Dubai Aerospace Enterprise (DAE) Ltd

Results for the year ended

December 31, 2023

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 and committed fleet of approximately 500 Airbus, ATR, and Boeing aircraft with a fleet value of USD 17.0 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 07, 2024, to review our results for the year ended December 31, 2023.

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 9455, (UK) +44 203 059 5875, (USA) +1 718 705 8795, (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, 2023 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, 2023" are for the year ended December 31, 2023 and to "December 31, 2022" are for the year ended December 31, 2022.

FINANCIAL HIGHLIGHTS

- Profit for the year ended December 31, 2023 was USD 350.6 million compared to a loss of USD 279.3 million for the year ended December 31, 2022. The Group recognized exceptional items pertaining to the insurance claim settlement received during the year of USD 118.3 million in relation to seven aircraft previously leased to an airline in Russia.
- Pre-tax profit before exceptional items for the year ended December 31, 2023 was USD 248.0 million compared to USD 239.7 million for the year ended December 31, 2022, an increase of USD 8.3 million or 3.5% which was driven primarily by higher revenues and reversal of loss allowance.
- Cash flows from operating activities for the year ended December 31, 2023 decreased by 3.8% to USD 1,233.2 million compared to USD 1,281.8 million for the year ended December 31, 2022. This is primarily due to higher maintenance reserve receipts in the prior year driven by the drawdown of letters of credit associated with aircraft previously leased to Russian customers. Excluding the impact of the letters of credit drawdown, net cash generated from operating activities for the year ended December 31, 2023 increased by USD 28.8 million or 2.4% as compared to the prior year.
- Total assets were USD 12,262.5 million at December 31, 2023 compared to USD 12,709.1 million at December 31, 2022. This decrease was mainly due to aircraft sold and depreciation charge during the year.
- Available liquidity was USD 4,062.2 million at December 31, 2023 compared to USD 2,659.9 million at December 31, 2022. The Liquidity coverage ratio was 290.0% at December 31, 2023 compared to 341.0% at December 31, 2022.
- Net Debt-to-Equity ratio was 2.53:1 times at December 31, 2023 compared to 2.64:1 times at December 31, 2022.

OPERATIONAL HIGHLIGHTS

- Total number of aircraft in the fleet at December 31, 2023 was 493 (December 31, 2022: 440) which consisted of 318 owned (December 31, 2022: 330), 106 managed (December 31, 2022: 104) and 69 committed aircraft (December 31, 2022: 6).
- During the year ended December 31, 2023, we purchased 10 owned aircraft (December 31, 2022: 46) and 10 managed aircraft (December 31, 2022: 48) and sold or consigned 22 owned aircraft (December 31, 2022: 12) including the seven aircraft (formerly leased to an airline in Russia) by way of insurance claims settlement, and eight managed aircraft (December 31, 2022: 23).
- The weighted average age of our owned fleet was 7.5 years at December 31, 2023 compared to 6.5 years at December 31, 2022. The weighted average remaining lease term of our owned fleet at December 31, 2023 was 6.0 years compared with 6.3 years at December 31, 2022.
- The ratio of unsecured debt to total debt was 73.3% at December 31, 2023 compared to 69.8% at December 31, 2022.

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, 2023.

Results of operations *(in millions of USD)*	Year ended December 31	
	2023	**2022**
Consolidated statement of profit or loss and comprehensive income		
Total revenue	1,315.7	1,137.8
Gain on disposal of aircraft	59.6	97.5
Gain on business combination	-	29.4
Expenses		
Depreciation and amortization	(572.9)	(556.3)
General and administrative expenses	(120.6)	(97.8)
Cost of providing engineering maintenance services	(89.6)	(70.3)
Reversal of/(provision for) loss allowance	24.2	(14.0)
Aircraft maintenance	(20.9)	(23.6)
Operating profit before exceptional items	**595.5**	**502.7**
Finance income	51.7	27.8
Finance expense	(399.2)	(290.8)
Net finance costs	**(347.5)**	**(263.0)**
Profit before income tax before exceptional items	**248.0**	**239.7**
Recoveries/(asset write-off)	118.3	(576.5)
Profit/(loss) before income tax	366.3	(336.8)
Income tax (expense)/ benefit	(15.7)	57.5
Profit/(loss) for the year	**350.6**	**(279.3)**

Consolidated statement of financial position (Extract)	**As at December 31**	
	2023	**2022**
Total cash and cash resources	404.8	438.2
Aircraft held for lease	10,951.7	11,300.8
Total assets	**12,262.5**	**12,709.1**
Total loans and borrowings	7,592.1	8,045.9
Total equity	2,883.9	2,935.7
Total liabilities and equity	**12,262.5**	**12,709.1**

	Year ended December 31	
Adjusted EBITDA calculation [(1)]	**2023**	**2022**
Profit/(loss) for the year	350.6	(279.3)
Add back		
Net finance costs	347.5	263.0
Income tax expense/(benefit)	15.7	(57.5)
(Reversal of)/ provision for loss allowance	(24.2)	14.0
Depreciation and amortization	572.9	556.3
Recoveries/(asset write-off)	(118.3)	576.5
Adjusted EBITDA	**1,144.2**	**1,073.0**

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

Financial metrics	**Year ended Dec 31**	
	2023	**2022**
Pre-tax margin (*per cent*) (2)(4)	18.8	21.1
Pre-tax return on equity (*per cent*) (3)(4)	8.5	8.2

	As at	
	Dec 31 2023	**Dec 31 2022**
Net debt to equity (*times*) (5)	2.53	2.64
Total available liquidity (*USD billions*) (6)	4.1	2.7
Unsecured debt/total debt (*per cent*) (7)	73.3	69.8
Liquidity coverage ratio (*per cent*) (8)	290.0	341.0

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) divided by average total equity.*

(4) *Profit before tax (before exceptional item) excludes an exceptional item of USD 576.5 million in 2022 and USD 118.3 million in 2023.*

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

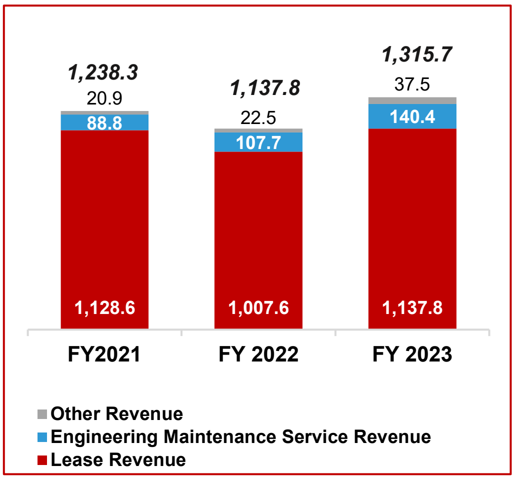
(6) *Calculated as the sum of available credit facilities and cash and cash equivalents.*

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

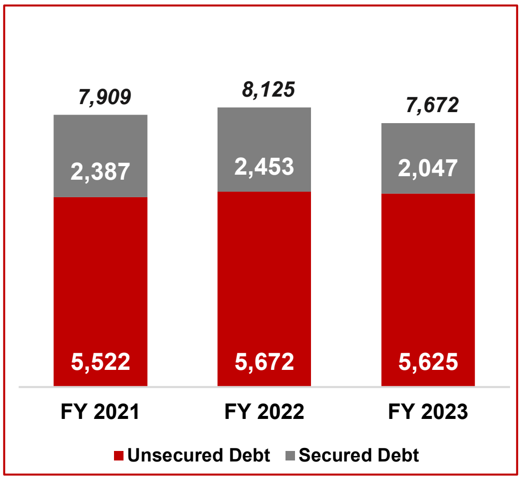
(8) *Calculated as total available liquidity divided by recourse debt payments in the next 12 months.*

FINANCIAL AND OPERATIONAL HIGHLIGHTS
AT A GLANCE

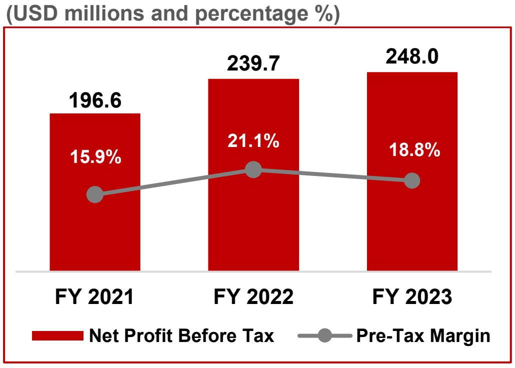
Total Revenue
(USD millions)



