Dubai Aerospace Enterprise (DAE) Ltd

Results for the year ended

December 31, 2022

www.dubaiaerospace.com

ABOUT DAE

Dubai Aerospace Enterprise (DAE) Ltd is a globally recognized aviation services corporation with two divisions: DAE Capital and DAE Engineering. Headquartered in Dubai, DAE serves over 170 airline customers in over 65 countries from its seven office locations in Dubai, Dublin, Amman, Singapore, Miami, New York, and Seattle.

DAE Capital is an award-winning aircraft lessor and financier with an owned, managed, committed, and mandated to manage fleet of approximately 500 Airbus, ATR and Boeing aircraft with a fleet value of approximately US$17 billion. DAE Engineering provides regional MRO services to customers in Europe, Middle East, Africa, and South Asia from its state-of-the-art facility in Amman, Jordan, accommodating up to 17 wide and narrow body aircraft. It is authorized to work on 15 aircraft types and has regulatory approval from over 25 regulators globally. More information can be found on the company's web site at www.dubaiaerospace.com.

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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 8, 2023, to review our results for the year ended December 31, 2022.

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

Or alternatively the call can be accessed live by dialing (UAE) 800 017 8030, (Ireland) +353 (0) 1 526 9444, (UK) +44 1 212 818 004, (USA) +1 718 705 8796, (Singapore) +65 3158 0246 and quote 'Dubai Aerospace Enterprise' when prompted.

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

FORWARD-LOOKING STATEMENTS

This document 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, 2022 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, 2022" are for the year ended December 31, 2022 and to "December 31, 2021" are for the year ended December 31, 2021.

FINANCIAL HIGHLIGHTS

- Profit before exceptional items for the year ended December 31, 2022 was USD 258.6 million compared to a profit of USD 150.0 million for the year ended December 31, 2021. Loss after exceptional items for the year ended December 31, 2022 was USD 279.3 million compared to a profit of USD 150.0 million for the year ended December 31, 2021.
- Operating profit before exceptional items for the year ended December 31, 2022 was USD 502.7 million compared to USD 514.4 million for the year ended December 31, 2021. During the year ended December 31, 2022, there was an increase in the gain on disposal of aircraft and a decrease in lease revenue accompanied by a decrease in depreciation and loss allowance. Operating loss after exceptional items for the year ended December 31, 2022 was USD 73.8 million compared to an operating profit USD 514.4 million for the year ended December 31, 2021. During the year ended December 31, 2022, there was an asset write-off of USD 576.5 million relating to certain aircraft in Russia not in the Group's control.
- Cash flows from operating activities for the year ended December 31, 2022 increased by 12.1% to USD 1,281.8 million compared to USD 1,143.0 million for the year ended December 31, 2021.
- Total assets were USD 12,709.1 million at December 31, 2022 compared to USD 12,609.6 million at December 31, 2021. This increase was mainly due to asset acquired through business combination which was offset by asset write-off of certain aircraft in Russia not in the Group's control, decrease in trade and other receivables and other assets.
- Available liquidity was USD 2,659.9 million at December 31, 2022 compared to USD 2,910.3 million at December 31, 2021. The Liquidity ratio was 341.0% at December 31, 2022 compared to 442.7% at December 31, 2021.
- Net Debt-to-Equity ratio was 2.64:1 times at December 31, 2022 compared to 2.54:1 times at December 31, 2021.

OPERATIONAL HIGHLIGHTS

- Total number of aircraft in the fleet at December 31, 2022 was 440 (December 31, 2021: 385) which consisted of 330 owned (December 31, 2021: 296), 104 managed (December 31, 2021: 79) and 6 committed aircraft (December 31, 2021: 10).
- During the year ended December 31, 2022 we purchased 46 owned aircraft which includes aircraft acquired as a result of business combination (December 31, 2021: 18) and 48 managed aircraft (December 31, 2021: 23) and sold or consigned 12 owned aircraft (December 31, 2021: 20) and 23 managed aircraft (December 31, 2021: 10).
- The weighted average age of our owned fleet was 6.5 years at December 31, 2022 compared to 6.7 years at December 31, 2021. The weighted average remaining lease term of our owned fleet at December 31, 2022 was 6.3 years compared with 6.2 years at December 31, 2021.
- The ratio of unsecured debt to total debt was 69.8% at December 31, 2022 compared to 69.8% at December 31, 2021.

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, 2022.

Results of operations *(in millions of USD)*	Year ended December 31			
	Before exceptional items 2022	Exceptional items	Total 2022	Total 2021
Consolidated statement of profit or loss and comprehensive income				
Total revenue	1,137.8	-	1,137.8	1,238.3
Gain on disposal of aircraft	97.5	-	97.5	76.5
Gain on business combination	29.4	-	29.4	-
Expenses				
Depreciation and amortization	(556.3)	-	(556.3)	(568.3)
Asset write-off	-	(576.5)	(576.5)	-
General and administrative expenses	(97.8)	-	(97.8)	(79.5)
Cost of providing engineering maintenance services	(70.3)	-	(70.3)	(59.6)
Loss allowance	(14.0)	-	(14.0)	(73.9)
Aircraft maintenance	(23.6)	-	(23.6)	(19.1)
Operating profit/(loss)	**502.7**	**(576.5)**	**(73.8)**	**514.4**
Finance income	27.8	-	27.8	6.2
Finance expense	(290.8)	-	(290.8)	(324.0)
Debt redemption costs	-	-	-	(38.3)
Net finance costs	**(263.0)**	**-**	**(263.0)**	**(356.1)**
Profit/(loss) before income tax	**239.7**	**(576.5)**	**(336.8)**	**158.3**
Income tax benefit/(expense)	18.9	38.6	57.5	(8.3)
Profit/(loss) for the year	**258.6**	**(537.9)**	**(279.3)**	**150.0**
Add back debt redemption costs	-	-	-	38.3
Adjusted profit/(loss) for the year	**258.6**	**(537.9)**	**(279.3)**	**188.3**

Consolidated statement of financial position (Extract)		As at
	Dec 31, 2022	Dec 31, 2021
Total cash and cash resources	438.2	450.8
Aircraft held for lease	11,300.8	11,279.2
Total assets	**12,709.1**	**12,609.6**
Total loans and borrowings	8,045.9	7,813.7
Total equity	2,935.7	2,934.2
Total liabilities and equity	**12,709.1**	**12,609.6**

Adjusted EBITDA calculation [(1)]	Year ended Dec 31	
	2022	2021
(Loss)/profit for the year	(279.3)	150.0
Add back		
Net finance costs	263.0	356.1
Income tax (benefit)/expense	(57.5)	8.3
Loss allowance	14.0	73.9
Depreciation and amortization	556.3	568.3
Asset write-off	576.5	-
Adjusted EBITDA	**1,073.0**	**1,156.6**

(1) *We define Adjusted EBITDA as (loss)/profit, excluding net finance costs, loss allowance, income tax expense, depreciation and amortization and asset write-off.*

Financial metrics	As at Dec 31, 2022	As at Dec 31, 2021
Pre-tax margin (*per cent*) [2][4]	21.1	15.9
Pre-tax return on equity (*per cent*) [3][4]	8.2	6.7
Net debt to equity (*times*) [5]	2.64x	2.54x
Total available liquidity (*USD billions*) [6]	2.7	2.9
Unsecured debt/total debt (*per cent*) [7]	69.8	69.8
Liquidity coverage ratio (*per cent*) [8]	341.0	442.7

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

(2) *Calculated as profit before income tax (before exceptional item) divided by total revenue.*

(3) *Calculated as profit before income tax (before exceptional item) (annualized in the case of interim periods) divided by average total equity.*

(4) *Profit before tax (before exceptional item) excludes one-off bond redemption costs incurred during 2021 and an exceptional item of USD 576.5 million in 2022.*

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

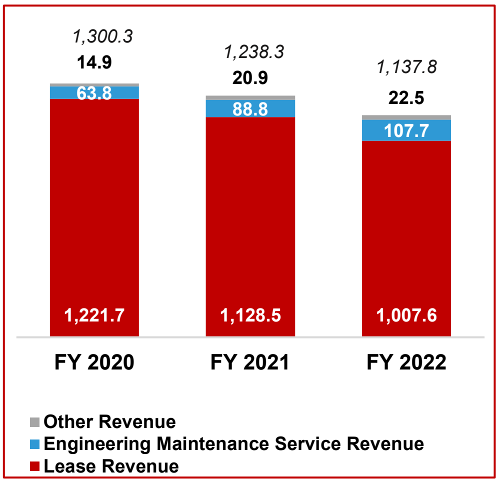
(6) *Calculated as the sum of available credit facilities and cash and cash equivalents.*

(7) *Calculated as unsecured loans and borrowings divided by total loans and borrowings.*

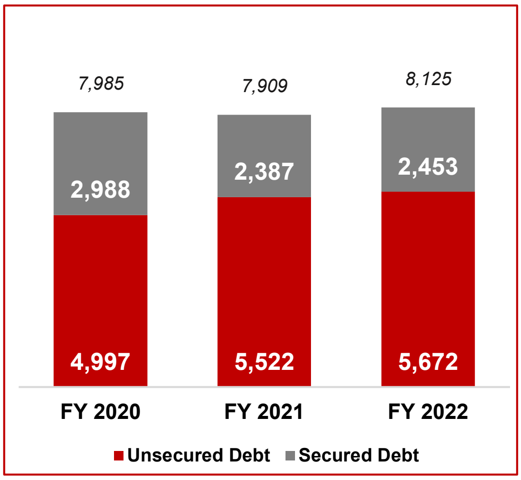
(8) *Calculated as total available liquidity divided by recourse debt payments in the next 12 months.*

FINANCIAL AND OPERATIONAL HIGHLIGHTS AT A GLANCE

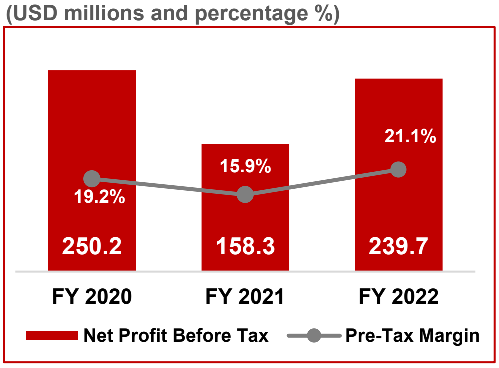
Total Revenue
(USD millions)



