubaiaerospace.com/esg/>.

DAE Capital has a young fleet with an average age of 6.7 years. As of December 31, 2021, all our 2022 capital commitments have been in new technology aircraft with advanced design features. By investing in these aircraft which have greater fuel efficiency, we are helping our airline customers reduce their global environment footprint.

DAE has a comprehensive aircraft end of life strategy. We work directly with our customers and industry partners to recycle end of life aircraft to reduce waste while maximizing the remaining value of the aircraft components and engines. Engines and landing gear from disassembled aircraft are, where possible, put to use elsewhere in the DAE fleet. Alternatively, engines are consigned and sold for disassembly. We encourage our aircraft recycling and dismantling service providers to comply with industry best practice including IATA’s Best Practices for Aircraft Decommissioning, and where applicable to obtain AFRA (Aircraft Fleet Recycling Association) accreditation.

In addition, in its premises DAE supports a variety of internal environmental initiatives including the use of energy efficient lighting, water conservation and a continued focus on recycling and reducing waste. Furthermore, DAE encourages staff to communicate using the latest conferencing facilities leading to reduced travel between offices.

We also encourage commuting to work using public transport, walking, or cycling where appropriate to do so. We have a multi-cultural, diverse working environment with over 23 nationalities. In addition, at December 31, 2021 our DAE Capital business had a ratio of 61% male employees and 39% female employees. Through our Community Giving initiative we support a number of charities linked to our local offices and encourage staff to engage in physical and mental well-being activities. We maintain a robust corporate governance framework via our internal boards and committees.

DAE is committed to good corporate governance, which helps us compete more effectively, sustain success and build long-term shareholder value. DAE maintains strong corporate governance policies, procedures, and practices that foster board stewardship, management accountability, and proactive risk management. All our directors, employees, and contractors are expected to conduct themselves in accordance with the highest ethical and moral standards, as informed by our Code of Conduct, which is available on our website <https://dubaiaerospace.com/corporate-governance/>.

In 2021, DAE further enhanced its corporate governance with the addition of both an independent non-executive director and an executive director to the Group's Board of Directors.

Year ended December 31, 2021 Compared to Year ended December 31, 2020

Total revenue

Total revenue comprises (i) lease revenue from aircraft leasing, which also includes maintenance revenue (which comprises the release of maintenance reserves net of the derecognition of maintenance right assets) and is net of amortization of lease incentives and other lease costs, (ii) engineering maintenance service revenue which is derived from Joramco's engineering maintenance services and (iii) other income (which includes income from the management of aircraft on behalf of third parties, settlements received from customers, proceeds from the sale of spare parts and the release of security deposits).

The table below shows a breakdown of our total revenue for each of the year ended December 31, 2021 and December 31, 2020.

<u>Total Revenue (in millions of USD)</u>	Year ended	
	2021	Dec 31 2020
Lease revenue	1,136.4	1,196.0
Maintenance revenue	44.3	73.1
Amortization of lease incentives and other lease costs	(66.6)	(59.0)
Net lease revenue	1,114.1	1,210.1
Engineering maintenance service revenue	88.8	63.8
Finance lease and loan receivables income	14.5	11.6
Total lease, engineering maintenance service revenue and finance lease and loan receivables income	1,217.4	1,285.5
Other income	20.9	14.8
Total revenue	1,238.3	1,300.3

Total revenue was USD 1,238.3 million for the year ended December 31, 2021, compared to USD 1,300.3 million for the year ended December 31, 2020, a decrease of USD 62.0 million, or 4.8 per cent, due to the reasons outlined below.

Net lease revenue decreased by USD 96.0 million, or 7.9 per cent, to USD 1,114.1 million for the year ended December 31, 2021, from USD 1,210.1 million for the year ended December 31, 2020. This decrease was due primarily to lease restructurings due to COVID-19, lease transitions and lower maintenance income due to lower maintenance reserve releases on transitioning aircraft offset by additional revenue generated by aircraft acquisitions.

Engineering maintenance service revenue increased by USD 25.0 million, or 39.2 per cent, to USD 88.8 million for the year ended December 31, 2021 compared to USD 63.8 million for the year ended December 31, 2020. This increase was due to increased operating capacity in 2021 following the easing of COVID-19 restrictions.

Finance lease and loan receivables income increased by USD 2.9 million to USD 14.5 million for the year ended December 31, 2021 compared to USD 11.6 million for the year ended December 31, 2020. This increase was primarily due to a higher number of aircraft classified as finance lease and loan receivables.

Gain on disposal of aircraft

Gain on disposal of aircraft was USD 76.5 million for the year ended December 31, 2021 compared to USD 34.7 million for the year ended December 31, 2020. During the year ended December 31, 2021 we sold 20 owned aircraft compared to the sale of 14 owned aircraft during the year ended December 31, 2020.

Fluctuations in the gain or loss on disposal of aircraft are not only a function of the number of disposals but are also dependent on the type and age of aircraft, accounting adjustments for revenue earned from the economic closing date to the transfer of title to the buyer, as well as the prevailing market trading conditions in the underlying period.

Expenses

Expenses comprised (i) depreciation and amortization, (ii) general and administrative expenses, (iii) loss allowance, (iv) cost of providing the engineering maintenance services provided by Joramco and (v) aircraft maintenance.

The table below shows a breakdown of our expenses for the year ended December 31, 2021 and December 31, 2020.

<u>Total Expenses (in millions of USD)</u>	Year ended Dec 31	
	2021	2020
Depreciation and amortization	568.3	559.0
General and administrative expenses	79.5	77.0
Cost of providing engineering maintenance services	59.6	43.0
Loss allowance	73.9	53.9
Aircraft maintenance	19.1	18.1
Total expenses	800.4	751.0

Expenses for the year ended December 31, 2021 increased by USD 49.4 million, or 6.6 per cent, to USD 800.4 million compared to USD 751.0 million for the year ended December 31, 2020.

Depreciation and amortization expense increased by USD 9.3 million, or 1.7 per cent, for the year ended December 31, 2021 to USD 568.3 million compared to USD 559.0 million in the prior year. This increase was primarily due to a higher average number of aircraft in the fleet in the year.

General and administrative expenses increased by USD 2.5 million, or 3.4 per cent, for the year December 31, 2021 to USD 79.5 million from USD 77.0 million in the prior year. This increase was due to the higher office expenses.

Cost of providing engineering maintenance services increased by USD 16.6 million, or 38.5 per cent, for the year ended December 31, 2021 to USD 59.6 million from USD 43.0 million in the prior year. This increase reflects the corresponding increase in engineering maintenance services revenue over the same period.

Loss allowance increased by USD 20.0 million or 37.1 per cent to USD 73.9 million, which was due predominately to the increased trade receivables and accrued revenue as a result of the ongoing impact of the COVID-19 pandemic. Further information can be found in the financial statements note 25.

In addition, aircraft maintenance increased by USD 1.0 million, or 5.2 per cent, to USD 19.1 million for the year ended December 31, 2021 from USD 18.1 million for the year ended December 30, 2020. This increase was due primarily to an increase in the number of aircraft transitioning.

Operating profit

Operating profit was USD 514.4 million for the year ended December 31, 2021 compared to USD 584.0 million in the corresponding period of 2020, a decrease of USD 69.6 million, or 11.9 per cent. The decrease was attributable to the factors described in the preceding sections.

Net finance costs

Net finance costs excluding debt redemption costs decreased by USD 16.0 million to USD 317.8 million for the year ended December 31, 2021 from USD 333.8 million for the year ended December 31, 2020. Total net finance costs increased by USD 22.3 million, or 6.7 per cent, to USD 356.1 million for the year ended December 31, 2021 from USD 333.8 million for the year ended December 31, 2020.

Finance income decreased by USD 9.3 million, or 60.1 per cent, to USD 6.2 million for the year ended December 31, 2021 from USD 15.5 million for the year ended December 31, 2020. This was due primarily to lower gains on financial instruments and lower interest earned on the notes receivable from the shareholder, which were repaid in full during 2020.

Finance expense decreased by USD 25.2 million, or 7.2 per cent, to USD 324.0 million, due primarily to a decrease in interest expense as a result of the repayment of senior unsecured notes with an average rate of 5.1% and the issuance of additional unsecured debt with an average rate of 2.3%.

During the year ended December 31, 2021, we early redeemed certain senior unsecured notes resulting in a one-off debt redemption cost of USD 38.3 million which consist of a redemption premium paid of USD 29.0 million and acceleration of debt issuance costs of USD 9.3 million.

Income tax expense

Our tax charge is primarily driven by tax arising on the group's Irish activities as well as the impact of tax losses for which no benefit was recognizable. During the year ended December 31, 2021 we recorded a tax expense of USD 8.3 million compared to USD 21.3 million for the year ended December 31, 2020. The decrease was primarily due to a reduction in profits attributable to the Group's activities carried out in Ireland during the year ended December 31, 2021.

Profit for the year

Reflecting the above factors, profit for the year ended December 31, 2021 decreased by USD 78.9 million, or 34.5 per cent, to USD 150.0 million from USD 228.9 million for the year ended December 31, 2020. Adjusted profit after tax for the year ended December 31, 2021 decreased by USD 40.6 million, or 17.8 per cent, to USD 188.3 million from USD 228.9 million for the year ended December 31, 2020.

Consolidated Cash Flows

The following table presents our consolidated cash flows for the year ended December 31, 2021 and the year ended December 31, 2020. Cash and cash equivalents shown below refer to unrestricted cash.

Consolidated cash flow (Extract) (in millions of USD)	Year ended	
	Dec 31	
	2021	2020
Net cash generated from operating activities	1,143.0	867.9
Net cash (used in)/from investing activities	(556.8)	316.6
Net cash used in financing activities	(704.8)	(944.0)
Net (decrease)/increase in cash and cash equivalents	(118.6)	240.5
Cash and cash equivalents at the beginning of the year	469.0	228.5
Cash and cash equivalents at the end of the year	350.4	469.0

For the year ended December 31, 2021 net cash generated from operating activities was USD 1,143.0 million, an increase of USD 275.1 million, or 31.7 per cent, from USD 867.9 million for the year ended December 31, 2020. This movement was primarily due to a decrease in trade and other receivables and finance lease and loan receivables and higher maintenance receipts.

For the year ended December 31, 2021 net cash used in investing activities was USD 556.8 million compared to net cash from investing activities of USD 316.6 million for the year ended December 31, 2020. This movement was primarily due to lower receipts following the repayment of notes receivable during 2020, higher deposits paid for aircraft purchases, offset by increased proceeds from disposal of aircraft.

Net cash used in financing activities for the year ended December 31, 2021 decreased by USD 239.2 million to USD 704.8 million compared to USD 944.0 million for the year ended December 31, 2020. This movement was due to an increase in net drawdowns of borrowings and a decrease in cash interest paid offset by an increase in debt issuance costs during the year ended December 31, 2021 compared to the year ended December 31, 2020.

Our cash and cash equivalents as at December 31, 2021 was USD 350.4 million a decrease of USD 118.6 million from USD 469.0 million as at December 31, 2020. This decrease was due primarily to the drawdown of additional investing activity during 2021.

Our total cash and cash resources, which includes restricted cash, was USD 450.8 million as at December 31, 2021 which represents an decrease of USD 115.7 million compared to USD 566.5 million as at December 31, 2020.

Loans and borrowings, Liquidity and Capital Resources

Loans and borrowings

Our total loans and borrowings (net of debt issuance costs) decreased to USD 7,813.7 million as at December 31, 2021 from USD 7,907.2 million at December 31, 2020. The decrease was primarily due to repayments of USD 3,851.9 million offset by the issuance of USD 2,550.0 million in senior unsecured notes and the drawdown of USD 930.0 million in bank facilities during the year ended December 31, 2021.

At December 31, 2021 our level of unsecured debt was 69.8% compared to 62.6% at December 31, 2020. The average cost of debt as at December 31, 2021 was 3.7% which decreased from 3.9% at December 31, 2020 and the weighted average debt maturity as at December 31, 2021 was 4.4 years compared to 4.1 years at December 31, 2020.

Loans and Borrowings (in millions of USD)

	Aircraft Collateral	Dec 31 2021
Unsecured		
Senior unsecured notes		3,331.5
Unsecured facilities (incl. term loans)		2,190.2
Revolving credit facilities		0.1
Total unsecured		5,521.8
Secured		
Recourse obligations (incl. Ex-Im & EDC)	87	2,249.2
Non-recourse obligations	5	137.8
Total secured	92	2,387.0
Debt issuance costs		(95.1)
Net loans and borrowings		7,813.7

The Group holds 204 aircraft with a total net book value of USD 7,458.6 million (which includes aircraft purchase deposits) which were unencumbered at December 31, 2021 and 92 aircraft which were used as collateral on our secured facilities. Further information of the loan facilities can be found in the financial statements, note 17.

Our unsecured revolving credit facilities at December 31, 2021 were USD 2.6 billion of which USD 2.6 billion was undrawn and available.

We expect to meet our contractual payment obligations on future capital expenditure through a combination of equity, cash flows from operations, commercial debt raising activities and the utilization of revolving credit facilities in aggregate.