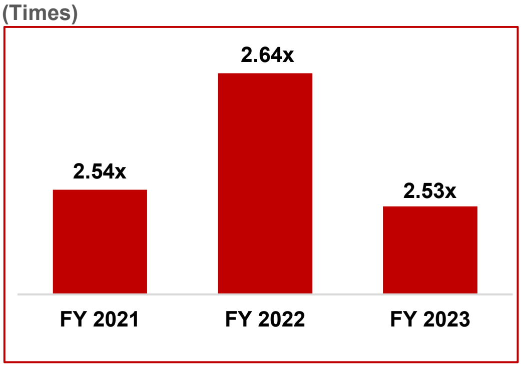
Total Debt
(USD millions)



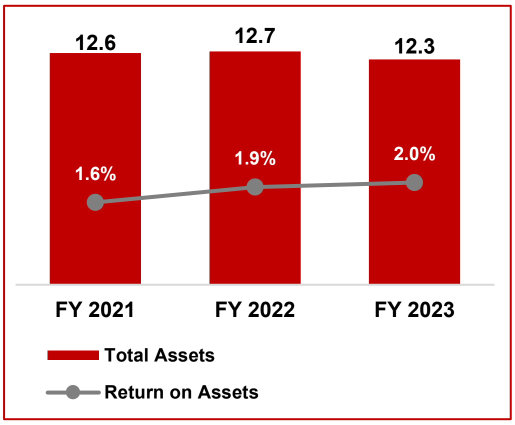
Net Profit Before Tax and Pre-Tax Margin [9]
(USD millions and percentage %)



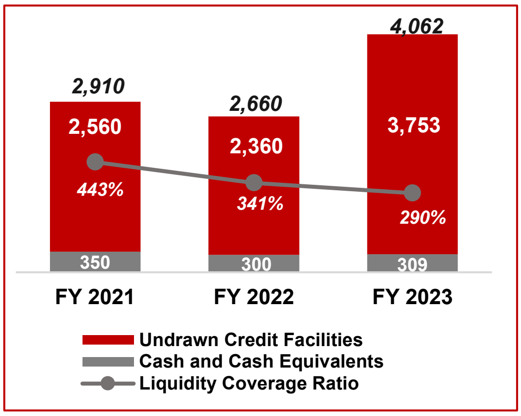
Net-Debt-to-Equity
(Times)



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



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

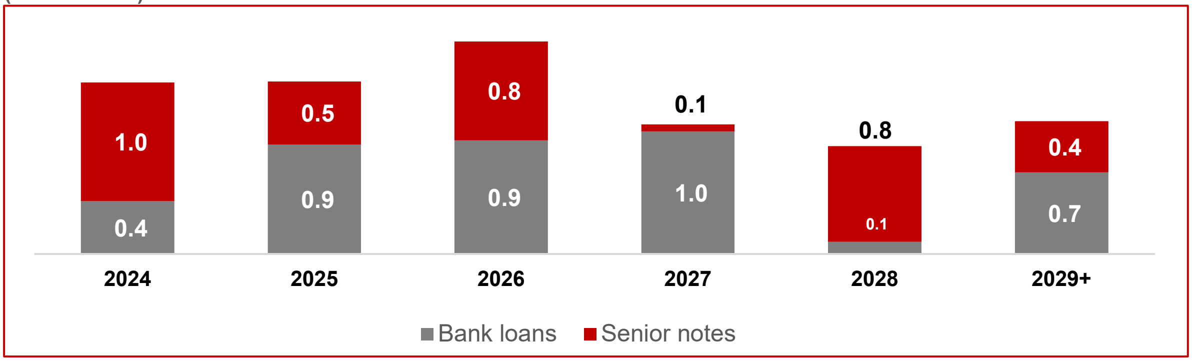


(9) *Profit before income tax is adjusted to exclude one-time bond redemption costs of USD 38.3 million in FY2021, an exceptional item of USD 576.5 million in FY 2022 and USD 118.3 million in FY 2023.*

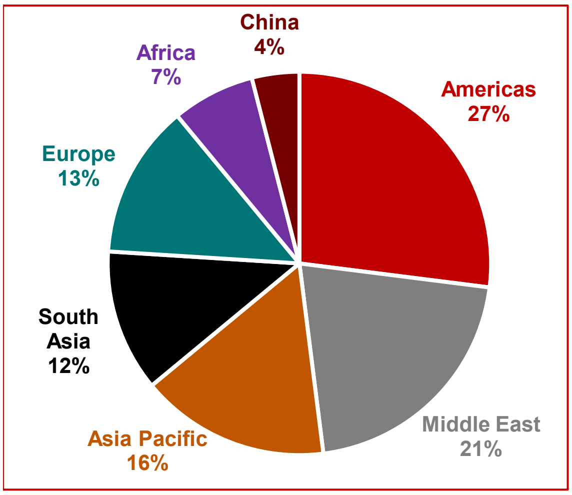
(10) *Calculated as profit before income tax divided by average total assets.*

FINANCIAL AND OPERATIONAL HIGHLIGHTS AT A GLANCE (CONTINUED)

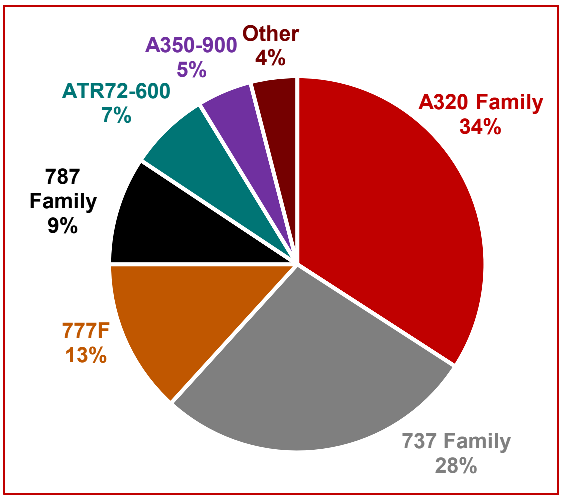
Debt Maturity Profile
(USD billions)



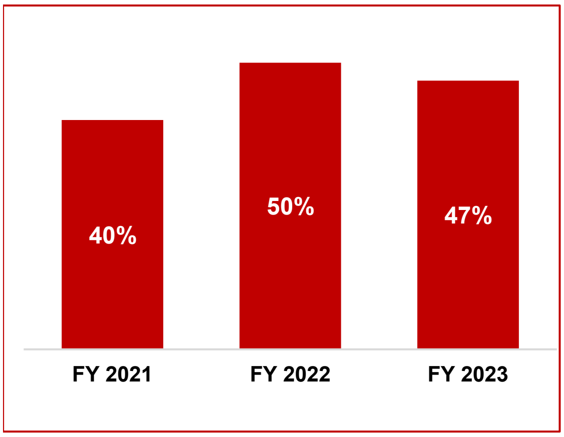
DAE Capital Diversification of Fleet by Region as of December 31, 2023 [11]



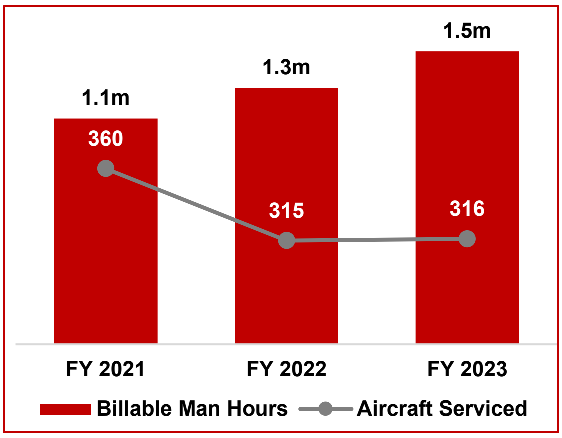
DAE Capital Aircraft by Type as of December 31, 2023 [11]



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 and FY 2023 exclude aircraft in Russia.*

[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 global aviation services company headquartered in Dubai serving customers in over 65 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

Our Leasing Division is one of the largest aircraft lessors in the world. At December 31, 2023, we had a total owned, managed and committed fleet of 493 aircraft which was made up of 318 owned aircraft (including 11 aircraft classified as finance lease and loan receivables), 106 managed aircraft and commitments to acquire 69 new aircraft (64 aircraft for our owned fleet and five aircraft for our managed fleet). Our owned and managed aircraft are on lease to 123 lessees in 62 countries.

As of December 31, 2023, the aggregate book value of our owned fleet, including aircraft held-for-sale and finance lease and loan receivables, was USD 11,293.4 million. Future contracted lease rental income from our owned fleet amounted to USD 6,431.8 million. As of December 31, 2023, 97.7% 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, 2023. Emirates Airline, a related party, is our largest customer representing 9.9% of our fleet based on net book value. In addition, the estimated value of our managed fleet was USD 3.4 billion.