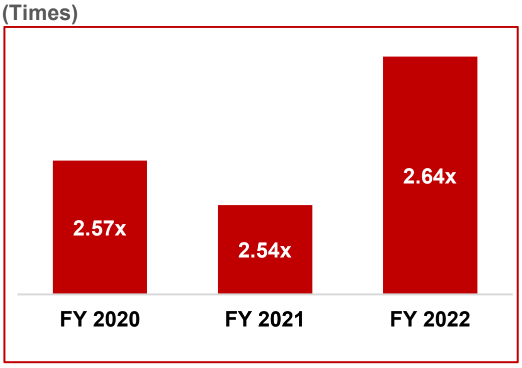
Total Debt by Security
(USD millions)



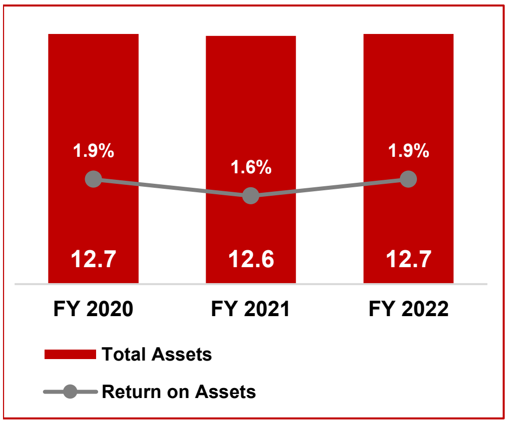
Net Profit Before Tax and Pre-Tax Margin [(9)]
(USD millions and percentage %)



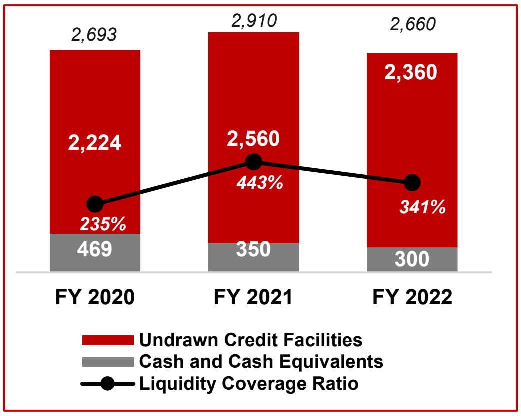
Net-Debt-to-Equity
(Times)



Total Assets and Return on Assets [(9)(10)]
(USD billions and percentage %)



Available Liquidity and 12-Month Liquidity Coverage
(USD millions)

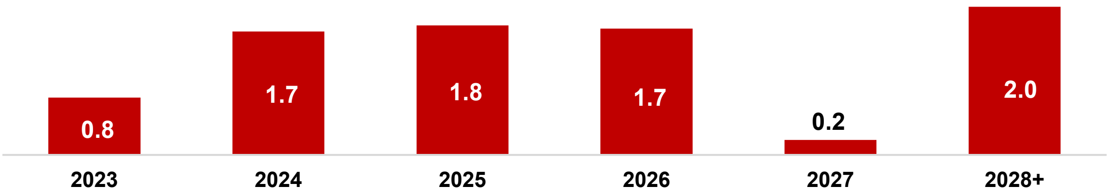


(9) *Profit before income tax is adjusted to exclude one-time bond redemption costs of USD 38.3 million in 2021 and an exceptional item of USD 576.5 million in 2022.*

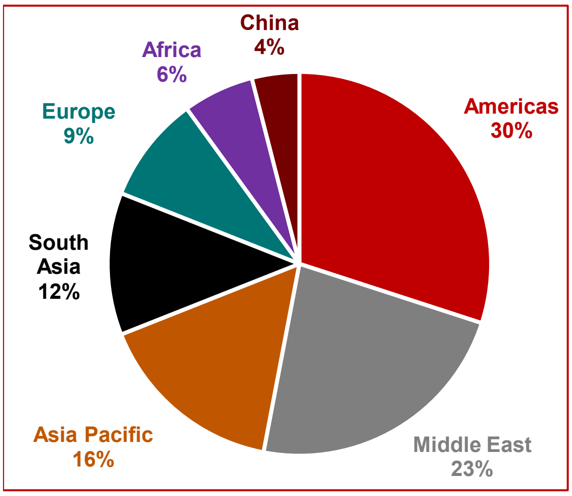
(10) *Calculated as profit before income tax (annualized in the case of interim periods) divided by average total assets, as appropriate.*

FINANCIAL AND OPERATIONAL HIGHLIGHTS AT A GLANCE (CONTINUED)

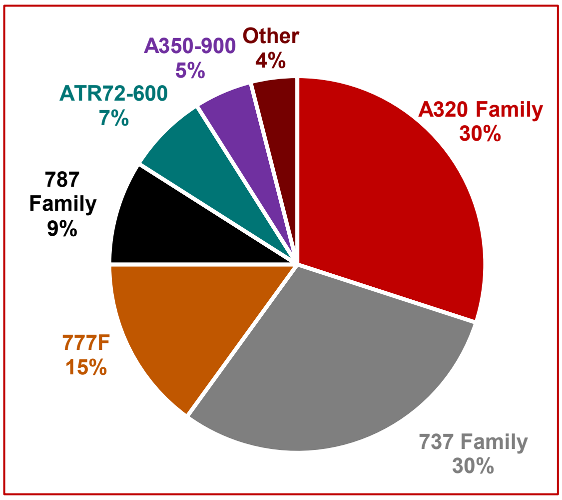
Debt Maturity Profile
(USD billions)



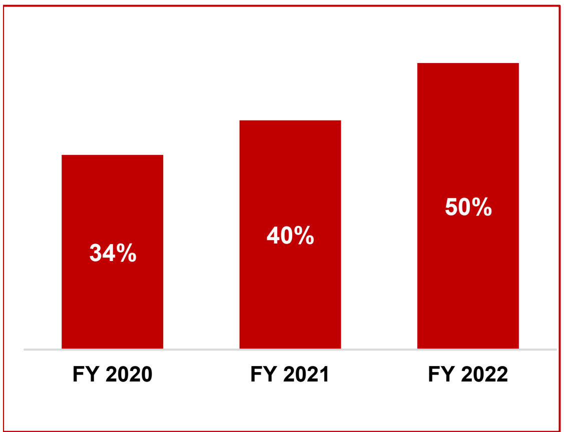
DAE Capital Diversification of Fleet by Region as of December 31, 2022 [11]



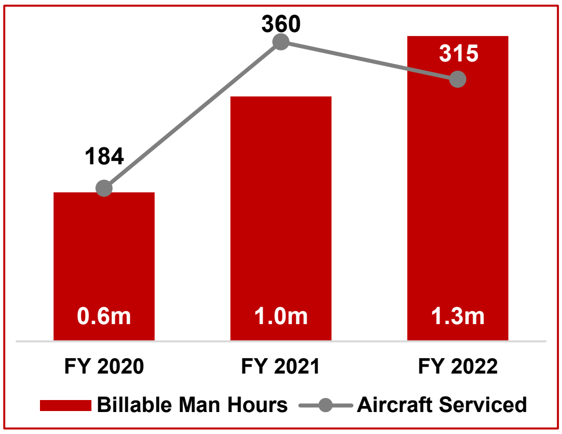
DAE Capital Aircraft by Type as of December 31, 2022 [11]



DAE Capital Proportion of Next Generation, Fuel Efficient Aircraft [11][12]



DAE Engineering Billable Man Hours and Number of Aircraft Serviced



[11] *Based on Ascend Half Life Current Market Value (HLCMV) as of the stated reference date and refers to owned fleet only. FY 2022 adjusted to reflect the termination of the leasing of aircraft to Russian airlines and the impact of exceptional charges*

[12] *The following aircraft are considered as "next generation and fuel efficient": Airbus A320neo Family, Airbus A330neo Family, Airbus A350 Family, Boeing 737 MAX Family, Boeing 787 Family, and ATR 72-600*

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

Overview

DAE is a globally recognized aviation services corporation 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% indirectly owned 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, 2022 we had a total owned, managed and committed fleet of 440 aircraft which was made up of 330 owned aircraft (including 11 aircraft classified as finance lease and loan receivables), 104 managed aircraft and commitments to acquire 6 new aircraft (four aircraft for our owned fleet and two aircraft for our managed fleet). Our owned and managed aircraft are on lease to 118 lessees in 59 countries.

As of December 31, 2022, the aggregate book value of our owned fleet, including aircraft pre-delivery payments, aircraft held-for-sale and finance lease and loan receivables, was USD 11,665.5 million. Future contracted lease rental income from our owned fleet amounted to USD 6,800.4 million. As of December 31, 2022, 95.7% of our leases were subject to fixed lease rates as a percentage of lease revenue.

Our lease portfolio is highly diversified, geographically and by airline, with our top five lessees representing 29.4% of our portfolio based on net book value as of December 31, 2022. Emirates, a related party, is our largest customer representing 10.1% of our fleet based on net book value. In addition, the estimated value of our managed fleet was USD 3.1 billion.

Analysis by aircraft type for our owned and managed portfolio

Aircraft Type	Owned Portfolio	Managed Portfolio	Committed Portfolio*	Total
A320 CEO family	94	45	-	139
A320 NEO family	26	8	2	36
A330-family	18	6	-	24
A330 NEO family	1	1	-	2
A350-900	4	-	-	4
Total Airbus	**143**	**60**	**2**	**205**
B737 NG family	68	33	2	103
B737 MAX family	28	9	-	37
B787 family	11	-	1	12
B777	3	-	-	3
B777F	12	-	1	13
Total Boeing	**122**	**42**	**4**	**168**
ATR 72-600	65	2	-	67
Total	**330**	**104**	**6**	**440**
Narrow body	216	95	4	315
Wide body	49	7	2	58
Turboprop	65	2	-	67
Total	**330**	**104**	**6**	**440**

**Committed portfolio includes four aircraft for the owned fleet and two aircraft for the managed fleet.*

Fleet metrics	As at Dec 31, 2022	Dec 31, 2021
Owned fleet *(number of aircraft)* (1)	330	296
Managed fleet *(number of aircraft)*	104	79
Weighted average age *(years)* (2)	6.5	6.7
Weighted average remaining lease term (*years*) (2)	6.3	6.2
(in millions of USD)		
Net book value of aircraft held for lease	11,300.8	11,279.1
Carrying value of finance lease and loan receivables	364.7	180.4
Aggregate net book value	**11,665.5**	**11,459.5**

(1) Owned fleet includes aircraft in Russia not in the Group's control.

(2) Owned fleet only (excluding aircraft in Russia), 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 15 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, and the CARC in Jordan.