Liquidity and Capital Resources

Our total equity increased to USD 2,934.2 million as at December 31, 2021 from USD 2,891.1 million as at December 31, 2020 due primarily to profit after tax, movement in other reserves offset by the repurchase of shares during the year ended December 31, 2021.

Our Net Debt to Equity ratio was 2.54:1 times as at December 31, 2021 compared to 2.57:1 times as at December 31, 2020. Available liquidity was USD 2,910.3 million as at December 31, 2021 increasing from USD 2,693.0 million as at December 31, 2020.

We believe that the sources of liquidity mentioned above, together with cash generated from operations, will be sufficient to operate our business and repay our debt maturities for at least the next 12 months.

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Dubai Aerospace Enterprise (DAE) Ltd

**Consolidated financial statements
for the year ended 31 December 2021**

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated financial statements for the year ended 31 December 2021

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Independent auditor's report to the shareholders of Dubai Aerospace Enterprise (DAE) Ltd

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dubai Aerospace Enterprise (DAE) Ltd ('the Company') and its subsidiaries (together, 'the Group') as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS').

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Dubai International Financial Centre. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of aircraft held for lease</p> <p>As at 31 December 2021, the carrying value of aircraft held for lease was USD 11,279.2 million. Refer to notes 2 and 8 to the consolidated financial statements.</p> <p>As the COVID-19 situation has evolved globally during the year, management has performed an impairment test over the aircraft held for lease.</p> <p>The recoverable amount attributable to each aircraft is determined as being the higher of the fair value and the value in use of the aircraft. The recoverable amount is compared to the carrying value of the aircraft in order to determine whether an impairment exists.</p> <p>The fair value is determined by reference to independent aircraft valuation reports provided by external appraisers.</p> <p>The value in use is determined by calculating the discounted cash flows expected to be generated by the aircraft. The calculation of value in use incorporates key assumptions including:</p> <ul style="list-style-type: none"> Continuation of existing contracted lease rates for the period of the lease; Assumed future non-contracted lease rates with reference to independent appraiser data; Estimates relating to lease transition periods and related costs; Assumed future aircraft fair values at the end of the aircraft's life with reference to independent appraiser data; and The discount rate applied to the cash flows within the value in use model. <p>We focused on this area because the determination of whether an impairment loss should be recognized is inherently complex and required management to exercise significant judgement over the calculation of the fair value and value in use of aircraft held for lease.</p>	<p>We obtained an understanding of management's impairment model and key assumptions. We then tested this impairment model, in particular with regard to the appropriateness of key assumptions within the model, as follows:</p> <ul style="list-style-type: none"> We agreed the carrying values of aircraft held for lease within the impairment model to the register of aircraft held for lease; With respect to the fair value of aircraft held for lease, we agreed on a sample basis, the fair value of aircraft held for lease to independent aircraft valuation reports provided by external appraisers and other supporting evidence; With respect to the value in use calculation we agreed on a sample basis; <ul style="list-style-type: none"> Existing contracted lease rates to signed lease contracts; The future non-contracted lease rentals to independent aircraft valuation reports provided by external appraisers and other supporting evidence; and The future value of the aircraft at the end of its useful life to independent aircraft valuation reports provided by external appraisers. We utilized our internal valuation specialists to perform an independent calculation of the discount rate, with particular reference to comparable companies and compared this calculation to the rate used by management; and We confirmed through inquiry with senior operational personnel that the estimates relating to the lease transition periods and related costs were reasonable across the portfolio. <p>We evaluated the competence, capabilities and objectivity of the external appraisers as independent aircraft appraisers.</p> <p>We tested the mathematical accuracy of the impairment model.</p> <p>We performed sensitivity analyses over the discount rate and the ranges of valuations obtained from the independent appraisers.</p> <p>We assessed whether the related disclosures in notes 2 and 8 to the consolidated financial statements are consistent with the requirements of IFRS.</p>

Valuation and recoverability of trade and accrued receivables

As at 31 December 2021, trade receivables and accrued revenue amounted to USD 337.2 million with corresponding loss allowances totaling USD 115.4 million. Refer to notes 2, 11, 14 and 25 to the consolidated financial statements.

The loss allowances for trade and accrued receivables represent management's best estimate at 31 December 2021 of expected credit losses ("ECL") under IFRS 9, applying the simplified approach.

To calculate the loss allowances, management prepared an ECL model, which contains the following key assumptions in respect of:

- Customer credit risk and probabilities of default using a customer credit rating model; and
- Adjustments for current market conditions and forward-looking estimates primarily in respect of the impact of COVID-19.

We focused on this area because the determination of the loss allowances is inherently complex and required management to exercise significant judgements over key assumptions within the calculation of the loss allowance.

We obtained an understanding of management's ECL model and key assumptions. We then tested this model, in particular with regard to the appropriateness of key assumptions within the model, as follows:

In respect of the assumptions for customer credit risk, probabilities of default and forward-looking factors adopted in the ECL model we;

- Assessed the reasonableness of the credit rating and probability of default percentages on a sample basis by comparing the percentages to independent and other supporting information; and
- We assessed whether the forward looking estimates considered in the model were reasonable based on available independent and other supporting information.

We obtained an ageing report for the trade receivables and accrued revenue balances and tested the accuracy of the report by validating the ageing of invoices on a sample basis.

We tested the mathematical accuracy of the ECL model.

We assessed whether the related disclosures in notes 2, 11, 14 and 25 to the consolidated financial statements are consistent with the requirements of IFRS.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the Companies Law - DIFC Law No.5 of 2018, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Further, we report that the Company's financial statements have been properly prepared in accordance with the applicable provisions of the Companies Law – DIFC Law No. 5 of 2018.

PricewaterhouseCoopers Limited
8 February 2022

/s/ James French

James French
Audit Principal, Reference Number I014515
Dubai, United Arab Emirates

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended December 31	
		2021 USD'000	2020 USD'000
Revenue	3	1,217,384	1,285,485
Other income	4	20,921	14,860
Total revenue		1,238,305	1,300,345
Gain on disposal of aircraft		76,469	34,703
Expenses			
Depreciation and amortization		(568,260)	(559,012)
General and administrative expenses	5	(79,592)	(76,988)
Cost of providing engineering maintenance services		(59,558)	(43,008)
Loss allowance	25	(73,935)	(53,946)
Aircraft maintenance		(19,058)	(18,119)
Results from operating activities		514,371	583,975
Finance income	6	6,198	15,486
Finance expense	6	(323,996)	(349,244)
Debt redemption costs	6	(38,307)	-
Net finance costs		(356,105)	(333,758)
Profit before income tax		158,266	250,217
Income tax expense	7	(8,302)	(21,301)
Profit for the year		149,964	228,916
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Unrealized gain/(loss) on interest rate hedges	22	44,890	(47,881)
Amounts reclassified to profit or loss	22	1,231	4,009
Income tax relating to components of other comprehensive income	22	(2,960)	2,516
Total comprehensive income for the year		193,125	187,560
Profit for the year attributable to:			
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		149,491	229,552
Non-controlling interests		473	(636)
		149,964	228,916
Total comprehensive income for the year attributable to:			
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		192,652	188,196
Non-controlling interests		473	(636)
		193,125	187,560

The accompanying notes form an integral part of these consolidated financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated statement of financial position

		December 31	
		2021	2020
	Note	USD'000	USD'000
ASSETS			
Non-current assets			
Aircraft held for lease	8	11,279,152	11,321,045
Property, plant and equipment	9	106,092	105,191
Intangible assets		4,669	5,275
Goodwill	10	44,668	44,668
Finance lease and loan receivables	26	163,620	170,812
Other non-current assets	11	239,092	227,821
Financial assets at FVTPL and amortized cost	12	51,530	39,325
		<u>11,888,823</u>	<u>11,914,137</u>
Current assets			
Cash and cash equivalents	15	350,371	469,001
Restricted cash	15	100,402	97,493
Inventories		38,379	11,702
Trade and other receivables	14	111,374	142,047
Prepayments		5,801	4,569
Finance lease and loan receivables	26	16,814	14,344
Current tax asset		1,710	1,569
Other current assets	11	95,903	87,612
		<u>720,754</u>	<u>828,337</u>
Total assets		<u><u>12,609,577</u></u>	<u><u>12,742,474</u></u>
EQUITY AND LIABILITIES			
EQUITY			
	16		
Authorized and issued share capital		1,927,770	1,927,770
Additional paid-in-capital		517,884	517,884
Treasury shares		(1,392,059)	(1,242,057)
Other reserves		(50,253)	(93,414)
Retained earnings		<u>1,920,786</u>	<u>1,771,295</u>
		<u>2,924,128</u>	<u>2,881,478</u>
Non-controlling interests		<u>10,087</u>	<u>9,614</u>
Net equity		<u><u>2,934,215</u></u>	<u><u>2,891,092</u></u>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	17	7,140,860	6,720,545
Deferred tax liabilities	13	318,565	307,739
Maintenance reserves and security deposits	18	1,090,383	979,229
Lease liabilities	19	32,289	29,480
Deferred revenue	20	23,099	34,665
		<u>8,605,196</u>	<u>8,071,658</u>
Current liabilities			
Loans and borrowings	17	672,863	1,186,627
Trade and other payables	21	49,728	177,236
Derivative financial liabilities	22	48,480	92,047
Maintenance reserves and security deposits	18	233,613	249,090
Lease liabilities	19	4,015	3,574
Deferred revenue	20	61,467	71,150
		<u>1,070,166</u>	<u>1,779,724</u>
Total liabilities		<u><u>9,675,362</u></u>	<u><u>9,851,382</u></u>
Total liabilities and equity		<u><u>12,609,577</u></u>	<u><u>12,742,474</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated statement of cash flows

	Year ended December 31	
	2021	2020
	USD'000	USD'000
Cash flows from operating activities		
Profit for the year	149,964	228,916
Adjustments for:		
Depreciation and amortization	568,260	559,012
Gain on disposal of aircraft	(76,469)	(34,703)
Amortization of fair value discounts and debt issuance costs	45,014	32,095
Net finance cost	311,091	301,663
Income tax	8,302	21,301
Changes in operating assets and liabilities		
Movement in trade and other receivables	30,673	(72,913)
Movement in accrued revenue	(17,700)	(96,458)
Movement in finance lease receivables	4,722	(83,681)
Movement in maintenance reserves and security deposits	95,677	(103,435)
Movement in other assets and liabilities	23,448	116,098
Net cash generated from operating activities	1,142,982	867,895
Cash flow from investing activities		
Acquisition of aircraft held for lease	(668,942)	(668,552)
Acquisition of property, plant and equipment	(8,198)	(9,192)
Proceeds from disposal of aircraft	629,517	173,443
Interest received	4,595	7,342
Repayment of notes receivable	-	813,591
Deposits paid for the purchase of aircraft	(513,761)	-
Net cash (used in) / generated from investing activities	(556,789)	316,632
Cash flows from financing activities		
Movement in restricted cash	(2,909)	40,032
Repurchase of share capital	(250,002)	(250,056)
Proceeds from borrowings	3,785,254	2,122,200
Repayment of borrowings	(3,851,947)	(2,311,827)
Debt repurchased	-	(188,741)
Cash interest paid	(322,172)	(330,234)
Debt issuance costs incurred	(63,047)	(25,361)
Net cash used in financing activities	(704,823)	(943,987)
Net (decrease) / increase in cash and cash equivalents	(118,630)	240,540
Cash and cash equivalents at the beginning of the year	469,001	228,461
Cash and cash equivalents at the end of the year	350,371	469,001

During the year ended 31 December 2021 the Group received a cash tax refund of USD 0.1 million (2020: cash paid for taxes of USD 2.3 million).

The accompanying notes form an integral part of these consolidated financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated statement of changes in equity

<i>In thousands of US Dollars</i>	Share capital	Additional paid-in capital	Treasury shares	Other reserves	Retained earnings	Attributable to the equity holders of the Company	Non-controlling interests	Total equity
At 31 December 2019	1,927,770	517,884	(892,001)	(52,058)	1,541,743	3,043,338	10,250	3,053,588
Profit for the year	-	-	-	-	229,552	229,552	(636)	228,916
Other comprehensive income	-	-	-	(41,356)	-	(41,356)	-	(41,356)
Total comprehensive income for the year	-	-	-	(41,356)	229,552	188,196	(636)	187,560
Purchase of own shares	-	-	(350,056)	-	-	(350,056)	-	(350,056)
At 31 December 2020	1,927,770	517,884	(1,242,057)	(93,414)	1,771,295	2,881,478	9,614	2,891,092
Profit for the year	-	-	-	-	149,491	149,491	473	149,964
Other comprehensive income	-	-	-	43,161	-	43,161	-	43,161
Total comprehensive income for the year	-	-	-	43,161	149,491	192,652	473	193,125
Purchase of own shares	-	-	(150,002)	-	-	(150,002)	-	(150,002)
At 31 December 2021	1,927,770	517,884	(1,392,059)	(50,253)	1,920,786	2,924,128	10,087	2,934,215

The accompanying notes form an integral part of these consolidated financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

1 Corporate information

Dubai Aerospace Enterprise (DAE) Ltd (“DAE or the “Company”) (the Company and its subsidiaries are together referred to as the “Group”) is the parent company of the Group. The Company is limited by shares and was incorporated on 19 April 2006 in the Dubai International Financial Centre (“DIFC”) under the Companies Law, DIFC law No. 2 of 2004 which was superseded by DIFC law No. 5 of 2018. The Company’s registered office is at L20-00, Level 20, ICD Brookfield Place, DIFC, PO Box 506592, Dubai, United Arab Emirates.