Analysis by aircraft type for our owned and managed portfolio

Aircraft Type	Owned Portfolio	Managed Portfolio	Committed Portfolio*	Total
A320 CEO family	90	45	-	135
A320 NEO family	29	9	1	39
A330-family	16	5	-	21
A330 NEO family	1	1	1	3
A350-900	4	-	-	4
Total Airbus	**140**	**60**	**2**	**202**
B737 NG family	63	34	2	99
B737 MAX family	23	10	64	97
B787 family	11	-	1	12
B777	3	-	-	3
B777F	13	-	-	13
Total Boeing	**113**	**44**	**67**	**224**
ATR 72-600	65	2	-	67
Total	**318**	**106**	**69**	**493**
Narrow body	205	98	67	370
Wide body – Passenger	35	6	2	43
Wide body – Freighter	13	-	-	13
Turboprop	65	2	-	67
Total	**318**	**106**	**69**	**493**

**Committed portfolio includes 64 aircraft for the owned fleet and five aircraft for the managed fleet.*

Fleet metrics	As at Dec 31, 2023	Dec 31, 2022
Owned fleet *(number of aircraft)* (1)	318	330
Managed fleet *(number of aircraft)*	106	104
Weighted average age *(years)* (2)	7.5	6.5
Weighted average remaining lease term (*years*) (2)	6.0	6.3
(in millions of USD)		
Net book value of aircraft held for lease	10,951.7	11,300.8
Carrying value of finance lease and loan receivables	341.7	364.7
Aggregate net book value	**11,293.4**	**11,665.5**

(1) Owned fleet includes 12 aircraft in Russia not in our control.

(2) Owned fleet only (excluding 12 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 of approximately one and a half 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.

In 2023, Joramco was appointed as the Middle East's first Boeing 737-800BCF conversion line in partnership with Boeing, and announced the expansion of Joramco's facilities in Amman, Jordan, which is expected to reach 22 maintenance lines in the second half of 2024.

Environment, Social and Governance Framework

DAE is committed to maintaining an effective Environmental, Social and Governance ("ESG") Framework. DAE's ESG Policy, Stakeholder Engagement Policy, and other relevant documents have been published to deepen our engagement with Stakeholders on ESG issues and hold ourselves accountable on our ESG journey and are available on DAE's ESG website.

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 ESG website in April 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.

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 provides annual updates on its progress against these targets in its ESG Report.

DAE holds an ESG Risk Rating of 12.5 from Morningstar Sustainalytics, who consider DAE's enterprise value to be of 'Low Risk' of material financial impacts driven by ESG factors. This is the lowest rating (lower the better) among rated aircraft lessors. In January 2024, Morningstar Sustainalytics awarded DAE with its ESG Industry Top Rated and ESG Regional Top Rated accreditations, indicating that in 2023, DAE's ESG Risk Rating from Morningstar Sustainalytics was among the 50 lowest ratings issued by Sustainalytics in both DAE's industry (Trading & Distribution) and region (Middle East & Africa). This is the third year in which DAE has received these accreditations from Morningstar Sustainalytics.

DAE also makes voluntary ESG disclosures through CDP, a global non-profit that runs the world's environmental disclosure system for companies, cities, states, and regions, which awarded DAE a 'C' score for its 2022 response, and S&P's Corporate Sustainability Assessment (CSA), in order to support our stakeholders' access to DAE's ESG disclosures and to improve transparency.

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

DAE Capital has a young fleet with an average age of 7.5 years. As of December 31, 2023, approximately 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, and in August 2023 further embedded this commitment into our long term growth strategy through the acquisition of 64 Boeing 737 MAX Family aircraft delivery slots, from 2023 to 2026. The Boeing 737 MAX Family of aircraft are among the most fuel efficient aircraft in the world, reducing fuel use and emissions by up to 20%. On average each airplane will save up to 8 million pounds of CO_2 annually compared to airplanes it replaces. 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 24 nationalities. In addition, at December 31, 2023, our DAE Capital business had a ratio of 63% male employees and 37% 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, 2023 compared to year ended December 31, 2022

Total revenue

Total revenue comprises of (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, 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, 2023 and December 31, 2022.

Total Revenue *(in millions of USD)*	**Year ended Dec 31**	
	2023	**2022**
Lease revenue	1,125.2	1,024.6
Maintenance revenue	40.0	35.7
Amortization of lease incentives and other lease costs	(45.4)	(59.9)
Net lease revenue	**1,119.8**	**1,000.4**
Engineering maintenance services revenue	140.4	107.7
Finance lease and loan receivables income	18.0	7.2
Total lease, engineering maintenance service revenue and finance lease and loan receivables income	**1,278.2**	**1,115.3**
Other income	37.5	22.5
Total revenue	**1,315.7**	**1,137.8**

Total revenue was USD 1,315.7 million for the year ended December 31, 2023 compared to USD 1,137.8 million for the year ended December 31, 2022, an increase of USD 177.9 million, or 15.6%, due to the reasons outlined below.

Net lease revenue increased by USD 119.4 million, or 11.9%, to USD 1,119.8 million for the year ended December 31, 2023, from USD 1,000.4 million for the year ended December 31, 2022. This increase was primarily driven by additional revenue generated by the aircraft acquired in the business combination last year and the aircraft acquired during the year.

Engineering maintenance service revenue increased by USD 32.7 million, or 30.4%, to USD 140.4 million for the year ended December 31, 2023 compared to USD 107.7 million for the year ended December 31, 2022. This increase in revenue was attributable to an influx of heavy maintenance checks effectively managed through optimal utilization of maintenance facilities to maximize capacity.

Finance lease and loan receivables income increased by USD 10.8 million to USD 18.0 million for the year ended December 31, 2023 compared to USD 7.2 million for the year ended December 31, 2022.

Gain on disposal of aircraft

Gain on disposal of aircraft was USD 59.6 million for the year ended December 31, 2023 compared to USD 97.5 million for the year ended December 31, 2022. During the year ended December 31, 2023, we sold/consigned 15 owned aircraft compared to the sale/consignment of 12 owned aircraft during the year ended December 31, 2022.

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

Expenses

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

The table below shows a breakdown of our expenses for the year ended December 31, 2023 and December 31, 2022.

Total Expenses *(in millions of USD)*	**Year ended Dec 31**	
	2023	**2022**
Depreciation and amortization	572.9	556.3
General and administrative expenses	120.6	97.8
Cost of providing engineering maintenance services	89.6	70.3
Reversal of/(provision for) loss allowance	(24.2)	14.0
Aircraft maintenance	20.9	23.6
Total expenses	**779.8**	**762.0**

Total expenses for the year ended December 31, 2023 increased by USD 17.8 million to USD 779.8 million compared to USD 762.0 million for the year ended December 31, 2022.

Depreciation and amortization expense increased by USD 16.6 million, or 3.0%, for the year ended December 31, 2023 to USD 572.9 million compared to USD 556.3 million in the prior year. This increase was due to the full year depreciation in the current year of the aircraft acquired in the last quarter of the prior year.

General and administrative expenses increased by USD 22.8 million, or 23.3%, for the year ended December 31, 2023 to USD 120.6 million from USD 97.8 million in the prior year. This increase was primarily due to increase in staff costs, legal and other professional fees.

Cost of providing engineering maintenance services increased by USD 19.3 million, or 27.5%, for the year ended December 31, 2023 to USD 89.6 million from USD 70.3 million in the prior year. This increase reflects the corresponding increase in engineering maintenance services revenue over the same period.

Reversal of loss allowance was USD 24.2 million for the year ended December 31, 2023 compared to the loss allowance charge of USD 14.0 million in the prior year. This movement is driven by improved debtor collection and arrears management. Further information can be found in the financial statements Note 15.

Aircraft maintenance decreased by USD 2.7 million to USD 20.9 million for the year ended December 31, 2023 from USD 23.6 million for the year ended December 31, 2022.

Operating profit

Operating profit before exceptional item was USD 595.5 million for the year ended December 31, 2023, an increase of USD 92.8 million or 18.5% compared to USD 502.7 million in the corresponding period of 2022 which is mainly attributable to higher revenues and reversal of loss allowance.

Net finance costs

Net finance costs increased by USD 84.5 million, or 32.1%, to USD 347.5 million for the year ended December 31, 2023 from USD 263.0 million for the year ended December 31, 2022 due primarily to higher average cost of debt and higher average loan balance during the year as compared to prior year.

Finance income increased by USD 23.9 million, or 86.0%, to USD 51.7 million for the year ended December 31, 2023 from USD 27.8 million for the year ended December 31, 2022. This was due to gains on financial instruments, increased short term deposit placements and higher deposit rates during the year ended December 31, 2023 compared to the prior year.

Finance expense increased by USD 108.4 million, or 37.3%, to USD 399.2 million for the year ended December 31, 2023 from USD 290.8 million for the year ended December 31, 2022 due to higher average loan balance during the current year and an increase in the average cost of debt to 4.1% for the year ended December 31, 2023 from 3.4% for the year ended December 31, 2022.