Russian Exposure

The Group previously leased 22 aircraft to operators based in the Russian Federation. In compliance with applicable sanctions, the Group terminated the leasing of aircraft to airlines in Russia. In response to the sanctions imposed against Russia, the Government of the Russian Federation, took steps including issuing a number of decrees which provide, amongst other things, that Russian airlines are required to obtain governmental approval for the redelivery of aircraft to foreign lessors. Under these circumstances, the Group has no control over the 19 aircraft that are currently in Russia. The Group has no way to determine whether these aircraft will be returned at any point in the future.

The Group's liquidity and capital adequacy remain strong and within rating agency guidelines for our rating. The Group has insurance cover in respect of the 19 aircraft under a number of insurance policies and has filed insurance claims and a litigation claim to recover amounts due under the policies.

Environment, Social and Governance Framework

DAE is committed to maintaining an effective Environmental, Social and Governance ("ESG") Framework. DAE provides annual ESG Reporting to stakeholders which is presented in accordance with the Global Reporting Institute (GRI) Standards. DAE's most recent ESG Report, for the year ended December 31, 2022, was published on DAE's website in February 2023 and fully incorporates all of the Group's activities. Limited Assurance has been provided by KPMG on certain metrics reported within DAE's ESG Report. KPMG's independent assurance statement is available within the ESG Report. DAE also has a dedicated ESG Policy, which is available on DAE's website. DAE holds an ESG Risk Rating of 14.4 from Morningstar Sustainalytics, who consider DAE's enterprise value to be of 'Low Risk' of material financial impacts driven by ESG factors. In January

2023, Morningstar Sustainalytics awarded DAE with its ESG Industry Top Rated and ESG Regional Top Rated accreditations, indicating that in 2022, DAE's ESG Risk Rating from Morningstar Sustainalytics was among the 50 lowest ratings issued by Morningstar 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. DAE also makes voluntary ESG disclosures through CDP, a global non-profit that runs the world's most comprehensive environmental disclosure system for companies, cities, states and regions.

The latest ESG Report, Risk Rating Summary, Policy Documents, and further information is available on DAE's ESG website https://dubaiaerospace.com/esg/.

DAE Capital has a young fleet with an average age of 6.5 years. As of December 31, 2022, almost all our 2022 capital commitments have been in new technology aircraft with advanced design features. As of December 31, 2022, 50% of DAE Capital's fleet were next generation and fuel efficient aircraft, and DAE Capital is committed to continue to grow the proportion of these aircraft in its fleet. By investing in these aircraft which have greater fuel efficiency, lower emissions, and a lower noise footprint, we are helping our airline customers reduce their impact on the environment.

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 26 nationalities. In addition, at December 31, 2022, 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/.

Year ended December 31, 2022 compared to year ended December 31, 2021

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, 2022 and December 31, 2021.

Total Revenue *(in millions of USD)*		**Year ended Dec 31**
	2022	**2021**
Lease revenue	1,024.6	1,136.4
Maintenance revenue	35.7	44.3
Amortization of lease incentives and other lease costs	(59.9)	(66.6)
Net lease revenue	**1,000.4**	**1,114.1**
Engineering maintenance service revenue	107.7	88.8
Finance lease and loan receivables income	7.2	14.5
Total lease, engineering maintenance service revenue and finance lease and loan receivables income	**1,115.3**	**1,217.4**
Other income	22.5	20.9
Total revenue	**1,137.8**	**1,238.3**

Total revenue was USD 1,137.8 million for the year ended December 31, 2022 compared to USD 1,238.3 million for the year ended December 31, 2021, a decrease of USD 100.5 million, or 8.1%, due to the reasons outlined below.

Net lease revenue decreased by USD 113.7 million, or 10.2%, to USD 1,000.4 million for year ended December 31, 2022, from USD 1,114.1 million for the year ended December 31, 2021. This decrease was due primarily to lease terminations relating to aircraft in Russia not in the Group's control and cash accounting on customers who entered administration and divestments of aircraft.

Engineering maintenance service revenue increased by USD 18.9 million, or 21.3%, to USD 107.7 million for the year ended December 31, 2022 compared to USD 88.8 million for the year ended December 31, 2021.

Finance lease and loan receivables income decreased by USD 7.3 million to USD 7.2 million for the year ended December 31, 2022 compared to USD 14.5 million for the year ended December 31, 2021.

Gain on disposal of aircraft

Gain on disposal of aircraft was USD 97.5 million for the year ended December 31, 2022 compared to USD 76.5 million for the year ended December 31, 2021. During the year ended December 31, 2022 we sold 12 owned aircraft compared to the sale of 20 owned aircraft during the year ended December 31, 2021.

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.

Gain on business combination

On November 18, 2022, DAE acquired 100% ownership of Sky Fund I Irish, Ltd. and its subsidiaries ("Sky Fund I"). This acquisition resulted in a gain on business combination amounting to USD 29.4 million. Further information can be found in the financial statements Note 28.

Expenses

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

The table below shows a breakdown of our expenses for the year ended December 31, 2022 and December 31, 2021.

Total Expenses *(in millions of USD)*		**Year ended Dec 31**
	2022	**2021**
Depreciation and amortization	556.3	568.3
General and administrative expenses	97.8	79.5
Cost of providing engineering maintenance services	70.3	59.6
Loss allowance	14.0	73.9
Aircraft maintenance	23.6	19.1
Total expenses before exceptional items	**762.0**	**800.4**
Exceptional item - asset write-off	576.5	-
Total expenses	**1,338.5**	**800.4**

Expenses for the year ended December 31, 2022, before exceptional items decreased by USD 38.5 million to USD 761.9 million compared to USD 800.4 million for the year ended December 31, 2021. Total expenses for the year ended December 31, 2022 increased by USD 538.0 million to USD 1,338.4 million compared to USD 800.4 million for the year ended December 31, 2021.

Depreciation and amortization expense decreased by USD 12.0 million, or 2.1%, for the year ended December 31, 2022 to USD 556.3 million compared to USD 568.3 million in the prior year. This decrease was primarily due to divestments and asset write off in the fleet.

General and administrative expenses increased by USD 18.3 million, or 23%, for the year ended December 31, 2022 to USD 97.8 million from USD 79.5 million in the prior year. This increase was due to higher compensation and benefit costs, legal and professional fees and travel expenses.

Cost of providing engineering maintenance services increased by USD 10.7 million, or 18.0%, for the year ended December 31, 2022 to USD 70.3 million from USD 59.6 million in the prior year. This increase reflects the corresponding increase in engineering maintenance services revenue over the same period.

Loss allowance decreased by USD 59.9 million or 81.1% to USD 14.0 million compared to USD 73.9 million in the prior year. Further information can be found in the financial statements note 26.

Aircraft maintenance increased by USD 4.5 million, or 23.6%, to USD 23.6 million for the year ended December 31, 2022 from USD 19.1 million for the year ended December 31, 2021. This increase was due to heavy maintenance costs related to aircraft returns and repossession.

In addition, asset write-off was USD 576.5 million for the year ended December 31, 2022 compared to nil million in the prior year. The asset write-off relates to the Group's net exposure to 19 aircraft in Russia not in the Group's control, and the leasing of which has been terminated.

Operating profit

Operating profit before exceptional items was USD 502.7 million for the year ended December 31, 2022 compared to USD 514.4 million in 2021, a decrease of USD 11.7 million, or 2.3%. The decrease was attributable to the factors described in the preceding sections.

Operating loss after exceptional items was USD 73.8 million for the year ended December 31, 2022 compared to an operating profit of USD 514.4 million in 2021, a decrease of USD 588.2 million. This decrease was mainly due to the asset write-off of USD 576.5 million relating to certain aircraft in Russia not in the Group's control.

Net finance costs

Net finance costs decreased by USD 93.1 million, or 26.1%, to USD 263.0 million for the year ended December 31, 2022 from USD 356.1 million for the year ended December 31, 2021.

Finance income increased by USD 21.6 million, or 348.4%, to USD 27.8 million for the year ended December 31, 2022 from USD 6.2 million for the year ended December 31, 2021. This was due primarily to gains on financial instruments and higher deposit rates during the year ended December 31, 2022 compared to the prior year.

Finance expense decreased by USD 33.2 million, or 10.2%, to USD 290.8 million for the year ended December 31, 2022 from USD 324.0 million for the year ended December 31, 2021 due primarily to lower average loan balance during the year and a decrease in the average cost of debt to 3.4% from 3.7% for the year ended December 31, 2021.

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 benefit/(expense)

During the year ended December 31, 2022 we recorded a tax benefit of USD 57.5 million compared to a tax expense of USD 8.3 million for the year ended December 31, 2021. The income tax benefit for year ended December 31,2022 was primarily driven by the tax impact of the Group's Irish activities at 12.5% and the impact of the asset write-off relating to certain aircraft in Russia not in the Group's control. In addition, the tax benefit has been impacted by tax losses not recognized, these losses remain available to the Group in the event sufficient future profits are generated.

Profit/(loss) for the year

Reflecting the above factors, profit before exceptional items for the year ended December 31, 2022, increased by USD 108.6 million to USD 258.6 million from USD 150.0 million for the year ended December 31, 2021.

Loss after exceptional items for the year ended December 31, 2022 increased by USD 429.3 million to USD 279.3 million from a profit of USD 150.0 million for the year ended December 31, 2021. This increase was mainly due to the asset write-off of USD 576.5 million relating to certain aircraft in Russia.

Consolidated Cash Flows

The following table presents our consolidated cash flows for the year ended December 31, 2022 and the year ended December 31, 2021. Cash and cash equivalents shown below refer to unrestricted cash.

Consolidated cash flow (Extract) (in millions of USD)		**Year ended Dec 31**
	2022	**2021**
Net cash generated from operating activities	1,281.8	1,143.0
Net cash used in investing activities	(857.1)	(556.8)
Net cash used in financing activities	(475.1)	(704.8)
Net decrease in cash and cash equivalents	**(50.5)**	**(118.6)**
Cash and cash equivalents at the beginning of the year	350.4	469.0
Cash and cash equivalents at the end of the year	**299.9**	**350.4**

For the year ended December 31, 2022 net cash generated from operating activities was USD 1,281.8 million, an increase of USD 138.8 million, or 12.1%, from USD 1,143.0 million for the year ended December 31, 2021. This movement was primarily due to a decrease in trade receivables, decrease in accrued revenue and higher maintenance reserve receipts driven by the drawdown of letters of credit.

For the year ended December 31, 2022 net cash used in investing activities was USD 857.1 million compared to net cash used in investing activities of USD 556.8 million for the year ended December 31, 2021. This movement was primarily due to net cash paid on acquisition of subsidiary, lower proceeds from disposal of aircraft partly offset by decrease in deposits paid for the aircraft.