The Company is privately owned by Investment Corporation of Dubai (“ICD”), ICD Hospitality & Leisure LLC (“ICD H&L”) and Dubai Integrated Economic Zones Authority (“DIEZ”). Effective 1 January 2022 the shares previously held by Dubai Silicon Oasis Authority (“DSOA”) were transferred to DIEZ. ICD H&L and DIEZ are subsidiaries of ICD. ICD directly and indirectly owns 100% of the Company and is therefore the ultimate controlling party of the Group. ICD is controlled by the Government of Dubai.

The Group is made up of two divisions:

- (a) DAE Capital - a provider of aircraft leasing and financing services to the global aviation industry; and
- (b) DAE Engineering - a provider of commercial aircraft maintenance, repair and overhaul services. DAE Engineering consists of an 80% ownership stake in Jordan Aircraft Maintenance Limited (“Joramco”).

The operational highlights for Group’s owned fleet for the year ended 31 December 2021 (the “year”) are summarized below:

- The Group owned 296 aircraft at 31 December 2021 (31 December 2020: 298).
- Purchases – the Group purchased 18 during the year (2020: 23 aircraft)
- Sales – the Group disposed of 20 during the year (2020: 14 aircraft).

The Group also manages 79 aircraft on behalf of third parties at 31 December 2021 (31 December 2020: 66 aircraft). During 2021 the Group acquired 23 managed aircraft (31 December 2020: 15 aircraft) and completed the sale of 10 managed aircraft (31 December 2020: 14 aircraft).

The continuing spread of COVID-19 across the globe during 2021 resulted in various restrictions on the ability of people to travel which led to a negative economic impact for the airline industry. DAE has provided support to certain customers impacted by COVID-19 pandemic, principally in the form of rent deferrals or other leases amendments. See further details in note 11.

The consolidated financial statements were approved on 8 February 2022 and signed by:

/s/ Firoz Tarapore

Firoz Tarapore
Chief Executive Officer

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared under the historical cost basis as modified for the valuation of certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The carrying values of recognized financial instruments that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to reflect changes in the fair value attributable to the risks that are being hedged.

The consolidated financial statements have been presented in US Dollars (USD), which is the functional currency of the Group, and all values are rounded to the nearest thousands, except when otherwise indicated.

As at 31 December 2021, the current liabilities of the Group exceeded its current assets. The shortfall will be met by a combination of the operating cash flows of the Group, new and existing credit facilities, and other cash management initiatives. At the 31 December 2021 the Group's available liquidity amounted to USD 2,910.3 million.

As such, the Directors are of the opinion that the going concern basis is appropriate for the financial statements for the year ended 31 December 2021.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries include entities controlled by the Group.

The Group controls an investee if and only if the Group has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Special Purpose Entities (SPEs) are entities that are created to accomplish a well-defined objective such as the securitization of assets, or the execution of a specific borrowing or lending transaction. The above-mentioned circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.2 Basis of consolidation (continued)

As of 31 December 2021, the Group had 24 SPEs (2020: 27 entities). These entities included aircraft with a book value of USD 951.2 million at 31 December 2021 (2020: USD 934.4 million), in the consolidated statement of financial position. These aircraft are funded by unsecured debt of USD 695.1 million (2020: USD 675.1 million) which is also included in the consolidated statement of financial position.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's existing and potential voting rights.

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holder of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.2 Basis of consolidation (continued)

Transactions involving entities under common control

Transactions involving entities under common control where the transaction has substance are accounted for using the acquisition method, for transactions involving entities under common control where the transaction does not have any substance, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities in the books of the transferor (as adjusted for the Group accounting policies), are used to account for these transactions. No goodwill is recognized as a result of the transfer. The only goodwill recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the net assets 'acquired' is reflected as "merger reserve" within equity.

A number of factors are considered in evaluating whether the transaction has substance including the following:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transactions are conducted at fair values;
- the existing activities of the entities involved in the transaction; and
- whether or not it is bringing entities together into a "reporting entity" that did not exist before.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous year, except for the adoption of new standards (including IFRS and International Accounting Standards ("IAS")), amendments to the existing standards and interpretations effective as of 1 January 2021, as explained below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(a) New and amended standards adopted by the Group

The following amendments became effective 1 January 2021 and have been adopted by the Group. The impact of the adoption of these amendments has not had a material impact on the Group's consolidated financial statements.

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 7, IFRS 9 and IAS 39; and
- Covid-19 - Related Rent Concessions – Amendments to IFRS 16.

All other accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2020.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

(b) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that have been published are effective for future reporting periods, and have not been applied in preparing these consolidated financial statements:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1;
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12; and
- Annual Improvements to IFRS Standards 2018–2020;

These are all effective for annual periods beginning on or after 1 January 2022. The Group has taken the decision not to adopt these standards early. The extent of the impact for future accounting periods is still under review by the Group, however the impact is not expected to be material.

2.4 Significant estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Aircraft held for lease

In accounting for aircraft held for lease, the Group make estimates about the expected useful lives and the estimated residual value of aircraft. In estimating useful lives and residual values of aircraft, the Group relies upon management's industry experience, supported by estimates received from independent appraisers, for the same or similar aircraft types along with the Group's anticipated utilization of the aircraft.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.4 Significant estimates and judgements (continued)

Aircraft held for lease (continued)

In accordance with IAS 36 – Impairment of Assets, the Group's aircraft that are to be held and used, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the aircraft may not be recoverable. An impairment review involves consideration as to whether the carrying value of an aircraft is not recoverable and is in excess of its fair value. In such circumstances an impairment charge is recognized as a write down of the carrying value of the aircraft to the higher of value in use and fair value less cost to sell.

The fair value less cost to sell is based on current market values from independent appraisers.

The calculation of value in use requires the use of judgement in the assessment of estimated future cash flows associated with the aircraft and its eventual disposition. Expected future lease rates beyond the period of any contracted rentals are based upon all relevant information available, including the existing lease and current contracted rates for similar aircraft, appraiser data and industry trends.

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, estimated residual values, economic conditions, technology advancements and airline demand for particular aircraft types. These estimated cash flows are discounted at 4.8% per annum, which management believe is appropriate for each individual aircraft assessed (2020: 4.8%).

Lease revenue

The Group leases aircraft principally under operating leases and reports rental income on a straight-line basis over the life of the lease as it is earned. In certain cases, leases provide for rentals based on usage, which is recorded as revenue as it is earned under the terms of the lease. The usage is calculated based on hourly usage or cycles operated, depending on the lease agreement. Certain leases provide for a lease-end adjustment payment by the Group, or the lessee, at the end of the lease based on usage of the aircraft and its condition upon return.

The Group also recognizes maintenance reserves that are not expected to be reimbursed to lessees, as lease revenue, when the Group has reliable information that the lessee will not require reimbursements of additional rentals based on a maintenance forecasting model. This model estimates the maintenance inflows and outflows to the lease termination date or for five years, whichever is sooner, for each aircraft.

Loss allowance for financial assets

The Group recognizes a loss allowance for financial assets in accordance with IFRS 9 – Financial Instruments, this requires estimation of both the timing and quantum of expected losses. The Group assigns a credit rating to each counterparty which is determined to be predictive of the risk of loss, having considered collateral arrangements (security deposits & letters of credit), external ratings (where available), the financial result and position of the airline customer (based on audited and/or management accounts where available) and the experienced credit judgment of the dedicated Risk Management team.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies

Revenue

Lease income

The Group, as a lessor, leases aircraft principally under operating leases and records rental income on a straight-line basis over the life of the lease as it is earned. The Group accounts for lease rental income under lease agreements that include step rent clauses on a straight-line basis over the lease term. In certain cases, lease agreements provide for rentals based on usage. The usage may be calculated based on hourly usage or on the number of cycles operated, depending on the lease contract. The Group accounts for lease rentals under such agreements on a basis that represents the time pattern in which the revenue is earned. For past-due rentals on all leases, a loss allowance may be established in accordance with IFRS 9 on the basis of management's assessment of collectability and to the extent such past-due rentals exceed related security deposits and letters of credit held. Loss allowances are expensed through the consolidated statement of profit or loss and other comprehensive income.

Most of the Group's lease contracts require payment in advance. Rentals received, but unearned under these lease agreements, are recorded as deferred revenue.

In certain contracts, the lessee is required to re-deliver the aircraft in a specified maintenance condition (normal wear and tear excepted), with reference to major life-limited components of the aircraft. To the extent that such components are re-delivered in a different condition than specified, there is normally an end-of-lease compensation adjustment for the difference at re-delivery. Amounts received as part of these re-delivery adjustments are recorded as lease rental income at lease termination.

The Group recognizes amounts recorded as maintenance reserves that are not expected to be reimbursed to lessees as lease revenue.

Engineering maintenance services

Revenue from the provision of engineering maintenance services is recognized in proportion to stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work completed.

Interest income

Interest income is recognized as the interest accrues using the effective interest rate ("EIR") method.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets or for leased assets, the term of the lease, as follows:

Leased hangars	25 years
Leasehold improvements – the shorter of economic life or term of the lease	5 to 10 years
Furniture and fittings	5 to 10 years
Machinery, computer equipment and other corporate assets	3 to 15 years
Right-of-use assets	Lease term

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. As assets carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Aircraft held for lease

Aircraft held for lease are stated at cost net of accumulated depreciation and impairment losses, if any. Aircraft held for lease are depreciated on a straight-line basis over the estimated useful lives of 25 to 30 years from the date of manufacture, to estimated residual values. Residual values do not exceed 15% of cost. Management reviews residual values and useful lives annually. If either of these estimates is adjusted, the future depreciation charge is adjusted.

Maintenance right assets, arising from a business combination, presented as a component of aircraft held for lease represents the value of the difference between the contractual right under the acquired leases to receive the aircraft in a specified maintenance condition at the end of the lease and the actual physical condition of the aircraft at the date of acquisition.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Aircraft held for lease (continued)

Maintenance right assets are amortized over the remaining useful life of the aircraft. Once the related maintenance work is performed, the unamortized amount is capitalized as part of the physical aircraft. If the work is not performed during the term of the lease, the amount will be derecognized, and any related maintenance reserves will be released, and the net amount recorded within lease income in the consolidated statement of profit or loss and other comprehensive income.

Major improvements to be performed by the Group pursuant to the lease agreement are accounted for as lease incentives and are amortized against revenue over the term of the lease, assuming no lease renewals. Generally, lessees are required to provide for repairs, scheduled maintenance and overhauls during the lease term and to be compliant with return conditions of flight equipment at lease termination.

Major improvements and modifications incurred for an aircraft that is off-lease are capitalized and depreciated over the remaining life of the aircraft held for lease when these increase the future economic benefit of related aircraft. Miscellaneous repairs are expensed as incurred.

At the time of an aircraft acquisition as part of a business combination, the Group evaluates whether the lease acquired with the aircraft is at fair market value by comparing the contractual lease rates to the range of current lease rates of similar aircraft. A lease premium is recognized when it is determined that the acquired lease's terms are above market value; lease discounts are recognized when it is determined that the acquired lease's terms are below fair market value. Lease premiums and discounts are capitalized as a component of the aircraft held for lease and are amortized as rental revenue on a straight-line basis over the lease term.

Expenditures incurred to transition an aircraft from one lessee to another due to either lease termination or bankruptcies are expensed as aircraft maintenance costs.

Aircraft purchase deposits

Aircraft purchase deposits represent the progress payments made to with various aircraft manufacturers for future aircraft deliveries. Such amounts are included as a component of aircraft held for lease and are capitalized once the Group take delivery of the related aircraft.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Non-current assets (or disposal groups) held for sale and discontinued operations (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

Intangible assets (excluding goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income within depreciation and amortization, based on the following useful lives:

Customer relationships	4 years
Lease agreements	13.5 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets at the date of acquisition. If the consideration transferred is less than the fair value of the net identifiable assets, the difference is recognized directly in the consolidated statement of profit or loss and other comprehensive income as a bargain purchase.

Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash generating units or a group of cash generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment loss is recognized when the carrying value of the cash generating units or a group of cash generating units exceeds its recoverable amount. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and depreciation and are tested annually for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Inventories

The Company values its inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

Management reviews the carrying values of the inventory held at each reporting date. Any write down in value is recognized in the consolidated statement of profit or loss and other comprehensive income.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Restricted cash

Under certain of the Group's debt arrangements, payments received from lessees serve as collateral to the lenders and are thus subject to withdrawal restrictions. The Group's restricted cash consists primarily of (i) security deposits and maintenance reserves received from lessees under the terms of various lease agreements and (ii) a portion of rents collected required to be held for debt repayments.

Dividend distribution

Dividends to the Company's shareholders are recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Classification of financial assets and financial liabilities

The following table shows the measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities.