Average cost of debt is calculated for the year ended December 31, 2023 as finance costs, net of interest income less any gains on financial instrument divided by average debt principal. Average cost of debt is calculated for the year ended December 31, 2022 as finance costs divided by average debt principal, net of fair value adjustments.

Income tax (expense)/ benefit

During the year ended December 31, 2023, we recorded a tax expense of USD 15.7 million compared to a tax benefit of USD 57.5 million for the year ended December 31, 2022. The income tax expense for the year ended December 31, 2023 was primarily driven by the tax arising on the Group's Irish activities at 12.5% that included the settlement proceeds received, and the impact of recognizing certain tax losses which were not previously recognized related to those aircraft previously leased to an airline in Russia and not in the Group's control. The income tax benefit for the year ended December 31, 2022 was primarily driven by the impact of the asset write-off relating to certain aircraft previously leased to airlines in Russia and not in our control.

Profit/(loss) for the year

Profit for the year ended December 31, 2023 increased by USD 629.9 million to USD 350.6 million from a loss of USD 279.3 million for the year ended December 31, 2022 which includes 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, 2023 and the year ended December 31, 2022. Cash and cash equivalents shown below refer to unrestricted cash.

Consolidated cash flow (Extract) (in millions of USD)	**Year ended Dec 31**	
	2023	**2022**
Net cash generated from operating activities	1,233.2	1,281.7
Net cash generated from/(used in) investing activities	113.4	(857.1)
Net cash used in financing activities	(1,337.8)	(475.1)
Net increase/(decrease) in cash and cash equivalents	**8.8**	**(50.5)**
Cash and cash equivalents at the beginning of the year	299.9	350.4
Cash and cash equivalents at the end of the year	**308.7**	**299.9**

For the year ended December 31, 2023 net cash generated from operating activities was USD 1,233.2 million, a decrease of USD 48.5 million, or 3.8%, from USD 1,281.7 million for the year ended December 31, 2022 which is primarily due to higher maintenance reserve receipts in the prior year driven by the drawdown of letters of credit associated with aircraft previously leased to Russian customers. Excluding the impact of the letters of credit drawdown, net cash generated from operating activities for the year ended December 31, 2023 increased by USD 28.8 million or 2.4% as compared to the prior year.

For the year ended December 31, 2023 net cash generated from investing activities was USD 113.4 million compared to net cash used in of USD 857.1 million for the year ended December 31, 2022. The movement was mainly due to cash proceeds from insurance claim settlement in respect of the seven aircraft previously leased to an airline in Russia and not in our control compared to the net cash paid on acquisition of subsidiary in the prior year.

Net cash used in financing activities for the year ended December 31, 2023 was USD 1,337.8 million compared to USD 475.1 million for the year ended December 31, 2022. The movement was due to the share repurchase, increased bond repurchases, debt repayments and cash interest paid during the year ended December 31, 2023 compared to the year ended December 31, 2022.

Our cash and cash equivalents as at December 31, 2023 was USD 308.7 million, an increase of USD 8.8 million from USD 299.9 million as at December 31, 2022.

Our total cash and cash resources, which includes restricted cash, was USD 404.8 million as at December 31, 2023 which represents a decrease of USD 33.4 million compared to USD 438.2 million as at December 31, 2022.

Loans and Borrowings, Liquidity and Capital Resources

Loans and borrowings

Our total loans and borrowings (net of debt issuance costs) decreased to USD 7,592.1 million as at December 31, 2023 from USD 8,045.9 million at December 31, 2022. The decrease was due to debt repayments and notes repurchases of USD 1,573.6 million and USD 299.2 million, respectively which was partially offset by loan drawdown of USD 1,431.1 million during the year ended December 31, 2023.

At December 31, 2023 our level of unsecured debt was 73.3% compared to 69.8% at December 31, 2022. The average cost of debt as at December 31, 2023 was 4.1% which increased from 3.4% at December 31, 2022 and the weighted average debt maturity as at December 31, 2023 was 4.7 years compared to 4.5 years at December 31, 2022.

Loans and Borrowings (in millions of USD)

	Aircraft Collateral	Dec 31 2023
Unsecured		
Senior unsecured notes		2,881.7
Senior unsecured facilities		2,743.1
Total unsecured		**5,624.8**
Secured		
Recourse obligations (incl. Ex-Im & EDC)	67	1,393.9
Senior secured notes	22	609.4
Non-recourse obligations	2	43.5
Total secured	**91**	**2,046.8**
Debt issuance costs		(79.5)
Net loans and borrowings		**7,592.1**

We own 227 aircraft with a total net book value of USD 7,352.5 million which were unencumbered at December 31, 2023 and 91 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, 2023 of USD 3.8 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 4,062.2 million as at December 31, 2023 compared to USD 2,659.9 million as at December 31, 2022. Our total equity decreased to USD 2,883.9 million as at December 31, 2023 from USD 2,935.7 million as at December 31, 2022. Our Net Debt to Equity ratio was 2.53:1 times as at December 31, 2023 compared to 2.64:1 times as at December 31, 2022.

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, 2023

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated financial statements for the year ended December 31, 2023

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, 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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, 2023;
- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of cash flows for the year ended December 31, 2023;
- the consolidated statement of changes in equity for the year ended December 31, 2023; and
- the notes to the consolidated financial statements, comprising material accounting policy information 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, 2023, the carrying value of aircraft held for lease was USD 10,951.7 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, 2023 (December 31, 2022: 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 Accounting Standards.

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

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 IFRS Accounting 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.

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 7, 2024

/s/ Murad Nsour

Murad Nsour
Audit Principal, Reference Number I010187
Dubai, United Arab Emirates

Dubai Aerospace Enterprise (DAE) Ltd

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended December 31 2023 USD'000	2022 USD'000
Revenue	3	1,278,157	1,115,258
Other income	4	37,567	22,496
Total		1,315,724	1,137,754
Gain on disposal of aircraft		59,638	97,548
Gain on business combination	28	-	29,364
Expenses			
Depreciation and amortization		(572,906)	(556,332)
Recoveries/(asset write-off)	7	118,318	(576,518)
General and administrative expenses	5	(120,578)	(97,756)
Cost of providing engineering maintenance services		(89,620)	(70,256)
Reversal of/(provision for) loss allowance	26	24,175	(14,011)
Aircraft maintenance		(20,948)	(23,634)
Operating profit/(loss)		713,803	(73,841)
Finance income	6	51,690	27,794
Finance expense	6	(399,205)	(290,763)
Net finance costs		(347,515)	(262,969)
Profit/(loss) before income tax		366,288	(336,810)
Income tax (expense)/benefit	8	(15,709)	57,522
Profit/(loss) for the year		350,579	(279,288)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Unrealized (loss)/gain on interest rate hedges	23	(3,254)	84,178
Amounts reclassified to profit or loss	23	1,638	1,675
Income tax relating to components of other comprehensive loss	23	(726)	(5,088)
Total comprehensive income for the year		348,237	(198,523)
Profit/(loss) for the year attributable to:			
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		346,128	(281,293)
Non-controlling interests		4,451	2,005
		350,579	(279,288)
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of Dubai Aerospace Enterprise (DAE) Ltd		343,786	(200,528)
Non-controlling interests		4,451	2,005
		348,237	(198,523)

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 2023 USD'000	2022 USD'000
ASSETS			
Non-current assets			
Aircraft held for lease	9	10,951,740	11,300,836
Property, plant and equipment	10	94,656	96,405
Intangible assets		3,544	4,086
Goodwill	11	44,668	44,668
Finance lease and loan receivables	27	320,532	167,570
Other non-current assets	12	156,508	189,934
Financial assets at fair value and amortized cost	13	91,647	80,264
		11,663,295	11,883,763
Current assets			
Cash and cash equivalents	16	308,713	299,920
Restricted cash	16	96,114	138,328
Inventories		26,879	32,366
Trade and other receivables	15	37,891	46,483
Prepayments		7,477	6,344
Finance lease and loan receivables	27	21,153	197,078
Derivative financial assets	23	31,861	35,116
Other current assets	12	69,110	69,714
		599,198	825,349
Total assets		12,262,493	12,709,112
EQUITY AND LIABILITIES			
EQUITY	17		
Authorized and issued share capital		2,011,069	2,011,069
Additional paid-in-capital		634,585	634,585
Treasury shares		(1,792,059)	(1,392,059)
Other reserves		28,170	30,512
Retained earnings		1,985,621	1,639,493
		2,867,386	2,923,600
Non-controlling interests		16,543	12,092
Net equity		2,883,929	2,935,692
LIABILITIES			
Non-current liabilities			
Loans and borrowings	18	6,204,167	7,238,590
Deferred tax liabilities	14	284,402	268,735
Maintenance reserves and security deposits	19	1,019,957	1,034,017
Lease liabilities	20	28,444	29,270
Deferred revenue	21	2,872	12,534
		7,539,842	8,583,146
Current liabilities			
Loans and borrowings	18	1,387,976	807,262
Trade and other payables	22	91,291	77,404
Current tax liability		769	408
Maintenance reserves and security deposits	19	268,067	233,105
Lease liabilities	20	3,787	3,405
Deferred revenue	21	86,832	68,690
		1,838,722	1,190,274
Total liabilities		9,378,564	9,773,420
Total liabilities and equity		12,262,493	12,709,112