Net cash used in financing activities for the year ended December 31, 2022 was USD 475.1 million compared to net cash used in financing activities of USD 704.8 million for the year ended December 31, 2021. This movement was due to cash received from issue of share capital during the year ended December 31, 2022 as compared to repurchase of share capital in December 31, 2021. Furthermore, there was a decrease in net drawdowns of borrowings and a decrease in cash interest paid and debt issuance costs during the year ended December 31, 2022 compared to the year ended December 31, 2021.

Our cash and cash equivalents as at December 31, 2022 was USD 299.9 million, a decrease of USD 50.5 million from USD 350.4 million as at December 31, 2021.

Our total cash and cash resources, which includes restricted cash, was USD 438.2 million as at December 31, 2022 which represents an decrease of USD 12.6 million compared to USD 450.8 million as at December 31, 2021.

Loans and Borrowings, Liquidity and Capital Resources

Loans and borrowings

Our total loans and borrowings (net of debt issuance costs) increased to USD 8,045.9 million as at December 31, 2022 from USD 7,813.7 million at December 31, 2021. The increase was primarily due to debt acquired on business combination and new debt drawdown of USD 586.6 million and USD 600.0 million, respectively which have been partially offset by loan repayment and notes repurchase of USD 831.2 million and USD 145.9 million, respectively, during the year ended December 31, 2022.

At December 31, 2022 our level of unsecured debt was 69.8% compared to 69.8% at December 31, 2021. The average cost of debt as at December 31, 2022 was 3.4% which decreased from 3.7% at December 31, 2021 and the weighted average debt maturity as at December 31, 2022 was 4.5 years compared to 4.4 years at December 31, 2021.

Loans and Borrowings (in millions of USD)

	Aircraft Collateral	Dec 31 2022
Unsecured		
Senior unsecured notes		3,182.9
Senior unsecured facilities (incl. revolving credit facilities)		2,489.1
Total unsecured		**5,672.0**
Secured		
Recourse obligations (incl. Ex-Im & EDC)	76	1,818.0
Senior secured notes	16	586.4
Non-recourse obligations	2	48.7
Total secured	**94**	**2,453.1**
Debt issuance costs		(79.2)
Net loans and borrowings		**8,045.9**

The Group holds 236 aircraft with a total net book value of USD 7,466.1 million which were unencumbered at December 31, 2022 and 94 aircraft which were used as collateral on our secured facilities. Further information of the loan facilities can be found in the financial statements, Note 18.

Our unsecured credit facilities at December 31, 2022 of USD 2.4 billion were 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

Available liquidity was USD 2,659.9 million as at December 31, 2022 compared to USD 2,910.3 million as at December 31, 2021. Our total equity increased to USD 2,935.7 million as at December 31, 2022 from USD 2,934.2 million as at December 31, 2021. Our Net Debt to Equity ratio was 2.64:1 times as at December 31, 2022 compared to 2.54:1 times as at December 31, 2021.

We believe that the sources of liquidity mentioned above, together with cash generated from operations, will be fully 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 December 31, 2022

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated financial statements for the year ended December 31, 2022

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 December 31, 2022 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 December 31, 2022;
- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of cash flows for the year ended December 31, 2022;
- the consolidated statement of changes in equity for the year ended December 31, 2022; 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.

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*

Valuation of aircraft held for lease
As at December 31, 2022, the carrying value of aircraft held for lease was USD 11,300.8 million. Refer to notes 2 and 9 to the consolidated financial statements.
 	
Management has performed an impairment test over the aircraft held for lease. No impairment charge was recognised in the current year ended December 31, 2022 (December 31, 2021: nil).
 	
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.
 	
The fair value is determined by reference to independent aircraft valuation reports provided by external appraisers.
 	
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:
 	
• 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.
 	
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.
	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:
	
	• 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;
	  ○ 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 with senior operational personnel that the estimates relating to the lease transition periods and related costs were reasonable across the portfolio.
	
	We evaluated the competence, capabilities and objectivity of the external appraisers as independent aircraft appraisers.
	
	We tested the mathematical accuracy of the impairment model.
	
	We performed sensitivity analyses over the discount rate and the ranges of valuations obtained from the independent appraisers.
	
	We assessed whether the related disclosures in notes 2 and 9 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
February 8, 2023

/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	Before exceptional items 2022 USD'000	Exceptional items USD'000	Total 2022 USD'000	2021* USD'000
		Year ended December 31			
Revenue	3	1,115,258	-	1,115,258	1,217,384
Other income	4	22,496	-	22,496	20,921
Total revenue		1,137,754	-	1,137,754	1,238,305
Gain on disposal of aircraft		97,548	-	97,548	76,469
Gain on business combination	28	29,364	-	29,364	-
Expenses					
Depreciation and amortization		(556,332)	-	(556,332)	(568,260)
Asset write-off	7	-	(576,518)	(576,518)	-
General and administrative expenses	5	(97,756)	-	(97,756)	(79,592)
Cost of providing engineering maintenance services		(70,256)	-	(70,256)	(59,558)
Loss allowance	26	(14,011)	-	(14,011)	(73,935)
Aircraft maintenance		(23,634)	-	(23,634)	(19,058)
Operating profit/(loss)		502,677	(576,518)	(73,841)	514,371
Finance income	6	27,794	-	27,794	6,198
Finance expense	6	(290,763)	-	(290,763)	(323,996)
Debt redemption costs	6	-	-	-	(38,307)
Net finance costs		(262,969)	-	(262,969)	(356,105)
Profit/(loss) before income tax		239,708	(576,518)	(336,810)	158,266
Income tax benefit/(expense)	8	18,886	38,636	57,522	(8,302)
Profit/(loss) for the year		258,594	(537,882)	(279,288)	149,964
Other comprehensive income					
Items that may be reclassified to profit or loss					
Unrealized gain on interest rate hedges	23	84,178	-	84,178	44,890
Amounts reclassified to profit or loss	23	1,675	-	1,675	1,231
Income tax relating to components of other comprehensive income	23	(5,088)	-	(5,088)	(2,960)
Total comprehensive income for the year		339,359	(537,882)	(198,523)	193,125
Profit/(loss) for the year attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		256,589	(537,882)	(281,293)	149,491
Non-controlling interests		2,005	-	2,005	473
		258,594	(537,882)	(279,288)	149,964
Total comprehensive income/(loss) for the year attributable to:					
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		337,354	(537,882)	(200,528)	192,652
Non-controlling interests		2,005	-	2,005	473
		339,359	(537,882)	(198,523)	193,125

* There were no exceptional items during the year ended December 31, 2021.
The accompanying notes form an integral part of these consolidated financial statements.

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated statement of financial position

	Note	As at December 31 2022 USD'000	 2021 USD'000
ASSETS			
Non-current assets			
Aircraft held for lease	9	11,300,836	11,279,152
Property, plant and equipment	10	96,405	106,092
Intangible assets		4,086	4,669
Goodwill	11	44,668	44,668
Finance lease and loan receivables	27	167,570	163,620
Other non-current assets	12	189,934	239,092
Financial assets at fair value and amortized cost	13	80,264	51,530
		11,883,763	11,888,823
Current assets			
Cash and cash equivalents	16	299,920	350,371
Restricted cash	16	138,328	100,402
Inventories		32,366	38,379
Trade and other receivables	15	46,483	111,374
Prepayments		6,344	5,801
Finance lease and loan receivables	27	197,078	16,814
Derivative financial assets	23	35,116	-
Current tax asset		-	1,710
Other current assets	12	69,714	95,903
		825,349	720,754
Total assets		12,709,112	12,609,577
EQUITY AND LIABILITIES			
EQUITY	17		
Authorized and issued share capital		2,011,069	1,927,770
Additional paid-in-capital		634,585	517,884
Treasury shares		(1,392,059)	(1,392,059)
Other reserves		30,512	(50,253)
Retained earnings		1,639,493	1,920,786
		2,923,600	2,924,128
Non-controlling interests		12,092	10,087
Net equity		2,935,692	2,934,215
LIABILITIES			
Non-current liabilities			
Loans and borrowings	18	7,238,590	7,140,860
Deferred tax liabilities	14	268,735	318,565
Maintenance reserves and security deposits	19	1,034,017	1,090,383
Lease liabilities	20	29,270	32,289
Deferred revenue	21	12,534	23,099
		8,583,146	8,605,196
Current liabilities			
Loans and borrowings	18	807,262	672,863
Trade and other payables	22	77,404	49,728
Current tax liability		408	-
Derivative financial liabilities	23	-	48,480
Maintenance reserves and security deposits	19	233,105	233,613
Lease liabilities	20	3,405	4,015
Deferred revenue	21	68,690	61,467
		1,190,274	1,070,166
Total liabilities		9,773,420	9,675,362
Total liabilities and equity		12,709,112	12,609,577

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	
	2022	2021
	USD’000	USD’000
Cash flows from operating activities		
(Loss)/profit for the year	(279,288)	149,964
Adjustments for:		
Depreciation and amortization	556,332	568,260
Asset write-off	576,518	-
Gain on disposal of aircraft	(97,548)	(76,469)
Gain on business combination	(29,364)	-
Amortization of debt issuance costs	33,515	45,014
Net finance cost	229,454	311,091
Income tax	(57,522)	8,302
Changes in operating assets and liabilities		
Movement in trade and other receivables	77,624	30,673
Movement in accrued revenue	18,961	(17,700)
Movement in finance lease and loan receivables	13,325	4,722
Movement in maintenance reserves and security deposits	112,945	95,677
Movement in other assets and liabilities	126,801	23,448
Net cash generated from operating activities	1,281,753	1,142,982
Cash flow from investing activities		
Acquisition of aircraft held for lease	(343,429)	(668,942)
Acquisition of property, plant and equipment	(5,582)	(8,198)
Acquisition of subsidiary, net of cash acquired	(952,806)	-
Proceeds from disposal of aircraft	431,792	629,517
Interest received	15,954	4,595
Deposits paid for the purchase of aircraft	(3,005)	(513,761)
Net cash used in investing activities	(857,076)	(556,789)
Cash flows from financing activities		
Movement in restricted cash	(37,926)	(2,909)
Proceeds from issue of share capital	200,000	-
Proceeds from borrowings	600,000	3,785,254
Repayment of borrowings	(831,229)	(3,851,947)
Debt repurchased	(135,681)	-
Cash interest paid	(251,983)	(322,172)
Debt issuance costs incurred	(18,309)	(63,047)
Repurchase of share capital	-	(250,002)
Net cash used in financing activities	(475,128)	(704,823)
Net decrease in cash and cash equivalents	(50,451)	(118,630)
Cash and cash equivalents at the beginning of the year	350,371	469,001
Cash and cash equivalents at the end of the year	299,920	350,371