	Note	Classification
<i>Financial assets</i>		
Cash and cash equivalents	15	Amortized cost
Restricted cash	15	Amortized cost
Finance lease receivables	26	Amortized cost
Accrued revenue (within other assets)	11	Amortized cost
Trade and other receivables	14	Amortized cost
Derivative financial assets	22	FVOCI
Financial assets at FVTPL and amortized cost	12	Amortized cost / FVTPL
<i>Financial liabilities</i>		
Loans and borrowings	17	Amortized cost
Derivative financial liabilities	22	FVOCI
Maintenance reserves and security deposits	18	Amortized cost
Lease liabilities	19	Amortized cost
Trade and other payables	21	Amortized cost

Initial recognition

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial assets measured at amortized cost

A financial asset is measured at amortized 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 the financial 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.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Classification of financial assets and financial liabilities (continued)

Financial assets measured at FVOCI

a) *Debt instruments*

Debt instruments may be classified as at FVOCI, where the contractual cash flows are solely payments of principal and interest on the outstanding principal, and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling the underlying financial assets.

b) *Equity instruments*

In case of equity instruments which are not held for trading or designated at FVTPL, the Group may irrevocably elect to recognize subsequent changes in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets measured at FVTPL

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

Financial liabilities

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities, at initial recognition, may be designated at FVTPL if the following criteria are met:

- a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis;
- b) the liabilities which are managed, and their performance is evaluated on fair value basis; or
- c) the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Classification of financial assets and liabilities (continued)

Financial liabilities (continued)

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense or recognized in the consolidated statement of profit or loss and other comprehensive income. Adjustments due to own credit risk are recognized in other comprehensive income ("OCI").

Subsequent measurement and gain or losses

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"). The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss and other comprehensive income.

Financial assets at FVOCI

a) Debt instruments

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment (including reversals) are recognized in the consolidated income statement. Other net gains and losses are recognized in the consolidated statement of other comprehensive income.

b) Equity instruments

These assets are subsequently measured at fair value. Foreign exchange gains or losses are recognized in the consolidated income statement. Dividends are also recognized as income in the consolidated income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in the consolidated statement of other comprehensive income.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities at FVTPL

These liabilities are subsequently measured at fair value and net gains or losses are recognized in the consolidated statement of profit or loss and other comprehensive income. Adjustments due to own credit risk are recognized in OCI.

Financial liabilities at amortized cost

These primarily include borrowings and lease liabilities, security deposits and trade and other payables. After initial recognition, the aforementioned liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Subsequent measurement and gain or losses (continued)

Financial liabilities at amortized cost (continued)

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated income statement.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- a) the rights to receive cash flows from the asset have expired; or
- b) the Group retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- c) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting

Financial assets and financial liabilities are only offset, and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (‘ECL’) model associated with its financial assets. Assessing how changes in economic factors affect ECL requires considerable judgement. ECLs are determined on a probability-weighted basis.

The Group recognizes loss allowances for ECLs on the following instruments that are not measured at FVTPL:

- financial assets that are debt instruments carried at amortized cost or FVOCI; and,
- lease receivables in the scope of IFRS 16.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

The Group measures loss allowances either using the general or simplified approach as considered appropriate.

Under the general approach, loss allowances are measured at an amount equal to 12-month ECL except when there has been a significant increase in credit risk since inception. In such cases, the Group measures loss allowances at an amount equal to credit loss expected over the life of the financial asset.

Under the simplified approach, impairment allowances are always measured at an amount equal to lifetime ECL.

Lifetime ECL: These losses are the ECL that result from all possible default events over the expected life of a financial instrument, if there is a significant increase in credit risk under simplified approach.

12-month ECL: These losses are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: measured as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive upon such drawdown; and
- financial guarantee contracts: measured as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Derivative financial instruments and hedging

The Group uses derivative financial instruments as trading investments as well as to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the consolidated statement of profit or loss and other comprehensive income.

The Group applies hedge accounting only if all of the following conditions are met:

- There is formal designation and written documentation at the inception of the hedge;
- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the purpose of hedge accounting, hedges are classified as:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges); or
- Hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The documentation also includes the hedge ratio and potential sources of ineffectiveness.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedge

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognized asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Derivative financial instruments and hedging (continued)

Fair value hedge (continued)

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item for which the effective interest method is used, is amortized to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of derivative is recognized in OCI. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in the income statement.

The accumulated gains and losses recognized in other comprehensive income are reclassified to the income statement in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income are removed from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively, any cumulative gain or loss recognized in other comprehensive income at that time remains in equity until the forecast transaction is eventually recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is immediately reclassified to the income statement.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities, respectively.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside consolidated statement of comprehensive income is recognized outside the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognized 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 recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Group's net investment outstanding in respect of the leases.

(b) Group as lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between principal and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Security deposits

Security deposits represent cash received from the lessee as security in accordance with the lease agreement. The deposits are repayable to the lessees on the expiration/termination of the lease agreements subject to satisfactory compliance of the lease agreement by the lessee.

Maintenance reserves

Maintenance reserves comprise of maintenance advances, lessor contributions, repossession provisions, re-lease provisions and heavy maintenance provisions. In many aircraft operating lease contracts, the lessee has the obligation to make periodic payments which are calculated with reference to the utilization of airframes, engines and other major life-limited components during the lease (supplemental amounts). In such contracts, upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, the Group reimburses the lessee for the work, up to a maximum of the supplemental amounts received with respect to such work.

The Group also recognizes maintenance reserves that are not expected to be reimbursed to lessees, as lease revenue, during the lease term when the Group has reliable information that the lessee will not require reimbursements of additional rentals based on a maintenance forecasting model. Where amounts not expected to be reimbursed are not certain revenue is recognized at the end of the lease.

When aircraft are sold the portion of the accrued liability not specifically assigned to the buyer is derecognized from the consolidated statement of financial position as part of the gain or loss on disposal of the aircraft.

Lessor contributions

At the beginning of each new lease subsequent to the first lease on a new aircraft, lessor contributions representing contractual obligations on the part of the Group to contribute to the lessee's cost of the next planned major maintenance event, expected to occur during the lease, are established. The Group regularly reviews the level of lessor contributions to cover its contractual obligations under current lease contracts and makes adjustments as necessary.

Lessor contributions represent a lease incentive and are recorded as a charge against lease rental income over the life of the associated lease.

Lessor contributions in respect of end of lease adjustments are recognized when the group believes it is probable that it will be required to reimburse amounts to a lessee and the amount can be reasonably estimated.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

2 Accounting policies (continued)

2.5 Summary of significant accounting policies (continued)

Foreign currencies

The functional currency of the Company and its subsidiaries is USD. The financial statements of one foreign subsidiary, Joramco has a functional currency of Jordanian Dinar (JOD). Results are translated into USD at current rates, except that revenues and expenses are translated at average current rates during each reporting period. Joramco's financial statements are presented in JOD, which is pegged to USD, and thus, did not result in foreign currency translation adjustment in the consolidated financial statements.

Monetary assets and liabilities denominated in foreign currencies are remeasured in the functional currency at the exchange rates in effect as of the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are remeasured in the functional currency at the exchange rate in effect at the date of the transaction. All gains and losses from the remeasurement of assets and liabilities denominated in currencies other than the respective functional currencies are included in the consolidated statement of profit or loss and other comprehensive income

Equity

Ordinary shares are classified as equity.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The chief operating decision maker is considered to be the Chief Executive Officer who makes strategic decisions and is responsible for allocating resources and assessing performance of the operating segments.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

3 Revenue

	2021 USD'000	2020 USD'000
Lease rental income	1,114,064	1,210,095
Engineering maintenance services revenue	88,845	63,830
Finance lease and loan receivables income	14,475	11,560
	<u>1,217,384</u>	<u>1,285,485</u>

Lease rental income includes the release of maintenance reserves totaling USD 44.3 million (2020: USD 73.1 million) which is net of the derecognition of maintenance right assets of USD 22.9 million (2020: USD 31.7 million).

Lease rental income also includes a net charge associated with the amortization of lease incentive assets of USD 56.1 million (2020: USD 48.5 million) and other lease costs of USD 10.5 million for the year (2020: USD 10.5 million).

Engineering maintenance services revenue of USD 88.8 million (2020: USD 63.8 million) relates to commercial aircraft maintenance, repair and overhaul services provided by the Group through its engineering division.

Lease rental income from the top five customers represented 36.2% of the lease rental income for the year ended 31 December 2021 (2020: 32.2%). Customers based in United Arab Emirates and Bahrain accounted for 18.1% and 8.2% of lease rental income respectively in the year ended 31 December 2021 (2020: 17.1% and 7.6%).

Lease rental income is derived mainly from leasing commercial jet aircraft to various operators around the world. The distribution of lease rental income by the operator's geographic region is as follows:

	2021 USD'000	2021 %	2020 USD'000	2020 %
MEASA (Middle East/Africa/South Asia)	516,779	46	527,349	44
Asia/Pacific	302,677	27	373,768	31
Europe	108,291	10	153,096	12
Americas	186,317	17	155,882	13
Total lease rental income	<u>1,114,064</u>	<u>100</u>	<u>1,210,095</u>	<u>100</u>

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

4 Other income

	2021 USD'000	2020 USD'000
Servicer fee income	15,371	11,607
Other income	5,550	3,253
	<u>20,921</u>	<u>14,860</u>

Servicer fee income relates to income earned from the management of aircraft on behalf of third parties.

Other income relates to settlements received from customers, proceeds from sale of spare parts and the release of security deposits.

5 General and administrative expenses

	2021 USD'000	2020 USD'000
Compensation and benefits expenses	49,164	50,199
Legal and professional expenses	19,562	18,120
Office expenses	2,059	730
Travel expenses	1,262	935
Other expenses	7,545	7,004
	<u>79,592</u>	<u>76,988</u>

DAE Capital had 145 people (2020: 140 people) in employment as at 31 December 2021. The average numbers of employees during the year was 142 (2020: 141).

DAE Engineering had 876 people (2020: 899 people) in employment as at 31 December 2021. The average numbers of employees during the year was 890 (2020: 973).

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

6 Finance income and expense

	2021 USD'000	2020 USD'000
Interest on notes receivable	-	3,216
Gains on financial instruments	-	3,367
Interest on bank accounts and short-term investments	1,489	4,019
Interest from investments	898	1,176
Other finance income	1,845	3,708
Net foreign exchange gain	1,966	-
Total finance income	6,198	15,486
Interest on borrowings	(281,072)	(311,364)
Amortization of debt issuance costs	(35,692)	(29,024)
Other charges	(5,159)	(5,007)
Lease interest expense	(2,073)	(2,214)
Net foreign exchange loss	-	(1,635)
Total finance expense	(323,996)	(349,244)
Debt redemption cost	(38,307)	-
Net finance cost	(356,105)	(333,758)

Gains on financial instruments relate to gains on the repurchase of senior unsecured notes and breakage gains on the early repayment of certain loans.

Debt redemption costs consist of a redemption premium paid of USD 29.0 million and acceleration of debt issuance costs of USD 9.3 million on the early redemption of USD 2,192.2 million aggregate senior unsecured notes completed in the year.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

7 Income tax expense

	2021 USD'000	2020 USD'000
Current tax		
Current period	1,067	1,914
Adjustment for prior periods	(631)	(1,120)
Total current tax expense	<u>436</u>	<u>794</u>
Deferred tax		
Origination and reversal of temporary differences	7,577	20,260
Adjustments for prior periods	289	247
Total deferred tax expense	<u>7,866</u>	<u>20,507</u>
Total income tax expense	<u>8,302</u>	<u>21,301</u>

Reconciliation of effective tax rate

	2021 USD'000	2020 USD'000
Profit for the year	158,266	250,217
Tax on profit at the United Arab Emirates statutory rate of 0%	-	-
Reconciling items		
Profit taxable in Ireland at 12.5%	3,072	15,516
Net loss taxable at other rates	(8,173)	(5,522)
Impact of tax losses not recognized	8,967	4,166
Interest not deductible	2,332	3,327
Other permanent differences	439	4,687
Adjustment in respect of tax for previous periods	1,665	(873)
Total income tax expense	<u>8,302</u>	<u>21,301</u>

The income tax expense for the year ended 31 December 2021 was primarily driven by the tax arising on the group's Irish activities at 12.5%. The Group also incurred losses in other jurisdictions which are included in the net losses taxable at other rates. However, based on current taxable income projections, a portion of these losses have not been recognized. The interest not deductible amount of USD 2.3 million relates to a restriction on interest deductions under Hungarian thin capitalization rules (2020: USD 3.3 million).