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 2023 USD'000	2022 USD'000
Cash flows from operating activities		
Profit/(loss) for the year	350,579	(279,288)
Adjustments for:		
Depreciation and amortization	572,906	556,332
(Recoveries)/asset write-off	(118,318)	576,518
Gain on disposal of aircraft	(59,638)	(97,548)
Gain on business combination	-	(29,364)
Amortization of debt issuance costs	31,279	33,515
Net finance cost	316,236	229,454
Income tax expense/(benefit)	15,709	(57,522)
Changes in operating assets and liabilities		
Movement in trade and other receivables	8,592	77,624
Movement in accrued revenue	34,774	18,961
Movement in finance lease and loan receivables	22,963	13,325
Movement in maintenance reserves and security deposits	45,250	112,945
Movement in other assets and liabilities	12,874	126,801
Net cash generated from operating activities	1,233,206	1,281,753
Cash flow from investing activities		
Acquisition of aircraft held for lease	(487,375)	(343,429)
Acquisition of property, plant and equipment	(11,827)	(5,582)
Acquisition of subsidiary, net of cash acquired	-	(952,806)
Proceeds from disposal of aircraft	465,299	431,792
Interest received	28,954	15,954
Cash proceeds from insurance claim settlement	118,318	-
Deposits paid for the purchase of aircraft	-	(3,005)
Net cash generated from/(used in) investing activities	113,369	(857,076)
Cash flows from financing activities		
Movement in restricted cash	42,214	(37,926)
Proceeds from issue of share capital	-	200,000
Proceeds from borrowings	1,285,098	600,000
Repayment of borrowings	(1,569,113)	(831,229)
Debt repurchased	(284,880)	(135,681)
Cash interest paid	(379,498)	(251,983)
Debt issuance costs incurred	(31,603)	(18,309)
Repurchase of share capital	(400,000)	-
Net cash used in financing activities	(1,337,782)	(475,128)
Net increase/(decrease) in cash and cash equivalents	8,793	(50,451)
Cash and cash equivalents at the beginning of the year	299,920	350,371
Cash and cash equivalents at the end of the year	308,713	299,920

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, 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

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, 2022	2,011,069	634,585	(1,392,059)	30,512	1,639,493	2,923,600	12,092	2,935,692
Profit for the year	-	-	-	-	346,128	346,128	4,451	350,579
Other comprehensive income	-	-	-	(2,342)	-	(2,342)	-	(2,342)
Total comprehensive income for the year	-	-	-	(2,342)	346,128	343,786	4,451	348,237
Purchase of own shares	-	-	(400,000)	-	-	(400,000)	-	(400,000)
At December 31, 2023	2,011,069	634,585	(1,792,059)	28,170	1,985,621	2,867,386	16,543	2,883,929

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") 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, 2023 (the "year") are summarized below:

- Owned: 318 aircraft at December 31, 2023 (December 31, 2022: 330 aircraft).
- Purchases: 10 aircraft during the year (December 31, 2022: 46 aircraft)
- Sales: 22 aircraft during the year, including seven aircraft (formerly leased to an airline in Russia) by way of insurance claims settlement (December 31, 2022: 12 aircraft).
- Commitments: 64 aircraft to be delivered between 2024 and 2026.

The Group also manages 106 aircraft on behalf of third parties at December 31, 2023 (December 31, 2022: 104 aircraft). During the year, the Group acquired 10 managed aircraft (December 31, 2022: 48 managed aircraft) and completed the sale of eight managed aircraft (December 31, 2022: 23 managed aircraft).

The consolidated financial statements were approved on February 7, 2024 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 Accounting Standards") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS Accounting Standards. The consolidated financial statements comply with IFRS Accounting Standards 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, 2023, 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, 2023 the Group's undrawn credit facilities amounted to USD 3,753.5 million.

As such, the Directors are of the opinion that the going concern basis is appropriate for the consolidated financial statements for the year ended December 31, 2023.

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 at December 31, 2023, the Group had 17 SPEs (2022: 22 SPEs). These entities included aircraft with a net book value of USD 1,067.3 million at December 31, 2023 (2022: USD 1,326.4 million), in the consolidated statement of financial position. These aircraft are funded by debt of USD 1,218.1 million (2022: USD 1,245.0 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 Accounting policies (continued)

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 Accounting Standards and International Accounting Standards ("IAS")), amendments to the existing standards and interpretations effective as of January 1, 2023, as explained below and the change in presentation of the consolidated statement of profit or loss and other comprehensive income described in Note 7. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2 Accounting policies (continued)

2.3 Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Group

The following amendments became effective January 1, 2023 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.

- IFRS 17 Insurance Contracts;
- Definition of Accounting Estimates – Amendments to IAS 8;
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12; and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

All other accounting policies applied are consistent with those of the consolidated financial statements for the year ended December 31, 2022.

(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;
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7;
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16, and
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

These are all effective for annual periods beginning on or after January 1, 2024. 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 Accounting Standards 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.

2 Accounting policies (continued)

2.4 Significant estimates and judgements (continued)

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.

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 5.5% per annum, which management believe is appropriate for each individual aircraft assessed (2022: 5.0%).

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 held for lease. Refer to Note 28 for details.

2 Accounting policies (continued)

2.5 Summary of material 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 material 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 recognized at fair value based on the maintenance adjusted current market values obtained from independent appraisers.

Maintenance right assets, 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 material 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, 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 material 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 material 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 Group 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.

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, 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.

2 Accounting policies (continued)

2.5 Summary of material accounting policies (continued)

Dividend distribution

Dividends to the Company's shareholders are recognized as a liability in the consolidated financial statements in the year 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.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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 year in which they are incurred.

2 Accounting policies (continued)

2.5 Summary of material 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 material 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 material 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 material 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 material 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).

The Group's trade receivables and accrued revenue are subject to the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued revenue. The Group applies the general model to measure the credit losses on financial assets other than trade receivables and accrued revenue. The identified credit losses from these financial assets are not material.

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 material 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 material 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 years 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 material 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 material accounting policies (continued)

Taxes

(a) Current income tax

Current income tax assets and liabilities for the current year 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 material 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 year 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. Finance lease income is recorded within Revenue in the consolidated statement of profit or loss and other comprehensive income.

(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 material 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 material 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

	2023 USD'000	2022 USD'000
Lease rental income	1,119,795	1,000,330
Engineering maintenance services revenue	140,374	107,701
Finance lease and loan receivables income	17,988	7,227
	1,278,157	1,115,258

Lease rental income includes the release of maintenance reserves totaling USD 40.0 million (2022: USD 35.7 million) which is net of the derecognition of maintenance right assets of USD 2.3 million (2022: USD 31.4 million).

Lease rental income also includes a net charge associated with the amortization of lease incentive assets of USD 48.1 million (2022: USD 51.0 million) and other lease costs of USD 10.0 million for the year (2022: USD 8.3 million).

Engineering maintenance services revenue of USD 140.4 million (2022: USD 107.7 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 35.3% of the lease rental income for the year ended December 31, 2023 (2022: 38.9%). Customers based in United Arab Emirates, Bahrain and India accounted for 15.3%, 8.2% and 5.7% of lease rental income respectively in the year ended December 31, 2023 (2022: 18.1%, 9.4% and 5.2%).

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:

	2023 USD'000	2023 %	2022 USD'000	2022 %
Middle East	341,630	31	346,535	35
Americas	235,833	21	189,723	19
Asia Pacific	185,376	17	182,919	18
South Asia	117,517	10	80,629	8
Europe	103,014	9	97,141	10
Africa	73,244	6	77,711	8
China	63,181	6	25,672	2
Total lease rental income	1,119,795	100	1,000,330	100

Lease rental income by geographic regions for the comparative prior year have been reclassified to conform to the current year's presentation.

4 Other income

	2023 USD'000	2022 USD'000
Servicer fee income	16,061	21,571
Other income	21,506	925
	37,567	22,496

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

	2023 USD'000	2022 USD'000
Compensation and benefits expenses	61,818	51,234
Legal and professional expenses	42,989	29,971
Travel expenses	4,183	3,095
Office expenses	2,350	2,036
Other expenses	9,238	11,420
	120,578	97,756

DAE Capital had 143 people (2022: 139 people) in employment as at December 31, 2023. The average number of employees during the year was 141 (2022: 144).