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

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated statement of changes in equity

In thousands of US Dollars	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 December 31, 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 December 31, 2021	**1,927,770**	**517,884**	**(1,392,059)**	**(50,253)**	**1,920,786**	**2,924,128**	**10,087**	**2,934,215**

In thousands of US Dollars	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 December 31, 2021	**1,927,770**	**517,884**	**(1,392,059)**	**(50,253)**	**1,920,786**	**2,924,128**	**10,087**	**2,934,215**
(Loss) / profit for the year	-	-	-	-	(281,293)	(281,293)	2,005	(279,288)
Other comprehensive income	-	-	-	80,765	-	80,765	-	80,765
Total comprehensive income for the year	**-**	**-**	**-**	**80,765**	**(281,293)**	**(200,528)**	**2,005**	**(198,523)**
Issue of shares	83,299	116,701	-	-	-	200,000	-	200,000
At December 31, 2022	**2,011,069**	**634,585**	**(1,392,059)**	**30,512**	**1,639,493**	**2,923,600**	**12,092**	**2,935,692**

The accompanying notes form an integral part of these 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's immediate parent is DAE Aviation Group Ltd, a DIFC incorporated entity, ("DAG"). DAG is owned by Investment Corporation of Dubai ("ICD"), ICD Hospitality & Leisure LLC ("ICD H&L") and Dubai Integrated Economic Zones Authority ("DIEZ"). ICD indirectly owns 100% of the Company and is therefore the ultimate controlling party of the Group. ICD is owned 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 the Group's owned fleet for the year ended December 31, 2022 (the "year") are summarized below:

- The Group owned 330 aircraft at December 31, 2022 (December 31, 2021: 296).
- Purchases – the Group purchased 46 during the year (2021: 18 aircraft)
- Sales – the Group disposed of 12 during the year (2021: 20 aircraft).

The Group also manages 104 aircraft on behalf of third parties at December 31, 2022 (December 31, 2021: 79 aircraft). During 2022 the Group acquired 48 managed aircraft (December 31, 2021: 23 aircraft) and completed the sale of 23 managed aircraft (December 31, 2021: 10 aircraft).

On November 18, 2022, DAE acquired 100% ownership of Sky Fund I Irish, Ltd. and its subsidiaries ("Sky Fund I"). The primary business of Sky Fund I is the purchasing, leasing and disposal of aircraft.

During the year, the Group terminated the leasing of 22 aircraft to airlines in Russia following the imposition of sanctions. See Note 7 for further details.

The consolidated financial statements were approved on February 8, 2023 and signed by:

/s/ Firoz Tarapore

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Firoz Tarapore
Chief Executive Officer

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 December 31, 2022, 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 December 31, 2022 the Group's undrawn credit facilities amounted to USD 2,360.0 million.

As such, the Directors are of the opinion that the going concern basis is appropriate for the financial statements for the year ended December 31, 2022.

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.

2 Accounting policies (continued)

2.2 Basis of consolidation (continued)

As of December 31, 2022, the Group had 22 SPEs (2021: 24 SPEs). These entities included aircraft with a net book value of USD 1,326.4 million at December 31, 2022 (2021: USD 951.2 million), in the consolidated statement of financial position. These aircraft are funded by debt of USD 1,245.0 million (2021: USD 695.1 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.

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.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2.2 Basis of consolidation (continued)

Business combinations (continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase/gain on business combination.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

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 January 1, 2022, 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 January 1, 2022 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.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3

All other accounting policies applied are consistent with those of the consolidated financial statements for the year ended December 31, 2021.

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;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8;
- IFRS 17 Insurance Contracts
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12; and

These are all effective for annual periods beginning on or after January 1, 2023. 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.

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 5.0% per annum, which management believe is appropriate for each individual aircraft assessed (2021: 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.

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.

Purchase price accounting

In order to account for the acquisition of Sky Fund I on November 18, 2022, the Group measured the assets acquired and liabilities assumed at fair value in accordance with the guidance issued under IFRS 3, 'Business Combinations'. The most significant assets acquired relate to aircraft held for lease and the methodology used in determining the fair value is outlined in the accounting policy for aircraft for lease. Refer to Note 28 for details.

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 also recognizes maintenance reserves that are not expected to be reimbursed to lessees, as lease revenue, when the Group is certain that such reserves are not required to be reimbursed to the lessee.

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.

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.

Aircraft held for lease acquired under a business combination are recognised at fair value based on the maintenance adjusted current market values obtained from independent appraisers.

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.

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 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.

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.

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.

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.

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
Financial assets		
Cash and cash equivalents	16	Amortized cost
Restricted cash	16	Amortized cost
Finance lease and loan receivables	27	Amortized cost
Accrued revenue (within other assets)	12	Amortized cost
Trade and other receivables	15	Amortized cost
Derivative financial assets	23	FVOCI
Financial assets at FVTPL and amortized cost	13	Amortized cost / FVTPL
Financial assets at FVOCI	13	FVOCI
Financial liabilities		
Loans and borrowings	18	Amortized cost
Derivative financial liabilities	23	FVOCI
Maintenance reserves and security deposits	19	Amortized cost
Lease liabilities	20	Amortized cost
Trade and other payables	22	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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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, when the Group is certain that such reserves are not required to be reimbursed to the lessee.

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.

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.

3 Revenue

	2022 USD'000	2021 USD'000
Lease rental income	1,000,330	1,114,064
Engineering maintenance services revenue	107,701	88,845
Finance lease and loan receivables income	7,227	14,475
	1,115,258	1,217,384

Lease rental income includes the release of maintenance reserves totaling USD 35.7 million (2021: USD 44.3 million) which is net of the derecognition of maintenance right assets of USD 35.7 million (2021: USD 22.9 million).

Lease rental income also includes a net charge associated with the amortization of lease incentive assets of USD 51.0 million (2021: USD 56.1 million) and other lease costs of USD 8.3 million for the year (2021: USD 10.5 million).

Engineering maintenance services revenue of USD 107.7 million (2021: USD 88.8 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 38.9% of the lease rental income for the year ended December 31, 2022 (2021: 36.2%). Customers based in United Arab Emirates and Bahrain accounted for 18.1% and 9.4% of lease rental income respectively in the year ended December 31, 2022 (2021: 18.1% and 8.2%).

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:

	2022 USD'000	2022 %	2021 USD'000	2021 %
MEASA (Middle East/Africa/South Asia)	504,875	50	516,779	46
Asia/Pacific	208,591	21	302,677	27
Americas	189,723	19	186,317	17
Europe	97,141	10	108,291	10
Total lease rental income	1,000,330	100	1,114,064	100

4 Other income

	2022 USD'000	2021 USD'000
Servicer fee income	21,571	15,371
Other income	925	5,550
	22,496	20,921

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

	2022 USD'000	2021 USD'000
Compensation and benefits expenses	51,234	49,164
Legal and professional expenses	29,971	19,562
Travel expenses	3,095	1,262
Office expenses	2,036	2,059
Other expenses	11,420	7,545
	97,756	79,592

DAE Capital had 139 people (2021: 145 people) in employment as at December 31, 2022. The average numbers of employees during the year was 144 (2021: 142).

DAE Engineering had 910 people (2021: 876 people) in employment as at December 31, 2022. The average numbers of employees during the year was 890 (2021: 890).

6 Finance income and expense

	2022 USD'000	2021 USD'000
Gains on financial instruments	10,225	-
Interest on bank accounts and short-term investments	8,171	1,489
Interest from investments	1,975	898
Net foreign exchange gain	1,615	1,966
Other finance income	5,808	1,845
Total finance income	**27,794**	**6,198**
Interest on borrowings	(250,486)	(281,072)
Amortization of debt issuance costs	(33,515)	(35,692)
Lease interest expense	(2,004)	(2,073)
Other charges	(4,758)	(5,159)
Total finance expense	**(290,763)**	**(323,996)**
Debt redemption costs	**-**	**(38,307)**
Net finance cost	**(262,969)**	**(356,105)**

Gains on financial instruments relate to gains on the repurchase of senior unsecured notes.

Debt redemption costs in 2021 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.

7. Asset write-off

The Group previously leased 22 aircraft to airlines based in Russia. In compliance with applicable sanctions, the Group terminated the leasing of these aircraft during the period ended March 31, 2022. In response to the sanctions imposed, the Government of the Russian Federation, took steps including issuing a number of decrees which provide, amongst other things, that Russian airlines are required to obtain governmental approval for the redelivery of aircraft to foreign lessors. Under these circumstances, the Group has no control over 19 aircraft that are currently in Russia. The Group is unable to determine whether these aircraft will be returned at any point in the future.

Accordingly, the Group has written-off its net exposure in respect of the 19 aircraft and this resulted in a net exceptional write-off before tax of USD 576.5 million (in relation to aircraft held for lease, maintenance reserves and security deposits and other assets and liabilities) for the year ended December 31, 2022 (4.5% of total assets before the write-off). Despite the write-off, the Group's liquidity and capital adequacy ratios remain strong.

The Group has insurance cover in respect of the 19 aircraft under a number of insurance policies and has filed insurance claims and a litigation claim to recover amounts due under the policies.

8 Income tax expense

	2022 USD'000	2021 USD'000
Current tax		
Current period	408	1,067
Adjustment for prior periods	252	(631)
Total current tax expense	660	436
Deferred tax		
Origination and reversal of temporary differences	(47,594)	7,577
Adjustments for prior periods	(10,588)	289
Total deferred tax (benefit)/expense	(58,182)	7,866
Total income tax (benefit)/expense	(57,522)	8,302

Reconciliation of effective tax rate

	2022 USD'000	2021 USD'000
(Loss)/profit for the year	(336,810)	158,266
Tax on profit at the United Arab Emirates statutory rate of 0%	-	-
Reconciling items		
(Loss)/profit taxable in Ireland at 12.5%	(74,992)	3,072
Net profit/(loss) taxable at other rates	2,201	(8,173)
Impact of tax losses not recognized	27,845	8,967
Interest not deductible	1,182	2,332
Other permanent differences	(2,958)	439
Adjustment in respect of tax for previous periods	(10,800)	1,665
Total income tax (benefit)/expense	(57,522)	8,302

The income tax benefit for the year ended December 31, 2022 was primarily driven by the tax arising on the Group's Irish activities at 12.5% that included the asset write-off relating to certain aircraft in Russia not in the Group's control. The income tax benefit for the year has also been impacted by certain tax losses not recognized which are comprised primarily of losses related to the asset write-off for those aircraft in Russia not in the Group's control. These losses remain available to the Group in the event sufficient future profits are generated.