The Group files income tax returns in Ireland, Hungary, the USA (federal and various states) and various other jurisdictions. The periods from 31 December 2016 to 31 December 2021 remain open to examination by the Irish Revenue authorities. The period from 31 December 2017 to 31 December 2021 remains open to examination by the US Internal Revenue Service. The periods from 31 December 2015 to 31 December 2021 remain open to examination by the Hungarian Revenue authorities.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

8 Aircraft held for lease

	Aircraft and engines USD'000	Aircraft purchase deposits	Maintenance right asset USD'000	Lease discount USD'000	Total USD'000
Cost					
At 31 December 2019	11,940,028	-	635,416	(27,180)	12,548,264
Additions	646,172	-	-	-	646,172
Transfers	90,826	-	(90,826)	-	-
Transfers from assets held-for-sale	91,541	-	10,961	-	102,502
Transfer from finance lease receivable	11,162	-	-	-	11,162
Derecognition	(10,932)	-	(49,870)	2,916	(57,886)
Disposals	(443,854)	-	(5,914)	-	(449,768)
At 31 December 2020	12,324,943	-	499,767	(24,264)	12,800,446
Additions	709,565	513,761	-	-	1,223,326
Transfers	178,429	(146,361)	(32,068)	-	-
Transfers to assets held-for-sale	(346,164)	-	(8,000)	-	(354,164)
Transfer to finance lease receivable	(12,130)	-	-	-	(12,130)
Derecognition	(9,769)	-	(36,273)	-	(46,042)
Disposals	(495,389)	-	(3,074)	-	(498,463)
At 31 December 2021	12,349,485	367,400	420,352	(24,264)	13,112,973
Depreciation					
At 31 December 2019	1,158,659	-	90,761	(11,153)	1,238,267
Charge for the year	512,489	-	31,390	(3,953)	539,926
Transfers from assets held-for-sale	18,330	-	1,122	-	19,452
Derecognition	(10,932)	-	(18,204)	2,916	(26,220)
Disposals	(289,832)	-	(2,192)	-	(292,024)
At 31 December 2020	1,388,714	-	102,877	(12,190)	1,479,401
Charge for the year	529,342	-	23,139	(3,603)	548,878
Transfers to assets held-for-sale	(19,546)	-	(1,297)	-	(20,843)
Transfer to finance lease receivable	(1,628)	-	-	-	(1,628)
Derecognition	(4,437)	-	(13,347)	-	(17,784)
Disposals	(153,331)	-	(872)	-	(154,203)
At 31 December 2021	1,739,114	-	110,500	(15,793)	1,833,821
Net book value					
At 31 December 2020	10,936,229	-	396,890	(12,074)	11,321,045
At 31 December 2021	10,610,371	367,400	309,852	(8,471)	11,279,152

As of 31 December 2021, the Group owned 296 aircraft (2020: 298 aircraft), within this the Group had 288 aircraft held for lease on an operating basis (2020: 291 aircraft) and eight aircraft classified as finance lease and loan receivables (2020: 7 aircraft). During the year ended 31 December 2021, the Group sold 20 aircraft (2020: 14 aircraft) and purchased 18 aircraft (2020: 23 aircraft). During year ended 31 December 2021, the Group transferred one aircraft from aircraft held for lease to finance lease receivables, for further details see note 26.

During the year ended 31 December 2021, the Group derecognized USD 22.9 million (2020: USD 31.7 million) of maintenance right assets related to aircraft which were redelivered to the Group during the year. An amount of USD 38.7 million has been recognized as maintenance income in relation to these aircraft (2020: USD 56.7 million). These amounts are netted within revenue in the consolidated statement of profit or loss and other comprehensive income.

The Group's obligations under certain of its secured bank loans are secured by charges over, amongst other things, the Group's aircraft and related assets, details of which are included in note 17.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

8 Aircraft held for lease (continued)

Geographic concentration:

The distribution of net book value of the aircraft held for lease (excluding aircraft purchase deposits) by operator's geographic region is as follows:

	2021	2021	2020	2020
	USD'000	%	USD'000	%
MEASA (Middle East/Africa/South Asia) *	4,564,726	42	4,592,507	41
Asia/Pacific	2,785,604	25	3,086,340	27
Europe	1,733,001	16	1,616,196	14
Americas	1,828,421	17	2,026,002	18
	<u>10,911,752</u>	<u>100</u>	<u>11,321,045</u>	<u>100</u>

The Group's top 5 customers represent 29% of fleet based on net book value. The Group's top customer represents 12% of fleet based on NBV and is based in MEASA.

* the geographical region of aircraft not on lease and without a letter of intent at year end has been determined as MEASA based on the location of the Group's head office.

Impairment of aircraft held for lease

The Group evaluates aircraft for impairment where circumstances indicate and at each reporting date where there is an indication that an asset may be impaired. Where an impairment indicator exists, the Group assesses whether the aircraft is subject to an impairment charge. The impairment charge is measured as the excess of the carrying amount of the impaired asset over its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. The value in use represents the present value of cash flows expected to be received from the aircraft in the future, including its expected residual value. Expected future lease rates are based on all relevant information available, including the existing lease, current contracted rates for similar aircraft, appraiser data and industry trends.

The factors considered in estimating the future cash flows are impacted by changes in contracted lease rates, estimated residual values, economic conditions, technology advancements and airline demand for particular aircraft types. These estimated cash flows are discounted at 4.8% per annum, which management believe is appropriate for each individual aircraft assessed (2020: 4.8%).

Based on the Group's analysis, no impairment charge was recognized for the year ended 31 December 2021 (2020: nil). The key assumptions and judgments associated with the Group's impairment review are:

1. Current market values of aircraft based on independent appraiser data;
2. Management estimates relating to lease transition periods and related costs;
3. Assumed future aircraft values and residual values at the end of the aircraft's life based on independent appraiser data and management estimates (where appropriate);
4. Management's assumed future non contracted lease rates assessed against appraiser rates for each aircraft; and
5. The discount rate applied to forecast cash flows based on the Group's WACC of 4.8% (2020: 4.8%).

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

8 Aircraft held for lease (continued)

A sensitivity analysis was performed to determine the potential impact of the below movements in the various risk variables;

- 0.5% increase/decrease in the discount rate to determine the Group's WACC;
- 10% increase/decrease in the current market values of aircraft;
- 10% increase/decrease in the future non contracted rental income of each aircraft; and
- 10% increase/decrease in the residual value of aircraft at end of its useful life.

None of the above movements in risk variables would have led to a material impact on the impairment charge for the year ended 31 December 2021.

9 Property, plant and equipment

	Total USD'000
Cost	
At 31 December 2019	169,096
Additions	9,192
Derecognition	(5,429)
At 31 December 2020	<u>172,859</u>
Additions	16,091
Derecognition	(3,052)
At 31 December 2021	<u>185,898</u>
Depreciation	
At 31 December 2019	59,073
Charge for the year	14,024
Derecognition	(5,429)
At 31 December 2020	<u>67,668</u>
Charge for the year	15,190
Derecognition	(3,052)
At 31 December 2021	<u>79,806</u>
Net book value	
At 31 December 2020	<u>105,191</u>
At 31 December 2021	<u>106,092</u>

Property, plant and equipment consists of right of use assets related to property and land leases, buildings, leasehold improvements, furniture and fittings, machinery, computer and other corporate assets.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

10 Goodwill

	2021 USD'000	2020 USD'000
Goodwill	44,668	44,668
	<u>44,668</u>	<u>44,668</u>

On 17 August 2017, the Group acquired 100% of AWAS Aviation Capital DAC ("AACD") and goodwill of USD 44.7 million arose as a result of the acquisition.

The Group tests whether goodwill has suffered any impairment on an annual basis. No impairment under any reasonably possible scenarios was identified during the year ended 31 December 2021 (2020: nil).

11 Other assets

	2021 USD'000	2020 USD'000
Non-current assets		
Lease incentives	131,605	120,247
Lease acquisition costs	28,415	38,671
Accrued revenue	79,072	68,903
	<u>239,092</u>	<u>227,821</u>
	2021 USD'000	2020 USD'000
Current assets		
Lease incentives	47,997	46,290
Lease acquisition costs	10,452	12,026
Accrued revenue	35,086	27,555
Other assets	2,368	1,741
	<u>95,903</u>	<u>87,612</u>

Lease incentives

The lease incentive asset represents lessor contributions to the cost of maintenance events during current leases. This asset is amortized over the respective lease terms and amortization is recorded as a reduction of lease rental income.

Lease acquisition cost

Lease acquisitions costs represents initial direct costs associated with negotiating and arranging a lease. This asset is amortized over the respective lease terms and amortization is recorded as a reduction of lease rental income.

Included in lease acquisition costs is an amount of USD 26.2 million (2020: USD 33.2 million) incurred in respect of lease agreements entered into with a company under common control.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

11 Other assets (continued)

Accrued revenue

As a result of the impact of COVID-19 on the aviation sector the Group has granted rental deferrals to certain customers. Accrued revenue represents lease payments deferred by the Group which are not yet billed or due from the customer. The Group continues to recognize revenue on a straight-line basis.

At 31 December 2021 the Group has 23 deferral agreements in place (2020: 24) The total amount accrued was USD 136.5 million at 31 December 2021 (2020: USD 107.2 million) and a loss allowance of USD 22.4 million (2020: USD 10.7 million) has been recognized related to these amounts.

At 31 December 2021 no amounts due under plans were past due and the average default rate applied in calculating the loss allowance was 16.4% (2020: 10.0%). Details of deposits and letters of credit held as collateral are disclosed in note 18. Details of the Group's exposure to credit risk and movement in the loss allowance are disclosed in note 25.

12 Financial assets at FVTPL and amortized cost

Financial assets at FVTPL and amortized cost consist of the following:

	2021 USD'000	2020 USD'000
Investment in debt instruments - FVTPL	32,782	28,841
Investment in equity instruments - OCI	9,612	3,473
Investment in debt instruments - amortized cost	9,136	7,011
	<u>51,530</u>	<u>39,325</u>

The Group holds investments in debt instruments, in the form of E-Notes, issued by three Asset Backed Securitization ("ABS") vehicles, to which it also acts as servicer. The debt instruments are non-recourse, and the Group receives principal and interest payments in accordance with the priority of payments of the respective ABS vehicle. As at 31 December 2021, the value of the debt outstanding is USD 32.8 million (2020: USD 28.8 million). Debt instruments are measured at fair value, net gains and losses, including any interest receivable are recognized in profit or loss. Interest income during the year ended 31 December 2021 was USD 0.5 million (2020: USD 1.0 million).

The Group also holds a non-controlling investment in an entity, to which it also acts as servicer. The Group's equity investment is measured at fair value through OCI. As at 31 December 2021, the value of the equity investment is USD 9.6 million (2020: USD 3.5 million). There was no dividend income received during the year ended 31 December 2021 (2020: nil). The Group also advanced loans to the same entity, which are accounted for at amortized cost. The loans outstanding at 31 December 2021 were USD 9.1 million (2020: USD 7.0 million). Interest income during the year ended 31 December 2021 was USD 0.4 million (2020: USD 0.2 million).

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

13 Deferred tax

Consolidated deferred tax assets and liabilities are attributable to the following:

	Property, plant and equipment USD'000	Employee benefits USD'000	Purchase price adjustments USD'000	Trade losses USD'000	Other USD'000	Total USD'000
At 31 December 2019	(518,000)	420	(32,715)	260,401	146	(289,748)
(Charged)/credited						
- to profit or loss	17,246	82	6,510	(44,287)	(58)	(20,507)
- to other						
comprehensive						
income	-	-	-	2,516	-	2,516
- directly to equity	-	-	-	-	-	-
At 31 December 2020	(500,754)	502	(26,205)	218,630	88	(307,739)
(Charged)/credited						
- to profit or loss	(1,582)	(14)	(961)	(5,308)	(1)	(7,866)
- to other						
comprehensive						
income	-	-	-	(2,960)	-	(2,960)
- directly to equity	-	-	-	-	-	-
At 31 December 2021	(502,336)	488	(27,166)	210,362	87	(318,565)

At 31 December 2021, the Group had an unrecognized deferred tax asset of USD 11.8 million (2020: USD 13.8 million) primarily in respect of US tax losses of USD 7.3 million (2020: USD 6.6 million), Hungarian tax losses of USD 2.9 million (2020: USD 3.6 million) and Irish tax losses of USD 1.6 million (2020: USD 3.5 million).

The Group is allowed to carry forward any Irish tax losses for an indefinite period to be offset against income of the same trade. Hungarian tax losses expire at various dates beginning in December 2022 after a period of 5 years, and US Federal tax losses are set to expire at various dates beginning in the fiscal year 30 November 2028.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

14 Trade and other receivables

	2021 USD'000	2020 USD'000
Trade receivables	200,707	194,985
Less: loss allowances	(93,030)	(57,685)
Trade receivables, net	107,677	137,300
Other receivables	3,697	4,747
	<u>111,374</u>	<u>142,047</u>

To measure the expected loss allowance, trade receivables have been grouped based on shared credit risk characteristics. The Group has a customer credit rating model which calculates a ranking score based on qualitative and quantitative information about the customer such as its business activities, senior management team, financial fitness, resources and performance, and business risks. The score translates into a 12-level credit rating model, with each level being designated a default risk percentage for the receivable amount, net of collateral held by the Group. The Group has used this risk percentage at period end when calculating the expected loss allowance, specific additional provisions are recognized where evidence of lessee distress is available. Details of deposits and letters of credit held as collateral are disclosed in note 18.