DAE Engineering had 938 people (2022: 910 people) in employment as at December 31, 2023. The average number of employees during the year was 932 (2022: 890).

6 Finance income and expense

	2023 USD'000	2022 USD'000
Interest on bank accounts and short-term investments	20,774	8,171
Gains on financial instruments	18,862	10,225
Interest from investments	3,636	1,975
Net foreign exchange gain	467	1,615
Other finance income	7,951	5,808
Total finance income	51,690	27,794
Interest on borrowings	(363,681)	(250,486)
Amortization of debt issuance costs	(31,279)	(33,515)
Lease interest expense	(2,038)	(2,004)
Other charges	(2,207)	(4,758)
Total finance expense	(399,205)	(290,763)
Net finance cost	(347,515)	(262,969)

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

7. Recoveries/(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 wrote-off its net exposure in respect of the 19 aircraft and this resulted in an 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). In the previous year, the Group presented this in a separate column for "Exceptional items", however, it will no longer be presented in a separate column for the year ended December 31, 2023 and will be presented under the heading of "Recoveries/(asset write-off)" during the year in the consolidated statement of profit or loss and other comprehensive income.

In December 2023, the Group received cash settlement proceeds of USD 118.3 million in respect of 7 aircraft previously leased to Public Joint Stock Company "Aeroflot – Russian Airlines" ("Aeroflot"). The Group has recognized these insurance proceeds within "Recoveries/(asset write-off)" for the year ended December 31, 2023.

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

	2023 USD'000	2022 USD'000
Current tax		
Current period	768	408
Adjustment for prior periods	-	252
Total current tax expense	768	660
Deferred tax		
Origination and reversal of temporary differences	12,635	(47,594)
Adjustments for prior periods	2,306	(10,588)
Total deferred tax expense/(benefit)	14,941	(58,182)
Total income tax expense/(benefit)	15,709	(57,522)

Reconciliation of effective tax rate

	2023 USD'000	2022 USD'000
Profit/(loss) for the year	366,288	(336,810)
Tax on profit at the United Arab Emirates statutory rate of 0%	-	-
Reconciling items		
Profit/(loss) taxable in Ireland at 12.5%	19,927	(74,992)
Net profit taxable at other rates	1,549	2,201
Net impact of tax losses not recognized or previously not recognized	(10,305)	27,845
Interest not deductible	425	1,182
Other permanent differences	1,125	(2,958)
Adjustment in respect of tax for previous periods	2,988	(10,800)
Total income tax expense/(benefit)	15,709	(57,522)

The income tax expense for the year ended December 31, 2023 was primarily driven by the tax arising on the Group's Irish activities at 12.5% that included the insurance settlement proceeds received, and the impact of recognizing certain tax losses which were not previously recognized, relating to certain aircraft previously leased to airlines in Russia not in the Group's control.

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, 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 receivables	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
Additions	574,447	-	46,171	34,967	655,585
Transfers	58,068	(11,099)	(46,969)	-	-
Derecognition	-	-	(10,391)	(10,429)	(20,820)
Disposals	(612,706)	-	(22,324)	-	(635,030)
At December 31, 2023	12,721,679	-	289,977	139,832	13,151,488
Depreciation					
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
Charge for the year	540,975	-	16,043	12,715	569,733
Derecognition	-	-	(4,121)	-	(4,121)
Disposals	(207,924)	-	(8,428)	(429)	(216,781)
At December 31, 2023	2,108,051	-	87,651	4,046	2,199,748
Net book value					
At December 31, 2022	10,926,870	11,099	239,333	123,534	11,300,836
At December 31, 2023	10,613,628	-	202,326	135,786	10,951,740

As at December 31, 2023, the Group owned 318 aircraft (2022: 330 aircraft), within this the Group had 307 aircraft held for lease on an operating lease basis (2022: 319 aircraft) and 11 aircraft recognized as finance lease and loan receivables (2022: 11 aircraft). During the year, the Group sold 22 aircraft, this includes seven aircraft (formerly leased to an airline in Russia) by way of insurance claims settlement as disclosed in Note 7 (2022: 12 aircraft) and purchased 10 aircraft (2022: 46 aircraft, of which 24 aircraft were acquired as a result of a business combination). In 2022, the Group transferred two aircraft from finance lease and loan receivables to aircraft held for lease.

During the year, the Group derecognized USD 6.3 million (2022: USD 35.7 million) of maintenance right assets related to aircraft which were redelivered to the Group during the year. An amount of USD 2.3 million has been recognized as maintenance income in relation to these aircraft (2022: USD 31.4 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:

	2023	**2023**	**2022**	**2022**
	USD'000	%	USD'000	%
Middle East*	2,668,231	24	3,092,200	27
Americas	2,526,568	23	2,634,316	23
Asia Pacific	1,768,191	16	1,888,379	17
Europe	1,407,439	13	1,169,927	10
South Asia	1,339,651	13	1,281,388	12
Africa	694,518	6	693,383	6
China	547,142	5	530,144	5
	10,951,740	100	11,289,737	100

The Group's top 5 customers represent 30.3% (2022: 30.9%) of the fleet based on NBV. The Group's top customer represents 10.3% (2022: 10.7%) of the fleet based on NBV and is based in the Middle East.

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

NBV of the aircraft held for lease by geographic regions for the comparative prior year have been reclassified to conform to the current year's presentation.

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 5.5% per annum, which management believe is appropriate for each individual aircraft assessed (2022: 5.0%).

Based on the Group's analysis, no impairment charge was recognized for the year ended December 31, 2023 (2022: nil). The key assumptions and judgments associated with the Group's impairment review are:

9 Aircraft held for lease (continued)

Impairment of aircraft held for lease (continued)

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 5.5% (2022: 5.0%).

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, 2023 (2022: nil).

10 Property, plant and equipment

	USD'000
Cost	
At December 31, 2021	185,898
Additions	5,942
Disposals	(1,029)
At December 31, 2022	190,811
Additions	12,488
Disposals	(1,156)
At December 31, 2023	202,143
Accumulated depreciation	
At December 31, 2021	79,806
Charge for the year	15,629
Disposals	(1,029)
At December 31, 2022	94,406
Charge for the year	13,312
Disposals	(231)
At December 31, 2023	107,487
Net book value	
At December 31, 2022	96,405
At December 31, 2023	94,656

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

	2023 USD'000	2022 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, 2023 (2022: nil).

12 Other assets

	2023 USD'000	2022 USD'000
Non-current assets		
Lease incentives	74,146	99,504
Accrued revenue	44,444	72,364
Lease acquisition costs	37,918	18,066
	156,508	189,934
Current assets		
Lease incentives	31,435	33,403
Accrued revenue	15,979	22,833
Lease acquisition costs	14,003	9,357
Other assets	7,693	4,121
	69,110	69,714

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 12.3 million (2022: USD 19.2 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, 2023, the Group has 16 customers with deferral agreements in place (2022: 21). The total amount accrued was USD 87.3 million at December 31, 2023 (2022: USD 128.3 million) and a loss allowance of USD 26.9 million (2022: USD 33.1 million) has been recognized related to these amounts.

At December 31, 2023 the average default rate applied in calculating the loss allowance was 30.8% (2022: 25.8%). 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:

	2023 USD'000	**2022** USD'000
Investment in debt instruments - FVTPL	35,856	32,777
Investment in debt instruments - amortized cost	35,209	30,528
Investment in equity instruments - FVOCI	13,040	11,096
Investment in equity instrument - FVTPL	7,542	5,863
	91,647	80,264

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, 2023, the value of the debt outstanding is USD 28.6 million (2022: USD 28.6 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, 2023 was USD 0.7 million (2022: USD 0.8 million). As at December 31, 2023 the Group has investment in debt and equity instruments with a fair value of USD 7.2 million and USD 7.5 million, respectively (2022: USD 4.1 million and USD 5.9 million, respectively) resulting from settlement of claims with customers.