9 Aircraft held for lease

	Aircraft and engines USD'000	Aircraft purchase deposits USD'000	Maintenance right asset USD'000	Lease premium / (discount) USD'000	Total USD'000
Cost					
At December 31, 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 from finance lease receivable	(12,130)	-	-	-	(12,130)
Derecognition	(9,769)	-	(36,273)	-	(46,042)
Disposals	(495,389)	-	(3,074)	-	(498,463)
At December 31, 2021	12,349,485	367,400	420,352	(24,264)	13,112,973
Acquired through business combination	1,091,618	21,300	38,694	123,043	1,274,655
Additions	306,405	3,004	16,849	8,277	334,535
Transfers	407,704	(380,605)	(27,099)	-	-
Transfer from finance lease and loan receivable	104,425	-	-	-	104,425
Derecognition	(19,721)	-	(52,798)	8,238	(64,281)
Disposals	(596,380)	-	(26,619)	-	(622,999)
Asset write-off	(941,666)	-	(45,889)	-	(987,555)
At December 31, 2022	12,701,870	11,099	323,490	115,294	13,151,753
Depreciation					
At December 31, 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 December 31, 2021	1,739,114	-	110,500	(15,793)	1,833,821
Charge for the year	523,404	-	16,719	(685)	539,438
Derecognition	(7,367)	-	(17,134)	8,238	(16,263)
Disposals	(231,054)	-	(15,745)	-	(246,799)
Asset write-off	(249,097)	-	(10,183)	-	(259,280)
At December 31, 2022	1,775,000	-	84,157	(8,240)	1,850,917
Net book value					
At December 31, 2021	**10,610,371**	**367,400**	**309,852**	**(8,471)**	**11,279,152**
At December 31, 2022	**10,926,870**	**11,099**	**239,333**	**123,534**	**11,300,836**

As of December 31, 2022, the Group owned 330 aircraft (2021: 296 aircraft), within this the Group had 319 aircraft held for lease on an operating basis (2021: 288 aircraft) and 11 aircraft classified as finance lease and loan receivables (2021: 8 aircraft). During the year, the Group sold 12 aircraft (2021: 20 aircraft) and purchased 17 aircraft (2021: 18 aircraft). In addition, as a result of a business combination during the year, the Group acquired 24 aircraft. During the year, the Group transferred two aircraft from finance lease and loan receivables to aircraft held for lease. For further details, see Note 27.

During the year, the Group derecognized USD 35.7 million (2021: USD 22.9 million) of maintenance right assets related to aircraft which were redelivered to the Group. An amount of USD 31.4 million has been recognized as maintenance income in relation to these aircraft (2021: USD 38.7 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 18.

9 Aircraft held for lease (continued)

Geographic concentration:

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

	2022 USD'000	2022 %	2021 USD'000	2021 %
MEASA (Middle East/Africa/South Asia) *	5,066,970	45	4,564,726	42
Americas	2,634,316	23	1,828,421	17
Asia/Pacific	2,418,524	22	2,785,604	25
Europe	1,169,927	10	1,733,001	16
	11,289,737	100	10,911,752	100

The Group's top 5 customers represent 29.4% (2021: 29%) of fleet based on NBV. The Group's top customer represents 10.1% (2021: 12%) of the 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 5.0% per annum, which management believe is appropriate for each individual aircraft assessed (2021: 4.8%).

Based on the Group's analysis, no impairment charge was recognized for the year ended December 31, 2022 (2021: 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 5.0% (2021: 4.8%).

9 Aircraft held for lease (continued)

Impairment of 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 December 31, 2022 (December 31, 2021: Nil).

10 Property, plant and equipment

	USD'000
Cost	
At December 31, 2020	172,859
Additions	16,091
Derecognition	(3,052)
At December 31, 2021	185,898
Additions	5,942
Derecognition	(1,029)
At December 31, 2022	190,811
Accumulated depreciation	
At December 31, 2020	67,668
Charge for the year	15,190
Derecognition	(3,052)
At December 31, 2021	79,806
Charge for the year	15,629
Derecognition	(1,029)
At December 31, 2022	94,406
Net book value	
At December 31, 2021	106,092
At December 31, 2022	96,405

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.

11 Goodwill

	2022 USD'000	2021 USD'000
Goodwill	44,668	44,668
	44,668	44,668

On August 17, 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 December 31, 2022 (2021: nil).

12 Other assets

	2022 USD'000	2021 USD'000
Non-current assets		
Lease incentives	99,504	131,605
Lease acquisition costs	18,066	28,415
Accrued revenue	72,364	79,072
	189,934	239,092

	2022 USD'000	2021 USD'000
Current assets		
Lease incentives	33,403	47,997
Lease acquisition costs	9,357	10,452
Accrued revenue	22,833	35,086
Other assets	4,121	2,368
	69,714	95,903

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 19.2 million (2021: USD 26.2 million) incurred in respect of lease agreements entered into with a company under common control.

12 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 December 31, 2022, the Group has 21 customers with deferral agreements in place (2021: 23). The total amount accrued was USD 128.3 million at December 31, 2022 (2021: USD 136.5 million) and a loss allowance of USD 33.1 million (2021: USD 22.4 million) has been recognized related to these amounts.

At December 31, 2022 the average default rate applied in calculating the loss allowance was 25.8% (2021: 16.4%). Details of deposits and letters of credit held as collateral are disclosed in Note 19. Details of the Group's exposure to credit risk and movement in the loss allowance are disclosed in Note 26.

13 Financial assets at fair value and amortized cost

Financial assets at fair value and amortized cost consist of the following:

	2022 USD'000	2021 USD'000
Investment in debt instruments - amortized cost	30,528	9,136
Investment in debt instruments - FVTPL	32,777	32,782
Investment in equity instruments - FVOCI	11,096	9,612
Investment in equity instrument - FVTPL	5,863	-
	80,264	51,530

The Group holds investments in debt instruments (FVTPL), in the form of E-Notes, issued by four 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 December 31, 2022, the value of the debt outstanding is USD 28.6 million (2021: USD 32.8 million). Debt instruments are measured at fair value, net gains and losses, including any interest receivable are recognized in the consolidated statement of profit or loss and other comprehensive income. Interest income during the year ended December 31, 2022 was USD 0.8 million (2021: USD 0.5 million). During the year, the Group received debt and equity instruments from customers in settlement of its claims pertaining to arrears which were written off in previous periods. As at December 31, 2022, the fair value of these debt and equity instruments are USD 4.1 million and USD 5.9 million respectively.

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 December 31, 2022, the value of the equity investment is USD 11.1 million (2021: USD 9.6 million). There was no dividend income received during the year ended December 31, 2022 (2021: nil). The Group also advanced loans to the same entity, which are accounted for at amortized cost. The loans outstanding at December 31, 2022 were USD 30.5 million (2021: USD 9.1 million). Interest income during the year ended December 31, 2022 was USD 1.2 million (2021: USD 0.4 million).

14 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 December 31, 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 loss	-	-	-	(2,960)	-	(2,960)
At December 31, 2021	(502,336)	488	(27,166)	210,362	87	(318,565)
Acquired through business combination	(29,658)	-	-	25,123	-	(4,535)
(Charged)/credited						
- to profit or loss	61,067	54	14,163	(17,102)	-	58,182
- to other comprehensive income	-	-	-	(5,088)	-	(5,088)
Other	-	-	-	1,271	-	1,271
At December 31, 2022	(470,927)	542	(13,003)	214,566	87	(268,735)

At December 31, 2022, the Group had an unrecognized deferred tax asset of USD 37.2 million (2021: USD 11.8 million) in respect of Irish tax losses.

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 November 30, 2028.

15 Trade and other receivables

	2022 USD'000	2021 USD'000
Trade receivables	80,384	200,707
Less: loss allowances	(39,919)	(93,030)
Trade receivables, net	40,465	107,677
Other receivables	6,018	3,697
	46,483	111,374

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 year 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 19.

The loss allowance as December 31, 2022 and 2021 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
December 31, 2022						
Gross carrying amount	23,142	7,751	2,011	19,103	28,377	80,384
Loss allowance	160	86	13	13,030	26,630	39,919
Default rate	1%	1%	1%	68%	94%	50%
December 31, 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%	24%	26%	57%	87%	46%

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 it is 30 days past due.

Details of the Group's exposure to credit risk and movement in the loss allowance are disclosed in Note 26.

15 Trade and other receivables (continued)

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

	2022 USD'000	2022 %	2021 USD'000	2021 %
Asia/Pacific	45,015	56	147,055	73
MEASA (Middle East/Africa/South Asia)	12,563	16	15,204	8
Europe	12,450	15	29,299	15
Americas	10,356	13	9,149	4
	80,384	100	200,707	100

16 Cash and cash resources

	2022 USD'000	2021 USD'000
Cash and cash equivalents	299,920	350,371
Restricted cash	138,328	100,402
	438,248	450,773

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.

17 Share capital and reserves

	2022 USD'000	2021 USD'000
Authorized, issued and paid-up capital	2,011,069	1,927,770
Additional paid-in capital	634,585	517,884
Treasury shares	(1,392,059)	(1,392,059)
Other reserves	30,512	(50,253)
Retained earnings	1,639,493	1,920,786
Attributable to equity holders of the Company	2,923,600	2,924,128
Non-controlling interests	12,092	10,087
Total equity	2,935,692	2,934,215

During the year, the Company issued ordinary shares amounting to USD 200.0 million. The excess of issue price over par value is recorded under additional paid-in capital.

The authorized and issued share capital of the Company at December 31, 2022 comprised of 2,011,069 ordinary shares of USD 1,000 par value each (2021: 1,927,770 ordinary shares of USD 1,000 par value each).

The movement in retained earnings relates to the loss 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 23.

In 2022, the Group did not repurchase any shares. In 2021, the Group repurchased ordinary shares held by ICD H&L and DIEZ for USD 150.0 million. These shares are reported as treasury shares within equity in the consolidated statement of financial position.