The loss allowance as 31 December 2021 and 2020 was determined as follows for trade receivables:

	Current USD'000	30-60 days USD'000	60-90 days USD'000	90-360 days USD'000	>360 days USD'000	Total USD'000
31 December 2021						
Gross carrying amount	42,598	19,150	15,205	96,612	27,142	200,707
Loss allowance	5,405	4,509	3,897	55,508	23,711	93,030
Default rate	13%	23%	26%	57%	87%	46%
31 December 2020						
Gross carrying amount	39,385	24,824	20,607	95,215	14,954	194,985
Loss allowance	3,111	2,731	3,729	36,657	11,457	57,685
Default rate	8%	11%	18%	38%	77%	30%

The group considers a financial asset to be in default when the lessee is unlikely to pay its credit obligations to the group, without recourse by the group to action such as realizing security held (if any). The instrument is considered in default when 30 days past due.

Details of the Group's exposure to credit risk and movement in the loss allowance are disclosed in note 25.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

14 Trade and other receivables (continued)

The exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2021	2021	2020	2020
	USD'000	%	USD'000	%
MEASA (Middle East/Africa/South Asia)	15,204	8	65,878	34
Europe	29,299	15	20,761	11
Asia/Pacific	147,055	73	100,733	51
Americas	9,149	4	7,613	4
	<u>200,707</u>	<u>100</u>	<u>194,985</u>	<u>100</u>

15 Cash and cash resources

	2021	2020
	USD'000	USD'000
Cash and cash equivalents	350,371	469,001
Restricted cash	100,402	97,493
	<u>450,773</u>	<u>566,494</u>

Restricted cash represent balances subject to withdrawal restrictions securing the Group's obligation under third party credit facilities. Certain amounts received from lessees in respect of aircraft subject to certain funding arrangements are required to be held in segregated accounts to support, amongst other things, certain maintenance related payments including major airframe overhauls, engine overhauls, engine life limited parts replacements, auxiliary power units overhauls and landing gear overhauls, as well as interest and principal payments on the related debt facility.

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Notes to the consolidated financial statements

16 Share capital and reserves

	2021 USD'000	2020 USD'000
Authorized, issued and paid-up capital	1,927,770	1,927,770
Additional paid-in capital	517,884	517,884
Treasury shares	(1,392,059)	(1,242,057)
Other reserves	(50,253)	(93,414)
Retained earnings	1,920,786	1,771,295
Attributable to equity holders of the Company	2,924,128	2,881,478
Non-controlling interests	10,087	9,614
Total equity	2,934,215	2,891,092

The authorized and issued share capital of the Company at 31 December 2021 comprised of 1,927,770 ordinary shares of USD 1,000 par value each (2020: 1,927,770 ordinary shares of USD 1,000 par value each).

The movement in retained earnings relates to the profit generated by the Group during the year.

The movement in other reserves contains the movement in hedging reserves during the year. Detail of movement in hedging reserves are included in note 22.

During the year ended 31 December 2021, the Group repurchased ordinary shares held by ICD H&L and DSOA for USD 150.0 million (2020: USD 350.1 million). These shares are reported as treasury shares within equity in the consolidated statement of financial position.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

17 Loans and borrowings

Loans and borrowings, net of issuance costs, consists of the following:

	2021 USD'000	2020 USD'000
Principal	7,862,783	7,932,332
Accrued and unpaid interest	42,314	47,198
Fair value hedge reserve	3,687	4,670
Total loans and borrowings	7,908,784	7,984,200
Debt issuance costs	(95,061)	(77,028)
Net loans and borrowings	7,813,723	7,907,172
	2021 USD'000	2020 USD'000
Non-current liabilities		
Bank loans	3,909,122	4,322,864
Unsecured notes	3,300,000	2,454,396
Debt issuance costs	(68,262)	(56,715)
Non-current loans and borrowings	7,140,860	6,720,545
Current liabilities		
Bank loans	668,176	684,935
Unsecured notes	31,486	522,005
Debt issuance costs	(26,799)	(20,313)
Current loans and borrowings	672,863	1,186,627

The movement of loans and borrowings, excluding debt issuance costs is summarized as below:

	2021 USD'000	2020 USD'000
At 1 January	7,984,200	8,376,234
Loan drawdowns	1,235,254	1,372,200
Issuance of unsecured notes	2,550,000	750,000
Loan repayments	(1,659,741)	(1,880,334)
Unsecured notes repayments	(2,192,206)	(431,493)
Unsecured notes repurchased	-	(192,108)
Amortization of fair value discounts	-	(3,071)
Movement in fair value hedge reserve	(983)	3,447
Movement in accrued interest	(4,884)	(13,085)
Revaluation of loans	(2,856)	2,410
At 31 December	7,908,784	7,984,200

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

17 Loans and borrowings (continued)

Terms and conditions of outstanding loans after the impact of derivatives at 31 December 2021 is as follows:

	Average nominal interest rate %	Year of maturity	2021 USD'000
Floating rate loans:			
Unsecured facilities	1.95	2022-2033	2,184,517
Recourse obligations (including Ex-Im & EDC)	4.20	2022-2030	876,632
Non-recourse obligations	4.40	2023-2025	86,419
Revolving credit facilities	2.32	2022	100
Fixed rate loans:			
Senior unsecured notes	2.63	2024-2028	3,331,486
Recourse obligations (including Ex-Im & EDC)	4.19	2022-2030	1,372,533
Non-recourse obligations	2.71	2025-2026	51,463
Unsecured facilities	3.75	2030	5,634
Total interest-bearing liabilities			7,908,784

Terms and conditions of outstanding loans after the impact of derivatives at 31 December 2020 is as follows:

	Average nominal interest rate %	Year of maturity	2020 USD'000
Floating rate loans:			
Unsecured facilities	2.26	2021-2030	1,257,880
Revolving credit facilities	1.68	2022-2024	762,308
Recourse obligations (including ECA, Ex-Im & EDC)	4.15	2021-2030	1,036,155
Non-recourse obligations	4.39	2023-2025	95,368
Fixed rate loans:			
Senior unsecured notes	4.74	2021-2026	2,976,401
Recourse obligations (including ECA, Ex-Im & EDC)	4.10	2021-2030	1,615,941
Secured term loan	4.87	2021	180,521
Non-recourse obligations	2.42	2025-2026	59,626
Total interest-bearing liabilities			7,984,200

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

17 Loans and borrowings (continued)

The number of aircraft used as collateral for the Group's facilities are as follows:

	2021	2020
Facility:		
Non-recourse obligations	5	5
Recourse obligations (including ECA, Ex-Im & EDC)	87	96
Term Loan 2014	-	9
Total	92	110

In addition to the number of aircraft above, which have a carrying value of USD 4,001.0 million (2020: USD 4,855.2 million), 204 aircraft were unencumbered, with a carrying value of USD 7,458.6 million, which also includes aircraft purchase deposits (2020: 188 aircraft with a carrying value of USD 6,651.0 million).

Certain facilities contain various customary financial and non-financial loan covenants including:

- Financial information obligations;
- Limitations on activities which would negatively impact concentration limits such as regional location of lessees and types of aircraft in the portfolio; and
- Loan to value covenants.

The aggregate principal and contractual repayment amount of loans for each of the financial years subsequent to 31 December 2021 are as follows.

<i>In thousands of USD</i>	Principal cash flows		Contractual cash flows*	
	2021	2020	2021	2020
Due within one year	657,348	1,159,742	883,338	1,447,845
Due within one and five years	5,681,911	5,009,251	6,306,596	5,695,668
Due after five years	1,523,524	1,763,339	1,652,138	1,874,184
Total	7,862,783	7,932,332	8,842,072	9,017,697

* Contractual cash flows include both scheduled payments of principal and interest after the impact of derivatives.

Non-recourse obligations:

As of 31 December 2021, 5 aircraft (2020: 5 aircraft) were being financed on a non-recourse basis. These facilities contain provisions that require the payment of principal and interest throughout the term of the loans. The interest rates on the loans are based on fixed rates of between 0.54% and 4.54% and 1 or 3 month LIBOR plus margins ranging from 1.55% to 2.60%.

Recourse obligations (including Ex-Im & EDC):

As of 31 December 2021, 87 aircraft (2020: 96 aircraft) were financed on a full recourse basis (including loans guaranteed by the EX-IM (Export-Import Bank of the United States) and EDC (Export Development Canada) on standard export credit agency supported financing terms). The loans amortize over their lives of between 1 and 9 years remaining and bear interest at a fixed rate between 2.00% and 9.25%, or 1 or 3 month LIBOR, EIBOR or MIDSWAP plus margins ranging from 1.47% to 2.90%.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

17 Loans and borrowings (continued)

Senior unsecured notes:

As at 31 December 2021, the balance of senior unsecured notes was USD 3,331.5 million with average nominal interest rate of 2.63% and maturities which range from 2024 to 2028.

During the year ended 31 December 2021 senior unsecured notes of USD 2,192.2 million were repaid in full (2020: USD 431.5 million repaid and USD 192.1 million repurchased).

In November 2020, the Group issued USD 750.0 million of 3.75% Islamic law compliant senior unsecured trust certificates ("Sukuk") due 2026.

Unsecured facilities:

The Group has access to unsecured credit facilities totaling USD 2,190.2 million (2020: USD 1,257.9 million) which include seven term loans. These have maturity dates ranging from 2022 to 2033 and bear interest of 1 or 3 month LIBOR plus margins ranging from 1.25% to 2.25%.

Revolving credit facilities:

The Group has access to four unsecured revolving credit facilities totaling USD 2,560.0 million (2020: USD 2,985.0 million) which can be drawn until maturity which ranges from 2022 to 2025.

The revolving credit facilities accrue interest 1 or 3 month LIBOR plus margins ranging from 1.50% to 2.10%. The outstanding balance (including accrued interest) as at 31 December 2021 was USD 0.1 million (2020: USD 762.3 million). The remaining balance of USD 2,559.9 million (2020: USD 2,224.0 million) was undrawn and available.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

18 Maintenance reserves and security deposits

Non-current	2021 USD'000	2020 USD'000
Maintenance reserves	976,529	835,575
Security deposits	113,854	143,654
Total	1,090,383	979,229
 Current	 2021 USD'000	 2020 USD'000
Maintenance reserves	211,833	237,633
Security deposits	21,780	11,457
Total	233,613	249,090
	2021 USD'000	2020 USD'000
Maintenance reserves		
At 1 January	1,073,208	1,144,420
Additions	384,534	226,095
Reimbursed	(129,732)	(206,678)
Released	(133,925)	(90,629)
Reclassified to liabilities held for sale	(5,723)	-
At 31 December	1,188,362	1,073,208
 Security deposits		
At 1 January	155,111	187,334
Additions	60,101	24,736
Repaid/offset	(71,350)	(56,959)
Reclassified to liabilities held for sale	(8,228)	-
At 31 December	135,634	155,111

Security deposits relate to cash security received from lessees as collateral. Security deposits are refundable at the end of the contract lease period after all lease obligations have been met by the lessee.

In addition, the Group holds security on lease obligations in the form of letters of credit in the amount of USD 324.1 million as of 31 December 2021 (31 December 2020: USD 442.8 million).

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Notes to the consolidated financial statements

19 Lease liabilities

	2021 USD'000	2020 USD'000
Non-current	32,289	29,480
Current	4,015	3,574
Total	<u>36,304</u>	<u>33,054</u>

Lease liabilities relate to property and land leases. The associated right of use asset associated is recognized within Property, plant and equipment. The following are the contractual undiscounted cash outflows associated with the lease liabilities, including interest payments:

	Carrying amount USD'000	Contractual cash flows		
		Within 1 year USD'000	Within 1 to 5 years USD'000	After 5 years USD'000
2021				
Lease liabilities	<u>36,304</u>	<u>6,023</u>	<u>19,893</u>	<u>21,024</u>
2020				
Lease liabilities	<u>33,054</u>	<u>5,587</u>	<u>17,536</u>	<u>21,775</u>

20 Deferred revenue

	2021 USD'000	2020 USD'000
Due after one year	23,099	34,665
Due within one year	<u>61,467</u>	<u>71,150</u>
	<u>84,566</u>	<u>105,815</u>

Included in deferred revenue is unearned lease rentals received from a company under common control of USD 44.5 million (2020: USD 56.1 million). Of this amount USD 21.5 million (2020: USD 22.6 million) is included in current liabilities and USD 23.0 million (2020: USD 33.5 million) is included in non-current liabilities.

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Notes to the consolidated financial statements

21 Trade and other payables

	2021 USD'000	2020 USD'000
Trade payables	14,015	11,339
Employee benefits	18,030	17,645
Other accrued liabilities	17,683	48,252
Payables to shareholders	-	100,000
	<u>49,728</u>	<u>177,236</u>

Payables to the shareholders are related to the repurchase of ordinary shares of USD 100.0 million which was completed in December 2020, this amount was settled in the first quarter of 2021.

22 Derivative financial instruments

The Group has the following derivative financial instruments:

	2021 USD'000	2020 USD'000
<i>Current assets</i>		
Interest rate swaps – cash flow hedges	-	-
Interest rate swaps – fair value hedges	-	-
	<u>-</u>	<u>-</u>
	2021 USD'000	2020 USD'000
<i>Current liabilities</i>		
Interest rate swaps – cash flow hedges	48,480	92,047
	<u>48,480</u>	<u>92,047</u>

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through consolidated statement of profit or loss and other comprehensive income. As of 31 December 2021 and 2020 all derivatives were in designated hedge relationships.