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, 2023, the value of the equity investment is USD 13.0 million (2022: USD 11.1 million). There was no dividend income received during the year ended December 31, 2023 (2022: nil). The Group also advanced loans to the same entity, which are accounted for at amortized cost. The loans outstanding at December 31, 2023 were USD 32.2 million (2022: USD 30.5 million). Interest income during the year ended December 31, 2023 was USD 1.8 million (2022: USD 1.2 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, 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)
(Charged)/credited						
-to profit or loss	(26,613)	(46)	1,805	9,921	(8)	(14,941)
-to other comprehensive income	-	-	-	(726)	-	(726)
Other	-	-	-	-	-	-
At December 31, 2023	(497,540)	496	(11,198)	223,761	79	(284,402)

At December 31, 2023, the Group had an unrecognized deferred tax asset of USD 21.7 million (2022: USD 37.2 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 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

	2023 USD'000	2022 USD'000
Trade receivables	34,494	80,384
Less: loss allowances	(8,401)	(39,919)
Trade receivables, net	26,093	40,465
Other receivables	11,798	6,018
	37,891	46,483

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, 2023 and 2022 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, 2023						
Gross carrying amount	11,584	2,014	1,297	6,867	12,732	34,494
Loss allowance	230	100	-	814	7,257	8,401
Default rate	2%	5%	0%	12%	57%	24%
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%

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:

	2023	2023	2022	2022
	USD'000	%	USD'000	%
Europe	16,690	48	12,450	15
Middle East	8,782	25	11,193	14
Asia Pacific	4,035	12	33,328	41
Africa	2,313	7	1,370	2
South Asia	1,360	4	-	-
Americas	1,314	4	10,356	13
China	-	-	11,687	15
	34,494	100	80,384	100

Geographic regions for the comparative prior year have been reclassified to conform to the current year's presentation.

16 Cash and cash resources

	2023	2022
	USD'000	USD'000
Cash and cash equivalents	308,713	299,920
Restricted cash	96,114	138,328
	404,827	438,248

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

	2023 USD'000	2022 USD'000
Authorized, issued and paid-up capital	2,011,069	2,011,069
Additional paid-in capital	634,585	634,585
Treasury shares	(1,792,059)	(1,392,059)
Other reserves	28,170	30,512
Retained earnings	1,985,621	1,639,493
Attributable to equity holders of the Company	2,867,386	2,923,600
Non-controlling interests	16,543	12,092
Total equity	2,883,929	2,935,692

The authorized and issued share capital of the Company at December 31, 2023 comprised of 2,011,069 ordinary shares of USD 1,000 par value each (2022: comprised of 2,011,069 ordinary shares of USD 1,000 par value each).

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

The movement in other reserves contains the movement in hedging reserves during the year. Detail of movement in hedging reserves are included in Note 23.

During the year ended December 31, 2023, the Group repurchased ordinary shares for USD 400.0 million. These shares are reported as treasury shares within equity in the consolidated statement of financial position.

During the year ended December 31, 2022, 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.

18 Loans and borrowings

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

	2023 USD'000	2022 USD'000
Principal	7,718,748	8,171,116
Accrued and unpaid interest	37,752	49,324
Fair value adjustments	(84,826)	(95,381)
Total loans and borrowings	7,671,674	8,125,059
Debt issuance costs	(79,531)	(79,207)
Net loans and borrowings	7,592,143	8,045,852

	2023 USD'000	2022 USD'000
Non-current liabilities		
Bank loans	3,741,181	3,574,259
Unsecured notes	1,935,238	3,154,094
Secured notes	578,231	563,631
Debt issuance costs	(50,483)	(53,394)
Non-current loans and borrowings	6,204,167	7,238,590
Current liabilities		
Unsecured notes	946,479	28,817
Bank loans	439,400	781,491
Secured notes	31,145	22,767
Debt issuance costs	(29,048)	(25,813)
Current loans and borrowings	1,387,976	807,262

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

	2023 USD'000	2022 USD'000
At January 1	8,125,059	7,908,784
Loan drawdowns	1,431,065	600,000
Acquired through business combination	-	586,603
Loan repayments	(1,573,633)	(831,229)
Unsecured notes repurchased	(299,222)	(145,906)
Movement in accrued interest	(11,573)	7,010
Movement in fair value adjustments	(982)	(982)
Revaluation of loans	960	779
At December 31	7,671,674	8,125,059

18 Loans and borrowings (continued)

Terms and conditions of outstanding loans after the impact of derivatives at December 31, 2023 is as follows:

	Average nominal interest rate %	Year of maturity	2023 USD'000
Floating rate loans:			
Unsecured facilities	6.10	2025-2033	2,738,365
Recourse obligations (including Ex-Im & EDC)	4.73	2024-2030	505,980
Non-recourse obligations	4.87	2025	43,533
Fixed rate loans:			
Senior unsecured notes	2.77	2024-2028	2,881,717
Secured notes	2.77	2035-2046	609,376
Recourse obligations (including Ex-Im & EDC)	4.45	2024-2030	887,897
Unsecured facilities	3.75	2030	4,806
Total interest-bearing liabilities			7,671,674

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
Non-recourse obligations	4.87	2025	48,641
Revolving credit facilities	5.89	2023-2026	300,141
Fixed rate loans:			
Senior unsecured notes	2.66	2024-2028	3,182,911
Secured notes	3.09	2046	586,398
Recourse obligations (including Ex-Im & EDC)	4.27	2023-2030	1,093,036
Unsecured facilities	3.75	2030	5,517
Total interest-bearing liabilities			8,125,059

18 Loans and borrowings (continued)

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

	2023	2022
Facility:		
Recourse obligations (including ECA, Ex-Im & EDC)	67	76
Secured notes	22	16
Non-recourse obligations	2	2
Total	91	94

In addition to the number of aircraft above, which have a carrying value of USD 3,940.9 million (2022: USD 4,199.4 million), 227 aircraft were unencumbered, with a carrying value of USD 7,352.5 million (2022: 236 aircraft were unencumbered, with a carrying value of USD 7,466.1 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, 2023 and 2022 are as follows.

In thousands of USD	Principal cash flows		Contractual cash flows*	
	2023	**2022**	**2023**	**2022**
Due within one year	1,400,006	781,166	1,723,151	1,104,108
Due within two and five years	5,234,512	5,373,986	5,956,931	6,136,313
Due after five years	1,084,230	2,015,964	1,210,963	2,230,587
Total	7,718,748	8,171,116	8,891,045	9,471,008

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

18 Loans and borrowings (continued)

Non-recourse obligations:

As at December 31, 2023, 2 aircraft (2022: 2 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 SOFR plus margin of 2.60%.

Recourse obligations (including Ex-Im & EDC):

As at December 31, 2023, 67 aircraft (2022: 76 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 7 years remaining and bear interest at a fixed rate between 0.54% and 9.25%, or 1 or 3 month SOFR, or MIDSWAP plus margins ranging from 1.72% to 2.65%.

Senior unsecured notes:

As at December 31, 2023, the balance of senior unsecured notes was USD 2,881.7 million with average nominal interest rate of 2.77% and maturities which range from 2024 to 2028.

During the year ended December 31, 2023 senior unsecured notes of USD 299.2 million were repurchased (2022: USD 145.9 million were repurchased).

Unsecured facilities:

The Group has drawn unsecured credit facilities totaling USD 2,743.2 million (2022: USD 2,188.9 million). These have maturity dates ranging from 2025 to 2033 and bear interest of 1 or 3 month SOFR plus margins ranging from 1.35% to 2.25%. USD 850.0 million of unsecured facilities remains undrawn as at December 31, 2023.

Revolving credit facilities:

The Group has access to three unsecured revolving credit facilities totaling USD 2,904.0 million (2022: USD 2,160.0 million) which can be drawn until maturity which ranges from 2025 to 2027.

The revolving credit facilities accrue interest 1 or 3 month SOFR plus margins ranging from 1.50% to 1.60%. The outstanding balance (including accrued interest) as at December 31, 2023 was USD nil (2022: USD 300.1 million).

Secured notes:

As at December 31, 2023, the balance of secured notes was USD 609.4 million with average nominal interest rate of 2.77% which matures in 2035 and 2046.

During the year, the Group assumed the liability for certain secured notes amounting to USD 145.9 million as part of aircraft acquisition and repurchased secured notes totaling USD 101.5 million.

During the year ended December 31, 2022 the Group had three unsecured 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

	2023 USD'000	2022 USD'000
Non-current		
Maintenance reserves	865,414	901,449
Security deposits	154,543	132,568
Total	1,019,957	1,034,017
Current		
Maintenance reserves	247,744	203,882
Security deposits	20,323	29,223
Total	268,067	233,105

	2023 USD'000	2022 USD'000
Maintenance reserves		
At January 1	1,105,331	1,188,362
Additions	299,048	370,275
Reimbursed	(221,319)	(137,638)
Released	(69,902)	(315,668)
At December 31	1,113,158	1,105,331
Security deposits		
At January 31	161,791	135,634
Additions	41,894	96,157
Repaid/release	(28,819)	(70,000)
At December 31	174,866	161,791

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 424.0 million as of December 31, 2023 (December 31, 2022: USD 302.0 million).