18 Loans and borrowings

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

	2022 USD'000	2021 USD'000
Principal	8,171,116	7,862,783
Accrued and unpaid interest	49,324	42,314
Fair value adjustments	(95,381)	3,687
Total loans and borrowings	8,125,059	7,908,784
Debt issuance costs	(79,207)	(95,061)
Net loans and borrowings	8,045,852	7,813,723

	2022 USD'000	2021 USD'000
Non-current liabilities		
Bank loans	3,574,259	3,909,122
Unsecured notes	3,154,094	3,300,000
Secured notes	563,631	-
Debt issuance costs	(53,394)	(68,262)
Non-current loans and borrowings	7,238,590	7,140,860
Current liabilities		
Bank loans	781,491	668,176
Unsecured notes	28,817	31,486
Secured notes	22,767	-
Debt issuance costs	(25,813)	(26,799)
Current loans and borrowings	807,262	672,863

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

	2022 USD'000	2021 USD'000
At January 1	7,908,784	7,984,200
Loan drawdowns	600,000	1,235,254
Acquired through business combination	586,603	-
Loan repayments	(831,229)	(1,659,741)
Unsecured notes repurchased	(145,906)	-
Movement in fair value adjustments	(982)	(983)
Movement in accrued interest	7,010	(4,884)
Revaluation of loans	779	(2,856)
Issuance of unsecured notes	-	2,550,000
Unsecured notes repayments	-	(2,192,206)
At December 31	8,125,059	7,908,784

18 Loans and borrowings (continued)

Terms and conditions of outstanding loans after the impact of derivatives at December 31, 2022 is as follows:

	Average nominal interest rate %	Year of maturity	2022 USD'000
Floating rate loans:			
Unsecured facilities	5.73	2023-2033	2,183,431
Recourse obligations (including Ex-Im & EDC)	5.01	2023-2030	724,984
Revolving credit facilities	5.89	2023-2026	300,141
Non-recourse obligations	4.87	2025	48,641
Fixed rate loans:			
Senior unsecured notes	2.66	2024-2028	3,182,911
Recourse obligations (including Ex-Im & EDC)	4.27	2023-2030	1,093,036
Series A, B and C notes	3.09	2046	586,398
Unsecured facilities	3.75	2030	5,517
Total interest-bearing liabilities			8,125,059

Terms and conditions of outstanding loans after the impact of derivatives at December 31, 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

18 Loans and borrowings (continued)

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

Facility:	2022	2021
Recourse obligations (including ECA, Ex-Im & EDC)	76	87
Series A, B and C notes	16	-
Non-recourse obligations	2	5
Total	94	92

In addition to the number of aircraft above, which have a carrying value of USD 4,199.4 million (2021: USD 4,001.0 million), 236 aircraft were unencumbered, with a carrying value of USD 7,466.1 million, which also includes aircraft purchase deposits (2021: 204 aircraft with a carrying value of USD 7,458.6 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 December 31, 2022 are as follows.

In thousands of USD	Principal cash flows		Contractual cash flows*	
	2022	2021	2022	2021
Due within one year	781,166	657,348	1,104,108	883,338
Due within one and five years	5,373,986	5,681,911	6,136,313	6,306,596
Due after five years	2,015,964	1,523,524	2,230,587	1,652,138
Total	8,171,116	7,862,783	9,471,008	8,842,072

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

Non-recourse obligations:
As of December 31, 2022, 2 aircraft (2021: 5 aircraft) were 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 3 month LIBOR plus margin of 2.60%.

Recourse obligations (including Ex-Im & EDC):
As of December 31, 2022, 76 aircraft (2021: 87 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 8 years remaining and bear interest at a fixed rate between 0.54% and 9.25%, or 1 or 3 month LIBOR, or MIDSWAP plus margins ranging from 1.47% to 2.65%.

18 Loans and borrowings (continued)

Senior unsecured notes:
As at December 31, 2022, the balance of senior unsecured notes was USD 3,182.9 million with average nominal interest rate of 2.66% and maturities which range from 2024 to 2028.

During the year ended December 31, 2022 senior unsecured notes of USD 145.9 million were repurchased (2021: USD 2,192.2 million were repaid in full).

Unsecured facilities:
The Group has drawn unsecured credit facilities totaling USD 2,188.9 million (2021: USD 2,190.2 million) which include eight term loans. These have maturity dates ranging from 2023 to 2033 and bear interest of 1 or 3 month LIBOR or SOFR plus margins ranging from 1.35% to 2.25%.

Revolving credit facilities:
The Group has access to three unsecured revolving credit facilities totaling USD 2,160.0 million (2021: USD 2,560.0 million) which can be drawn until maturity which ranges from 2023 to 2027.

The revolving credit facilities accrue interest 1 or 3 month LIBOR or SOFR plus margins ranging from 1.50% to 1.60%. The outstanding balance (including accrued interest) as at December 31, 2022 was USD 300.1 million (2021: USD 0.1 million). The remaining balance of USD 1,860.0 million (2021: USD 2,559.9 million) was undrawn and available.

Series A, B and C notes:
The Group has three secured notes totaling USD 683.7 million of principal value acquired as part of business combination which matures in 2046 and have nominal interest rates between 2.43% and 7.13%.

19 Maintenance reserves and security deposits

Non-current	2022 USD'000	2021 USD'000
Maintenance reserves	901,449	976,529
Security deposits	132,568	113,854
Total	1,034,017	1,090,383

Current	2022 USD'000	2021 USD'000
Maintenance reserves	203,882	211,833
Security deposits	29,223	21,780
Total	233,105	233,613

	2022 USD'000	2021 USD'000
Maintenance reserves		
At January 1	1,188,362	1,073,208
Additions	370,275	384,534
Reimbursed	(137,638)	(129,732)
Released	(315,668)	(133,925)
Reclassified to liabilities held for sale	-	(5,723)
At December 31	1,105,331	1,188,362
Security deposits		
At January 1	135,634	155,111
Additions	96,157	60,101
Repaid	(70,000)	(71,350)
Reclassified to liabilities held for sale	-	(8,228)
At December 31	161,791	135,634

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 302.0 million as of December 31, 2022 (December 31, 2021: USD 324.1 million).

20 Lease liabilities

	2022 USD'000	2021 USD'000
Non-current	29,270	32,289
Current	3,405	4,015
Total	32,675	36,304

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:

		Contractual cash flows		
	Carrying amount USD'000	Within 1 year USD'000	Within 1 to 5 years USD'000	After 5 years USD'000
2022				
Lease liabilities	32,675	5,217	19,128	17,057
2021				
Lease liabilities	36,304	6,023	19,893	21,024

21 Deferred revenue

	2022 USD'000	2021 USD'000
Due after one year	12,534	23,099
Due within one year	68,690	61,467
	81,224	84,566

Included in deferred revenue is unearned lease rentals received from a company under common control of USD 34.0 million (2021: USD 44.5 million). Of this amount USD 21.5 million (2021: USD 21.5 million) is included in current liabilities and USD 12.5 million (2021: USD 23.0 million) is included in non-current liabilities.

22 Trade and other payables

	2022 USD'000	2021 USD'000
Trade payables	16,045	14,015
Employee benefits	15,767	18,030
Other accrued liabilities	45,592	17,683
	77,404	49,728

23 Derivative financial instruments

The Group has the following derivative financial instruments:

	2022 USD'000	2021 USD'000
Current assets		
Interest rate swaps – cash flow hedges	35,116	-
	35,116	-

	2022 USD'000	2021 USD'000
Current liabilities		
Interest rate swaps – cash flow hedges	-	48,480
	-	48,480

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 December 31, 2022 and 2021 all derivatives were in designated hedge relationships.

The Group has amortizing interest rate swaps with an aggregate current notional of USD 774.4 million (2021: USD 906.9 million) and maturities ranging from March 2024 to July 2030. The weighted average strike rate on the fixed leg of these instruments is 2.59% (2021: 2.51%).

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 2.7 million (2021: USD 3.7 million) and is amortized to the consolidated statement of profit or loss and other comprehensive income over the original term of the swap contracts.

23 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 26.

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 1.7 million (2021: charge of USD 1.2 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.

December 31, 2022
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	774,427	35,116	-	Derivative financial assets	84,178	32,574
	774,427	35,116	-		84,178	32,574

23 Derivative financial instruments (continued)

Effect on financial position and performance (continued)

December 31, 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	Cash flow hedge reserve
		Assets	Liabilities			
Cash flow hedges						
Interest rate risk	906,930	-	(48,480)	Derivative financial liabilities	44,890	(53,280)
	906,930	-	(48,480)		44,890	(53,280)

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 December 31, 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 December 31, 2021	(50,253)
Changes in fair value	84,178
Amounts reclassified to profit or loss	1,675
Tax movements during the year	(5,088)
At December 31, 2022	30,512

23 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 year. Therefore, the Group has assessed:

- what would be reasonably possible changes in the risk variables at the reporting date and
- the effects on the consolidated statements of profit or loss and other comprehensive income and changes in 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 profit or loss and other 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 December 31, 2022, the sensitivity to interest rates was as follows:

Interest rate swap **Risk variable**	**Change in risk variable**	**Change in value as of December 31, 2022** USD'000	**Impact on consolidated statement of profit or loss and other comprehensive income for the year** USD'000	**Impact on consolidated statement of financial position** USD'000
3 month USD-LIBOR-BBA	+50bps	12,081	-	12,081
3 month USD-LIBOR-BBA	-50bps	(12,447)	-	(12,447)

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

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

24 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 192.5 million (2021: USD 208.7 million) being aircraft lease rentals and end of lease compensation, from companies under common control.

- The Group also provided engineering maintenance services to companies under common control amounting to USD 0.5 million (2021: USD 2.4 million).

- Finance income on the bank balances with companies under common control for the year amounts to USD 3.4 million (2021: USD 0.9 million).

- Finance expense for the year in respect of loans from related companies under common control amounts to USD 45.9 million (2021: USD 28.3 million).

Compensation of key management personnel for the year:

	2022 USD'000	2021 USD'000
Salaries and other benefits	9,092	8,518

24 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:

	2022 USD'000	2021 USD'000
Cash and cash resources	34,530	126,668
Trade receivables	136	301
Derivative assets/(liabilities)	19,723	(30,707)
Loans and borrowings*	(1,314,566)	(1,190,683)

* Loans and borrowings advanced by companies under common control have a weighted average interest rate of 4.11%.

Amounts related to leasing transactions with companies under common control such as lease acquisition costs and deferred revenue are disclosed in Notes 12 and 21, respectively.

(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 December 31, 2022, non-controlling interest was USD 12.1 million (2021: USD 10.1 million).

- During the year ended December 31, 2022, the Group issued ordinary shares amounting to USD 200 million.

- During the year ended December 31, 2021, the Group repurchased ordinary shares from certain shareholders. These ordinary shares are now held as treasury shares by the Group.

25 Commitments and contingent liabilities

(a) Capital commitments

At December 31, 2022 the Group had committed to purchase 4 new aircraft from Boeing, scheduled to deliver in 2023. The total capital commitment based on the current market value of the underlying assets is USD 426.8 million, before the impact of pre-delivery deposits already paid by the Group, which are included in Note 9.