The Group has amortizing interest rate swaps with an aggregate current notional of USD 906.9 million (2020: USD 1,043.7 million) and maturities ranging from June 2022 to July 2030. The weighted average strike rate on the fixed leg of these instruments is 2.51% (2020: 2.45%).

During 2020 the Group terminated swap contracts which were designated as fair values hedges. The amount recognized within the fair value hedge reserve (within loans and borrowings) is USD 3.7 million (2020: USD 4.7 million) and is amortized to statement of profit or loss and other comprehensive income over the original term of the swap contracts.

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Notes to the consolidated financial statements

22 Derivative financial instruments (continued)

Further information about the Group's risk management strategy, fair value measurement and derivatives used by the group is provided in note 25. During the year ended 31 December 2021 the Group adopted amendments to IFRS 9, IAS 39 and IFRS 7 which were issued to address uncertainties relating to hedge accounting arising from the ongoing reform of interbank offered rates ("IBOR"), this had no material impact on the Group.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group generally enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities, and notional amount. The group may not hedge 100% of a loan, therefore the hedged item is identified as a proportion of the outstanding loan up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed using the following principles:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

A net charge was recognized within interest expense of USD 1.2 million (2020: charge of USD 4.0 million) related to hedge ineffectiveness.

Effect on financial position and performance

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

31 December 2021 USD'000					
	Nominal amounts of the hedging instrument	Carrying value of the hedging instrument		Line item in statement of financial position	Change in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedges					
Interest rate risk	906,930	-	(48,480)	Derivative financial liabilities	44,890
	906,930	-	(48,480)		53,280

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Notes to the consolidated financial statements

22 Derivative financial instruments (continued)

Effect on financial position and performance (continued)

31 December 2020 USD'000						
	Nominal amounts of the hedging instrument	Carrying value of the hedging instrument		Line item in statement of financial position	Change in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve
		Assets	Liabilities			
Cash flow hedges						
Interest rate risk	1,043,703	-	(92,047)	Derivative financial liabilities	(47,881)	99,386
	<u>1,043,703</u>	<u>-</u>	<u>(92,047)</u>		<u>(47,881)</u>	<u>99,386</u>

Movement in hedge reserve

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	Total hedge reserve USD'000
At 31 December 2019	(52,058)
Changes in fair value	(47,881)
Amounts reclassified to profit or loss	4,009
Tax movements during the year	2,516
At 31 December 2020	(93,414)
Changes in fair value	44,890
Amounts reclassified to profit or loss	1,231
Tax movements during the year	(2,960)
At 31 December 2021	(50,253)

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Notes to the consolidated financial statements

22 Derivative financial instruments (continued)

Sensitivity analysis

The Group recognizes that movements in certain risk variables (such as interest rates or foreign exchange rates) might affect the value of its derivatives and also the amounts recorded in its consolidated statement of profit or loss and other comprehensive income for the period. Therefore, the Group has assessed:

- what would be reasonably possible changes in the risk variables at the reporting date and
- the effects on profit and loss and equity if such changes in the risk variables were to occur

The following table considers “shocks” to forward interest rate curves of +/- 50 basis points. If these shocks were to occur, the impact on the consolidated statement of comprehensive income for each category of financial instrument held at the reporting date is shown below:

The impact of the modelled interest rate shocks on our fair value hedge accounting relationships is excluded from this analysis as an offsetting hedge accounting adjustment would be made to the hedged item.

As of 31 December 2021, the sensitivity to interest rates was as follows:

Interest rate swap		Change in value as of 31 December 2021 USD'000	Impact on consolidated statement of comprehensive income for the year USD'000	Impact on consolidated statement of financial position USD'000
Risk variable	Change in risk variable			
3 month USD-LIBOR-BBA	+50bps	18,510	-	18,510
3 month USD-LIBOR-BBA	-50bps	(19,071)	-	(19,071)

As of 31 December 2020, the sensitivity to interest rates was as follows:

Interest rate swap		Change in value as of 31 December 2020 USD'000	Impact on consolidated statement of comprehensive income for the year USD'000	Impact on consolidated statement of financial position year USD'000
Risk variable	Change in risk variable			
3 month USD-LIBOR-BBA	+50bps	24,892	-	24,892
3 month USD-LIBOR-BBA	-50bps	(25,573)	-	(25,573)

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Notes to the consolidated financial statements

23 Related party transactions

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control and the key management personnel of the Group. Related parties may be individuals or other entities.

(a) Transactions with related parties included in the consolidated statement of profit or loss and other comprehensive income are as follows:

- During the year, the Group received an amount of USD 208.7 million (2020: USD 199.2 million including release of maintenance reserves) being aircraft lease rentals, from companies under common control.
- The Group also provided engineering maintenance services to companies under common control amounting to USD 2.4 million (2020: USD 4.7 million).
- Finance income on the bank balances with companies under common control for the year amounts to USD 0.9 million (2020: USD 1.0 million).
- Finance expense for the year in respect of loans from related companies under common control amounts to USD 28.3 million (2020: USD 36.0 million).

Compensation of key management personnel for the year:

	2021 USD'000	2020 USD'000
Salaries and other benefits	<u>8,518</u>	<u>9,997</u>

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Notes to the consolidated financial statements

23 Related party transactions (continued)

- (b) Amounts due (to) and due from entities under common control and shareholders, included in the consolidated statement of financial position are as follows:

	2021 USD'000	2020 USD'000
Cash and cash resources	126,668	262,132
Trade receivables	301	297
Derivative liabilities	(30,707)	(54,698)
Loans and borrowings**	(1,190,683)	(1,116,881)
Payables to shareholders*	-	(100,000)

* During December 2020 the Group repurchased ordinary shares held by ICD H&L and DSOA, this amount represents the cash payment for these shares which was paid in the first quarter of 2021.

** Loans and borrowings advanced by companies under common control have a weighted average interest rate of 3.38%.

Amounts related to leasing transactions with companies under common control for lease acquisition costs and deferred revenue are disclosed in notes 11 and 20, respectively.

During the year ended 31 December 2020, USD 813.6 million of notes receivable were repaid in full in cash.

(c) *Other related party transactions*

- DAE Engineering consists of 80% ownership stake in Joramco, a provider of commercial aircraft maintenance, repair and overhaul services which is based in Jordan. The remaining 20% is owned by a third party and is reflected within equity as non-controlling interest. As at 31 December 2021 non-controlling interest was USD 10.1 million (2020: USD 9.6 million). See further details in note 27.
- During the year ended 31 December 2021 the Group repurchased 58,526 ordinary shares (2020: 207,243) from certain shareholders. These ordinary shares are now held as treasury shares by the Group.

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Notes to the consolidated financial statements

24 Commitments and contingent liabilities

(a) Capital commitments

At 31 December 2021 the Group had committed to purchase 10 new aircraft from Boeing, scheduled to deliver in 2022. The total capital commitment based on the current market value of the underlying assets is USD 428.4 million (2020: USD 348.0 million), before the impact of pre-delivery deposits already paid by the Group, which are included in note 8.

The Directors anticipate that a portion of the aggregate purchase price for the purchase of aircraft may be funded by incurring additional debt. The exact amount of the indebtedness to be incurred will depend upon the actual purchase price of the aircraft, which can vary due to a number of factors, including inflation, and the percentage of the purchase price of the aircraft which must be financed.

(b) Contingent liability

A contingent loss may exist at 31 December 2021 and 2020 in relation to unpaid Eurocontrol charges incurred by operators of the Group's aircraft.

Eurocontrol's Central Route Charges Office bills and collects charges from users of en-route services on behalf of Eurocontrol Member States pursuant to a Multilateral Agreement ("the Agreement"). The Agreement, which came into force on 1 January 1986, stipulates that the party liable for the payment of Eurocontrol charges is the operator of the aircraft at the time the relevant flight was performed. If the identity of the operator is unknown and the owner fails to prove that another party is the operator, then the owner will be treated as the operator.

The Agreement provides that where a debtor has not paid the amount due, measures may be taken by Eurocontrol to enforce recovery. The measures available to Eurocontrol are subject to national law in each of the Eurocontrol Member States and in some jurisdictions include the ability to arrest and detain an aircraft pending recovery of unpaid charges. The Group as owner of the aircraft may become liable for Eurocontrol costs if an operator defaults on their Eurocontrol obligations.

No accrual has been made at 31 December 2021 (2020: nil) in relation to contingent liabilities pertaining to Eurocontrol charges as any potential liability is not considered probable at this time, and the amount of any potential liability cannot be reasonably estimated.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

25 Financial instruments – fair values and risk management

The Group utilizes financial instruments to reduce exposures to market risks throughout its business. Equity, borrowings and cash and cash resources are used to finance the Group's operations. The Group uses derivative financial instruments, principally interest rate swaps and caps, to manage interest rate risks and achieve the desired profile of borrowings.

(a) Accounting classification and fair values

The following tables shows the carrying amounts and fair values of financial assets and liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Fair value – hedging instruments 2021 USD'000	Financial assets at amortized cost 2021 USD'000	Financial assets at FVTPL 2021 USD'000	Other financial liabilities 2021 USD'000	Fair value 2021 USD'000
Financial assets measured at fair value					
Investments	-	-	42,394	-	42,394
	-	-	42,394	-	42,394
Financial assets not measured at fair value					
Cash and cash equivalents	-	350,371	-	-	-
Restricted cash	-	100,402	-	-	-
Trade and other receivables	-	111,374	-	-	-
Accrued revenue	-	114,158	-	-	-
Finance lease receivable	-	180,434	-	-	180,434
Investments	-	9,136	-	-	9,136
	-	865,875	-	-	189,570
Financial liabilities measured at fair value					
Interest rate swaps used for hedging	48,480	-	-	-	48,480
	48,480	-	-	-	48,480
Financial liabilities not measured at fair value					
Loans and borrowings	-	-	-	7,813,723	7,856,860
Lease liabilities	-	-	-	36,304	-
Maintenance reserves and security deposits	-	-	-	1,323,996	-
Trade and other payables	-	-	-	31,698	-
	-	-	-	9,205,721	7,856,860

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

25 Financial instruments – fair values and risk management (continued)

(a) Accounting classification and fair value (continued)

	Fair value – hedging instruments 2020 USD'000	Financial assets at amortized cost 2020 USD'000	Financial assets at FVTPL 2020 USD'000	Other financial liabilities 2020 USD'000	Fair value 2020 USD'000
Financial assets measured at fair value					
Investments	-	-	32,314	-	32,314
	-	-	32,314	-	32,314
Financial assets not measured at fair value					
Cash and cash equivalents	-	469,001	-	-	-
Restricted cash	-	97,493	-	-	-
Trade and other receivables	-	142,047	-	-	-
Accrued revenue	-	96,458	-	-	-
Finance lease receivable	-	185,156	-	-	185,156
Investments	-	7,011	-	-	7,011
	-	997,166	-	-	192,167
Financial liabilities measured at fair value					
Interest rate swaps used for hedging	92,047	-	-	-	92,047
	92,047	-	-	-	92,047
Financial liabilities not measured at fair value					
Loans and borrowings	-	-	-	7,907,172	8,011,150
Lease liabilities	-	-	-	33,054	-
Maintenance reserves and security deposits	-	-	-	1,228,319	-
Trade and other payables	-	-	-	159,591	-
	-	-	-	9,328,136	8,011,150

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

25 Financial instruments – fair values and risk management (continued)

(a) Accounting classification and fair value (continued)

The following tables presents the Group's financial assets and liabilities and the associated fair value. Derivative financial assets and liabilities are carried in the statement of financial position at fair value, all others are carried at amortized cost.

	Fair value	Fair value level		
	2021	Level 1	Level 2	Level 3
	USD'000	USD'000	USD'000	USD'000
Finance lease receivable	180,434	-	180,434	-
Investments	9,136	-	9,136	-
	189,570	-	189,570	-
Interest rate swaps used for hedging	48,480	-	48,480	-
Loans and borrowings	7,856,860	-	7,856,860	-
	7,905,340	-	7,905,340	-

	Fair value	Fair value level		
	2020	Level 1	Level 2	Level 3
	USD'000	USD'000	USD'000	USD'000
Finance lease receivable	185,156	-	185,156	-
Investments	39,325	-	39,325	-
	224,481	-	224,481	-
Interest rate swaps used for hedging	92,047	-	92,047	-
Loans and borrowings	8,011,150	-	8,011,150	-
	8,103,197	-	8,103,197	-

There were no transfers between levels during the year. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined by using other valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group's valuation technique is discounted cashflows using market rates allowing for credit risk and broker quotes for derivatives.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

25 Financial instruments – fair values and risk management (continued)

(b) Risk management

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk) and liquidity risk. The Group's overall risk management program seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's objective in using derivatives is to manage its exposure to interest rate movements and to provide certainty to interest expense. To accomplish this objective, the Group primarily uses interest rate swaps as part of its cash flow hedging strategy. The interest rate swaps are designated as cash flow hedges and are used by the Group to limit its exposure to changes in interest rates on its variable rate debt.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables, finance lease receivables and notes receivable. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

The Group has established counterparty credit guidelines and enters into transactions only with financial institutions of investment grade or better. The Group monitors counterparty exposures on a regular basis and reviews for any downgrades in counterparty credit risk.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure before security. The maximum exposure to credit risk at the reporting date was:

	Note	2021 USD'000	2020 USD'000
Cash and cash equivalents	15	350,371	469,001
Restricted cash	15	100,402	97,493
Finance lease receivables	26	180,434	185,156
Trade and other receivables	14	111,374	142,047
Accrued revenue (within other assets)	11	114,158	96,458
Total		<u>856,739</u>	<u>990,155</u>

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

25 Financial instruments – fair values and risk management (continued)

(b) Risk management (continued)

(i) Credit risk (continued)

Provision for loss allowance on financial assets

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for financial assets. The cash security deposits and letters of credits that the Group holds on behalf of its customers are considered in the calculation of the loss allowance.