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 December 31, 2022 and 2021 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 January 1, 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 December 31, 2022 (2021: 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.

26 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 2022 USD'000	Financial assets at amortized cost 2022 USD'000	Financial assets at FV 2022 USD'000	Other financial liabilities 2022 USD'000	Fair value 2022 USD'000
Financial assets measured at fair value					
Investments	-	-	49,736	-	49,736
	-	-	49,736	-	49,736
Financial assets not measured at fair value					
Cash and cash equivalents	-	299,920	-	-	-
Restricted cash	-	133,328	-	-	-
Trade and other receivables	-	46,483	-	-	-
Accrued revenue	-	95,197	-	-	-
Finance lease and loan receivables	-	364,648	-	-	364,648
Investments	-	30,528	-	-	30,528
	-	970,104	-	-	395,176
Financial assets measured at fair value					
Interest rate swaps used for hedging	35,116	-	-	-	35,116
	35,116	-	-	-	35,116
Financial liabilities not measured at fair value					
Loans and borrowings	-	-	-	8,045,852	7,829,516
Lease liabilities	-	-	-	32,675	-
Maintenance reserves and security deposits	-	-	-	1,267,122	-
Trade and other payables	-	-	-	77,404	-
	-	-	-	9,423,053	7,829,516

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

(a) Accounting classification and fair value (continued)

	Fair value – hedging instruments 2021 USD'000	Financial assets at amortized cost 2021 USD'000	Financial assets at FV 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 and loan receivables	-	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

26 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		
	2022	Level 1	Level 2	Level 3
	USD'000	USD'000	USD'000	USD'000
Finance lease and loan receivables	364,648	-	364,648	-
Investments	30,528	-	30,528	-
Interest rate swaps used for hedging	35,116	-	35,116	-
	430,292	-	430,292	-
Loans and borrowings	7,829,516	-	7,829,516	-
	7,829,516	-	7,829,516	-

	Fair value	Fair value level		
	2021	Level 1	Level 2	Level 3
	USD'000	USD'000	USD'000	USD'000
Finance lease and loan receivables	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	-

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.

26 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	2022 USD'000	2021 USD'000
Finance lease and loan receivables	27	364,648	180,434
Cash and cash equivalents	16	299,920	350,371
Restricted cash	16	138,328	100,402
Accrued revenue (within other assets)	12	95,197	114,158
Trade and other receivables	15	46,483	111,374
Total		944,576	856,739

26 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	2022 USD'000	2021 USD'000
Trade receivables	15	39,919	93,030
Accrued revenue (within other assets)	12	33,113	22,361
Total		73,032	115,391

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

	2022 USD'000	2021 USD'000
At January 1	115,391	68,420
Loss allowance*	21,210	73,935
Utilization of loss allowance	(63,569)	(26,964)
At December 31	73,032	115,391

**This excludes the recovery of receivable balances previously written off amounting to USD 7.2 million.*

Trade and other receivables, accrued revenue and finance lease and loan 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 tittle 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.

26 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 and loan 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 December 31, 2022, the Group's gross trade receivables balance was USD 80.3 million (2021: USD 200.7 million) with a loss allowance of USD 39.9 million (2021: USD 93.0 million) recognized. See further details in Note 15. In addition, the Group had an accrued revenue (within other assets) of USD 128.3 million (2021: USD 136.5 million) and a loss allowance of USD 33.1 million (2021: USD 22.4 million) has been recognized related to these amounts, see further details in Note 12.

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.

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.

26 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 December 31, 2022, the fair values of outstanding derivatives designated as cash flow hedges of forecast transactions were assets of USD 35.1 million (2021: liabilities of USD 48.5 million).

At December 31, 2022, if interest rates on debt had been 1% higher/lower with all other variables held constant, post-tax loss for the year would have been USD 20.7 million higher /lower (2021: USD 19.1 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 23 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 December 31, 2022 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 2022, however it is now intended to extend the publication of certain USD LIBORs until after June 2023.

26 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 SOFR. The Group continues to evaluate the extent to which contracts need to be amended. USD LIBOR will be replaced by SOFR after 30 June 2023. 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	Derivatives – nominal amount
	2022	2022
	USD'000	USD'000
USD LIBOR (1 month)	1,308,072	548,431
USD LIBOR (3 months)	1,634,966	225,996
Total	2,943,038	774,427

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 20.7 million increase/decrease in the Group's loss before tax for the year, all other variables 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 December 31, 2022 of USD 299.9 million (2021: USD 350.4 million). Additionally, the Group has access to a number of undrawn credit facilities of USD 2,360.0 million as of December 31, 2022 (2021: USD 2,559.9 million).

The Group's principal exposure to liquidity risk arises from its long-term debt obligations and the table disclosed in Note 18 to these consolidated financial statements analyses the Group's long-term debt maturity groupings based on the contractual maturity profile at the reporting date.

26 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 2,935.7 million as at December 31, 2022 (2021: USD 2,934.2 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.

27 Leases

Operating leases

At December 31, 2022, the Group owns 319 aircraft (2021: 288 aircraft) on operating leases. 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 December 31, 2022 are as follows:

	2022 USD'000	2021 USD'000
Not later than one year	1,153,021	1,138,388
Later than one year and not later than five years	3,364,347	3,443,756
Later than five years	2,282,985	1,832,510
Total	6,800,353	6,414,654

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.

27 Leases (continued)

Finance lease and loan receivables

Non-current	2022 USD'000	2021 USD'000
Finance leases	55,516	74,037
Loan receivables	112,054	89,583
Total finance lease and loan receivables	167,570	163,620

Current	2022 USD'000	2021 USD'000
Finance leases	9,936	10,430
Loan receivables	187,142	6,384
Total finance lease and loan receivables	197,078	16,814

Finance leases

As at December 31, 2022, the Group owned 6 aircraft under finance lease agreements (December 31, 2021: 7 aircraft). The Group's finance lease receivables are secured by the Group's title to the leased assets. During the year, one aircraft was transferred to aircraft held for lease, following the termination of the leasing of the aircraft.

Loan receivables

As part of the business combination, the Group acquired certain leased aircraft which were initially purchased via sale and leaseback transactions. The purchase did not meet the requirements of IFRS 15 as the transactions represent, in substance, financing arrangements and therefore, are classified as loan receivables.

As at December 31, 2022, the Group holds 5 aircraft classified as loan receivables (December 31, 2021: 1 aircraft). During the year, one aircraft was transferred to aircraft held for lease, following the termination of the leasing of the aircraft.

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

	2022 USD'000	2021 USD'000
Gross receivables	180,483	215,718
Unearned income on finance lease and loan receivables	(12,913)	(52,098)
Total non-current finance leases and loan receivables	167,570	163,620
Gross receivables	203,654	30,292
Unearned income on finance lease and loan receivables	(6,576)	(13,478)
Total current finance leases and loan receivables	197,078	16,814

27 Leases (continued)

Finance lease and loan receivables (continued)

	2022		2021	
	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	203,654	197,078	30,292	16,814
Later than one year and not later than five years	172,786	160,164	120,776	82,428
Later than five years	7,697	7,406	94,942	81,192
Total	384,137	364,648	246,010	180,434
Less: unearned finance income	(19,489)	-	(65,576)	-
	364,648	364,648	180,434	180,434

The expected credit loss of the Group's finance lease and loan 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.

28 Business combination

On November 18, 2022, the Group acquired 100% ownership of Sky Fund I. As a result of the transaction, Sky Fund I became a wholly owned subsidiary of the Group. The primary business of Sky Fund I is the purchasing, leasing and disposal of commercial aircraft.

The following table summarizes the fair value of the major assets acquired, and liabilities assumed at the acquisition date.

Fair value of assets and liabilities acquired on November 18, 2022	USD'000
Aircraft held for lease	1,274,655
Loan receivable	301,964
Cash and cash equivalents	21,227
Loans and borrowings	(586,603)
Other assets and liabilities	(7,846)
Estimate of fair value of net assets required	1,003,397
Net consideration paid	974,033
Gain on business combination	29,364

Revenue and profit contribution
Revenue included in the consolidated statement of profit or loss and other comprehensive income contributed by Sky Fund I from November 18, 2022, to December 31, 2022 was USD 13.1 million. Sky Fund I also contributed a net income of USD 2.1 million over the same period.

Had the acquisition occurred on January 1, 2022 management estimates the Group's consolidated revenue from leases would have been USD 1.2 billion and the Group's consolidated loss for the year would have been USD 270.0 million.

Acquisition-related costs
Costs related to the acquisition of Sky Fund I of USD 1.4 million are included in legal and professional fees within general and administrative expenses in the consolidated statement of comprehensive income and in operating cash flows in the statement of cash flows for the year ended December 31, 2022.

Gain on business combination
The Group measured the fair value of the separately recognizable identifiable assets acquired and the liabilities assumed as at the acquisition date. The cost of the investment was lower than the fair value of the net assets acquired. This difference, or gain on business combination of USD 29.4 million, was recorded in the consolidated statement of comprehensive income for the year ended December 31, 2022.

29 Segment reporting

The Group's Chief Operating Decision Maker 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.

December 31, 2022	Aircraft leasing USD'000	Engineering maintenance USD'000	Group USD'000
Total segment revenue	1,030,053	107,701	1,137,754
Adjusted EBITDA	1,053,854	19,166	1,073,020
Segment (loss)/profit for the year	(289,309)	10,021	(279,288)
Finance income	27,789	5	27,794
Finance costs	(289,597)	(1,166)	(290,763)
Income tax benefit	57,522	-	57,522
Depreciation and amortization	(548,348)	(7,984)	(556,332)
Segment assets	12,600,616	108,496	12,709,112

December 31, 2021	Aircraft leasing USD'000	Engineering maintenance USD'000	Group USD'000
Total segment revenue	1,149,460	88,845	1,238,305
Adjusted EBITDA	1,145,036	11,530	1,156,566
Segment profit 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

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 adjusted EBITDA as profit for the year before net finance costs, income tax expense, depreciation and amortization, loss allowance and asset write-off.

30 Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

On December 9, 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax regime in the UAE. The Law was previously gazetted on October 10, 2022, becoming law 15 days later. The Corporate Tax regime will become effective for accounting periods beginning on or after June 1, 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance).

However, there are a number of significant decisions that are yet to be finalized by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Group has determined that the Law was not practically operational as at December 31, 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Group shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on its consolidated financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

31 Subsequent events

There were no significant events subsequent to December 31, 2022.

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