Loss allowances on financial assets were as follows:

	Note	2021 USD'000	2020 USD'000
Trade receivables	14	93,030	57,685
Accrued revenue (within other assets)	11	22,361	10,735
Total		<u>115,391</u>	<u>68,420</u>

During the year the following movement on the loss allowance was recognized:

	2021 USD'000	2020 USD'000
At 1 January	68,420	14,474
Loss allowance	73,935	53,946
Utilization of loss allowance	(26,964)	-
At 31 December	<u>115,391</u>	<u>68,420</u>

Trade and other receivables, accrued revenue and finance lease receivables

The value of trade receivables and accrued revenue is highly dependent upon the financial strength of the commercial aviation industry as described in the asset risk section. Default by one or more of the Group's major customers could have a material adverse effect on our cash flow and earnings and the Group's ability to meet its debt obligations.

The Group is subject to the credit risk of its lessees as to collection of rental payments under its operating leases and finance lease receivables. The effective monitoring and controlling of airline customer credit risk is a competency of a dedicated Risk Management team. The concentration of credit risk is limited due to the fact that the customer base is large and geographically diverse.

Creditworthiness of each new customer is assessed, and the Group seeks security deposits in the form of cash or letter of credits and maintenance reserves to mitigate overall financial exposure to its lessees. In the case of finance lease receivables, the Group retains legal title to the underlying leased aircraft which acts as further collateral for the finance lease receivables in addition to cash security deposits, letters of credits and maintenance reserves that the Group holds.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

25 Financial instruments – fair values and risk management (continued)

(b) *Risk management (continued)*

(i) *Credit risk (continued)*

Trade and other receivables, accrued revenue and finance lease receivables (continued)

The Group utilizes an internal credit rating system to assess credit risk. Internal credit ratings are aligned to Standard & Poor's ratings. The assessment process considers qualitative and quantitative information about the customer such as business activities, senior management team, financial fitness, resources and performance, and business risks, to the extent that this information is publicly available or otherwise disclosed to the Group. The Group's credit analysis also includes consideration of industry level risks which includes the impact of COVID-19.

As of 31 December 2021, the Group's gross trade receivables balance was USD 200.7 million (2020: USD 195.0 million) with a loss allowance of USD 93.0 million (2020: USD 57.7 million) recognized. See further details in note 14. In addition, as of 31 December the Group had an accrued revenue (within other assets) of USD 136.5 million (2020: USD 107.2 million) and a loss allowance of USD 22.4 million (2020: USD 10.7 million) has been recognized related to these amounts, see further details in note 11.

Cash and cash equivalents and restricted cash

Cash balances are held with bank and financial institution counterparties. The Group invests in counterparties with a rating lower than A3 (Moody's) on an exceptional basis only. The Group typically does not enter into deposits with a duration of more than three months. In addition, the deposit amount placed by the Group with an individual institution typically does not exceed USD 75.0 million.

Credit risk is managed by restricting exposure to pre-approved counterparties of high credit quality, limiting the aggregate amount and duration of the exposure to any one counterparty. The risk associated with the Group's cash and cash equivalents is nominal due to the fact that these amounts are placed with large commercial financial institutions.

Derivatives

The counterparties to the Group's derivatives are major financial institutions. The Group could be exposed to loss in the event of non-performance by the counterparty. However, credit ratings and concentration of risk of the financial institutions are monitored on a continuing basis and present no significant credit risk to the Group.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

25 Financial instruments – fair values and risk management (continued)

(b) *Risk management (continued)*

(ii) *Market risk*

Foreign exchange risk

The Group has a minimum exposure to foreign exchange risk as the majority of the transactions are denominated in US dollars.

Interest rate risk

Interest rate risk arises primarily from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The Group's interest rate risk arises from loans and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Loans and borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by matching lease payments to floating exposure where possible using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting debt from floating rates to fixed rates. Generally, the Group raises long term debt at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As of 31 December 2021, the fair values of outstanding derivatives designated as cash flow hedges of forecast transactions were assets of USD nil (2020: nil) and liabilities of USD 48.5 million (2020: USD 92.0 million).

The fair values of outstanding derivatives designated as fair value hedges of forecast transactions were assets of USD nil (2020: nil).

At 31 December 2021, if interest rates on debt had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been USD 19.1 million lower/higher (2020: USD 22.5 million lower/higher), mainly as a result of higher/lower interest expense on floating rate debt, including the effect of the interest rate swaps.

Interest rate risk related to interest rate derivatives is explained in note 22 to these consolidated financial statements.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group's main IBOR exposure at 31 December 2021 was indexed to USD LIBOR.

The alternative reference for USD LIBOR is the Secured Overnight Financing Rate (SOFR). Although USD LIBOR was planned to be discontinued by the end of 2021, however it is now intended to extend the publication of certain USD LIBORs until after June 2023.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

25 Financial instruments – fair values and risk management (continued)

(b) Risk management (continued)

(ii) Market risk (continued)

Interest rate risk (continued)

The Groups' primary exposure is to USD LIBOR and to date no contracts have transitioned to an alternative nearly risk-free rate. The Group continues to evaluate the extent to which contracts need to be amended as a result of IBOR reform and are assessing the approach to this with counterparties. The IASB have issued a number of amendments to IFRS 7, IFRS 9 and IAS 39 as set out in Note 2.3. As a result, the Group currently does not expect IBOR reform to have a significant impact on its financial position.

Details of the Group's financial instruments exposed to IBOR reform are set out below:

	Loans and borrowings – carrying value 2021 USD'000	Derivatives – nominal amount 2021 USD'000
USD LIBOR (1 month)	790,647	610,380
USD LIBOR (3 months)	452,018	296,550
USD LIBOR (6 months)	1,905,003	-
Total	3,147,668	906,930

The impact of transition to alternative nearly risk-free rates, such as SOFR, will impact the Group's future financial results depending on the actual benchmark rate. A 100bps increase/decrease in the benchmark rate would lead to a USD 19.1 million increase/decrease in the Group's profit before tax for the year, all other variable being equal.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed credit facilities to reduce the risk that an entity would be unable to meet financial commitments. The Group has cash and cash equivalents on hand at 31 December 2021 of USD 350.4 million (2020: USD 469.0 million). Additionally, the Group has accessed to a number of revolving credit facilities which have availability of USD2,559.9 million as of 31 December 2021 (2020: USD 2,224.0 million).

The Group's principal exposure to liquidity risk arises from its long-term debt obligations and the table disclosed in note 17 to these consolidated financial statements analyses the Group's long-term debt maturity groupings based on the contractual maturity profile at the reporting date.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

25 Financial instruments – fair values and risk management (continued)

(b) *Risk management (continued)*

(iii) *Liquidity risk (continued)*

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

If the Group cannot meet its obligations or if it breaches certain covenants under the various debt arrangements, it may be subject to contract breach damages suits, it may be required to restrict or apply all cash flows from aircraft pledged as collateral for certain debt facilities to meet principal and interest payments, and / or to paydown such debt facilities on an accelerated basis.

(iv) *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to provide a return to equity holders commensurate with the level of business and financial risk. The Group makes appropriate adjustments to the capital structure in light of changing economic and market conditions and the risk characteristics of the underlying assets.

Capital comprises share capital, retained earnings and cumulative changes in fair value, and is measured at USD 2,934.2 million as at 31 December 2021 (2020: USD 2,891.1 million).

(v) *Financial covenants*

Under the terms of certain borrowing facilities, the Group is required to comply with certain financial covenants which include the maintenance of a minimum net worth and minimum cash balances.

The Group has complied with these covenants throughout the reporting period.

26 Leases

Operating leases

At 31 December 2021, the Group owns 296 aircraft (2020: 298 aircraft) aircraft. During the year, the Group received lease payments on aircraft under non-cancellable operating leases expiring from 2022 to 2033. Future minimum annual rentals to be received under the leases at 31 December 2021 are as follows:

	2021 USD'000	2020 USD'000
Not later than one year	1,138,388	1,130,667
Later than one year and not later than five years	3,443,756	3,697,246
Later than five years	1,832,510	2,117,450
Total	<u>6,414,654</u>	<u>6,945,363</u>

During the term of most leases, lessees pay an additional amount based on usage to fund the estimated costs of scheduled major maintenance of the airframe and engines. These amounts are accounted for as maintenance reserves.

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Notes to the consolidated financial statements

26 Leases (continued)

Finance leases and loan receivables

Non-current	2021 USD'000	2020 USD'000
Finance leases	74,037	74,844
Loan receivables	89,583	95,968
Total finance leases and loan receivables	<u>163,620</u>	<u>170,812</u>
Current	2021 USD'000	2020 USD'000
Finance leases	10,430	8,384
Loan receivables	6,384	5,960
Total finance leases and loan receivables	<u>16,814</u>	<u>14,344</u>

Finance leases

As at 31 December 2021, the Group owned seven aircraft under finance lease agreements (31 December 2020: 6 aircraft). During the year ended 31 December 2021 one aircraft was transferred from aircraft held for lease to finance lease receivable. The Group's finance lease receivables are secured by the Group's title to the leased assets.

Loan receivables

During 2020 the Group acquired one aircraft which was placed with an airline customer. This lease did not meet the definition of a lease under IFRS 16 and therefore the amount is classified as a loan receivable.

The gross amounts receivable and unearned interest income are as follows:

	2021 USD'000	2020 USD'000
Gross receivables	215,718	232,926
Unearned finance lease	(52,098)	(62,114)
Total non-current finance leases and loan receivables	<u>163,620</u>	<u>170,812</u>
Gross receivables	30,292	27,928
Unearned finance lease	(13,478)	(13,584)
Total current finance leases and loan receivables	<u>16,814</u>	<u>14,344</u>

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

26 Leases (continued)

Finance leases and loan receivables (continued)

	2021		2020	
	Minimum payments USD'000	Present value of payments USD'000	Minimum payments USD'000	Present value of payments USD'000
Not later than one year	30,292	16,814	27,928	14,344
Later than one year and not later than five years	120,776	82,428	111,714	70,052
Later than five years	94,942	81,192	121,212	100,760
Total	246,010	180,434	260,854	185,156
Less: unearned finance income	(65,576)	-	(75,698)	-
	<u>180,434</u>	<u>180,434</u>	<u>185,156</u>	<u>185,156</u>

The expected credit loss of the Group's finance lease receivables is assessed based on historic loss rates and the carrying value of the finance lease receivable net of collateral held. No material expected credit loss has been recognized on the Group's finance lease receivables.

Dubai Aerospace Enterprise (DAE) Ltd

Notes to the consolidated financial statements

27 Segment reporting

The Group's CODM monitors the operating results of its business units for the purpose of making decisions about performance assessment. The aircraft leasing business, which leases commercial aircraft, is the main reportable segment. Engineering maintenance services is another reportable segment which consists of an 80% stake in Jordan Aircraft Maintenance Limited ("Joramco") which provides commercial maintenance, repair and overhaul services.

The performance of the aircraft leasing and engineering maintenance services is evaluated based on segment profit or loss and is measured consistently with profit for the year in the consolidated financial statements.

Segment revenue is measured in a manner consistent with that in the consolidated income statement.

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the segments in which they operate and are owned.

31 December 2021	Aircraft leasing USD'000	Engineering maintenance USD'000	Group USD'000
Total segment revenue	1,149,460	88,845	1,238,305
EBITDA	1,145,036	11,530	1,156,566
Segment profit / (loss) for the year	147,601	2,363	149,964
Finance income	6,198	-	6,198
Finance costs	(360,860)	(1,443)	(362,303)
Income tax expense	(8,302)	-	(8,302)
Depreciation and amortization	(560,536)	(7,724)	(568,260)
Segment assets	12,512,655	96,922	12,609,577

31 December 2020	Aircraft leasing USD'000	Engineering maintenance USD'000	Group USD'000
Total segment revenue	1,236,515	63,830	1,300,345
EBITDA	1,190,612	6,321	1,196,933
Segment profit / (loss) for the year	232,106	(3,190)	228,916
Finance income	15,486	-	15,486
Finance costs	(347,970)	(1,274)	(349,244)
Income tax expense	(21,301)	-	(21,301)
Depreciation and amortization	(550,775)	(8,237)	(559,012)
Segment assets	12,654,187	88,287	12,742,474

The results and financial position of the engineering maintenance division include the impact of purchase price accounting and do not represent the results or financial position of Joramco as a standalone business. The Group defines EBITDA as profit for the year before net finance costs, income tax expense, depreciation and amortization and loss allowance.

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Notes to the consolidated financial statements

28 Subsequent events

There were no significant events subsequent to 31 December 2021.