20 Lease liabilities

	2023 USD'000	2022 USD'000
Non-current	28,444	29,270
Current	3,787	3,405
Total	32,231	32,675

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
2023				
Lease liabilities	32,231	4,255	22,456	13,785
2022				
Lease liabilities	32,675	5,217	19,128	17,057

21 Deferred revenue

	2023 USD'000	2022 USD'000
Due after one year	2,872	12,534
Due within one year	86,832	68,690
	89,704	81,224

Included in deferred revenue is unearned lease rentals received from a company under common control of USD 23.6 million (2022: USD 34.0 million). Of this amount USD 20.8 million (2022: USD 21.5 million) is included in current liabilities and USD 2.9 million (2022: USD 12.5 million) is included in non-current liabilities.

22 Trade and other payables

	2023 USD'000	2022 USD'000
Employee benefits	25,399	15,767
Trade payables	21,118	16,045
Other accrued liabilities	44,774	45,592
	91,291	77,404

23 Derivative financial instruments

The Group has the following derivative financial instruments:

	2023	**2022**
	USD'000	USD'000
Current assets		
Interest rate swaps – cash flow hedges	31,861	35,116
	31,861	35,116

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 at December 31, 2023 and 2022 all derivatives were in designated hedge relationships.

The Group has amortizing interest rate swaps with an aggregate current notional of USD 1,817.9 million (2022: USD 774.4 million) and maturities ranging from March 2024 to July 2030. The weighted average strike rate on the fixed leg of these instruments is 3.27% (2022: 2.59%).

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 1.7 million (2022: USD 2.7 million) and is amortized to the consolidated statement of profit or loss and other comprehensive income over the original term of the swap contracts.

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 1.6 million (2022: expense of USD 1.7 million) related to hedge ineffectiveness.

23 Derivative financial instruments (continued)

Effect on financial position and performance

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

December 31, 2023
USD'000

	Nominal amounts of the hedging instrument	Carrying value of the hedging instrument Assets	Liabilities	Line item in statement of financial position	Change in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve
Cash flow hedges						
Interest rate risk	1,817,902	31,861	-	Derivative financial assets	(3,254)	30,958
	1,817,902	31,861	-		(3,254)	30,958

December 31, 2022
USD'000

	Nominal amounts of the hedging instrument	Carrying value of the hedging instrument Assets	Liabilities	Line item in statement of financial position	Change in fair value used for calculating hedge ineffectiveness	Cash flow hedge reserve
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

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, 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
Changes in fair value	(3,254)
Amounts reclassified to profit or loss	1,638
Tax movements during the year	(726)
At December 31, 2023	28,170

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 at December 31, 2023, the sensitivity to interest rates was as follows:

Interest rate swap **Risk variable**	**Change in risk variable**	**Change in value as of December 31, 2023** 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-SOFR-BBA	+50bps	17,103	-	17,103
3 month USD-SOFR-BBA	-50bps	17,446	-	17,446

As at 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

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 167.8 million being aircraft lease rentals (2022: USD 192.5 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 16.5 million (2022: USD 0.5 million).
- Finance income on the bank balances with companies under common control for the year amounts to USD 1.6 million (2022: USD 3.4 million).
- Finance expense for the year in respect of loans from related companies under common control amounts to USD 121.7 million (2022: USD 45.9 million).

Aircraft sale agreement

During the year, the Company (as the "Purchaser") entered into an aircraft sale agreement with its affiliate (as the "Seller") whereby the Seller shall transfer to the Purchaser its rights under an external contract between the Seller and an aircraft manufacturer for the purchase and delivery of a portfolio of 64 aircraft. The Purchaser shall pay the Seller the purchase price at the time of delivery of each aircraft. One of the 64 aircraft was delivered during the year and the purchase price was paid to the Seller in full. The remaining aircraft are scheduled to be delivered between 2024 and 2026.

Compensation of key management personnel for the year:

	2023 USD'000	**2022** USD'000
Salaries and other benefits	8,595	9,092

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

	2023 USD'000	**2022** USD'000
Cash and cash resources	22,597	34,530
Trade receivables	5,925	136
Derivative assets	15,622	19,723
Loans and borrowings*	(1,719,368)	(1,314,566)

* Loans and borrowings advanced by companies under common control have a weighted average interest rate of 7.28%.

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.

24 Related party transactions (continued)

(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, 2023, non-controlling interest was USD 16.5 million (2022: USD 12.1 million).

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

- During the year ended December 31, 2023 and 2022, the Group repurchased ordinary shares from its shareholder. These ordinary shares are now held as treasury shares by the Group.

25 Commitments and contingent liabilities

(a) Capital commitments

At December 31, 2023 the Group had committed to purchase 64 aircraft which are mainly under the aircraft sale agreement with a related party as disclosed in note 24. The aircraft are scheduled to deliver between 2024 and 2026. The total capital commitment based on the current market value of the underlying assets is approximately USD 3.7 billion.

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, 2023 and 2022 in relation to unpaid Eurocontrol charges incurred by operators of the Group's aircraft.

No accrual has been made at December 31, 2023 (2022: 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.

At December 31, 2023

	Fair value – hedging instruments USD'000	Financial assets at amortized cost USD'000	Financial assets at FV USD'000	Other financial liabilities USD'000	Fair value USD'000
Financial assets measured at fair value					
Investments	-	-	56,438	-	56,438
	-	-	56,438	-	56,438
Financial assets not measured at fair value					-
Cash and cash equivalents	-	308,713	-	-	
Restricted cash	-	96,114	-	-	-
Trade and other receivables	-	37,891	-	-	-
Accrued revenue	-	60,423	-	-	-
Finance lease and loan receivables	-	341,685	-	-	341,685
Investments	-	35,209	-	-	35,209
	-	880,035	-	-	376,894
Financial assets measured at fair value					
Interest rate swaps used for hedging	31,861	-	-	-	31,861
	31,861	-	-	-	31,861
Financial liabilities not measured at fair value					
Loans and borrowings	-	-	-	7,592,143	7,503,431
Lease liabilities	-	-	-	32,231	-
Maintenance reserves and security deposits	-	-	-	1,288,024	-
Trade and other payables	-	-	-	91,291	-
	-	-	-	9,003,689	7,503,431

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

(a) Accounting classification and fair value (continued)

At December 31, 2022

	Fair value – hedging instruments USD'000	Financial assets at amortized cost USD'000	Financial assets at FV USD'000	Other financial liabilities USD'000	Fair value 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

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.

At December 31, 2023

	Fair value	Fair value level		
		Level 1	Level 2	Level 3
	USD'000	USD'000	USD'000	USD'000
Finance lease and loan receivables	341,685	-	341,685	-
Investments	35,209	-	35,209	-
Interest rate swaps used for hedging	31,861	-	31,861	-
	408,755	-	408,755	-
Loans and borrowings	7,503,431	-	7,503,431	-
	7,503,431	-	7,503,431	-

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

(a) Accounting classification and fair value (continued)

At December 31, 2022

	Fair value	Fair value level		
		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	-

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.

(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 analyze 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.

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

(b) Risk management

(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 and loan 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	**2023** USD'000	**2022** USD'000
Cash and cash equivalents	16	308,713	299,920
Restricted cash	16	96,114	138,328
Finance lease and loan receivables	27	341,685	364,648
Trade and other receivables	15	37,891	46,483
Accrued revenue (within other assets)	12	60,423	95,197
Total		844,826	944,576

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	**2023** USD'000	**2022** USD'000
Trade receivables	15	8,401	39,919
Accrued revenue (within other assets)	12	26,883	33,113
Total		35,284	73,032

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

	2023 USD'000	**2022** USD'000
At January 1	73,032	115,391
(Reversal of)/provision for loss allowance*	(24,175)	21,210
Utilization of loss allowance	(13,573)	(63,569)
At December 31	35,284	73,032

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

(b) Risk management (continued)

(i) Credit risk (continued)

* *During the year ended December 31, 2022 the provision for loss allowance excluded 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, accrued revenue and finance lease and loan receivables 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 the 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 and loan 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 and loan receivables, the Group retains legal title to the underlying leased aircraft which acts as further collateral for the finance lease and loan receivables in addition to cash security deposits, letters of credits and maintenance reserves that the Group holds.

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.

As at December 31, 2023, the Group's gross trade receivables balance was USD 34.4 million (2022: USD 80.3 million) with a loss allowance of USD 8.4 million (2022: USD 39.9 million) recognized. See further details in Note 15. In addition, the Group had an accrued revenue (within other assets) of USD 87.3 million (2022: USD 128.3 million) and a loss allowance of USD 26.9 million (2022: USD 33.1 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.

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

(b) Risk management (continued)

(i) Credit risk (continued)

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.

(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 at December 31, 2023, the fair values of outstanding derivatives designated as cash flow hedges of forecast transactions were assets of USD 31.9 million (2022: assets of USD 35.1 million).

At December 31, 2023, 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 17.7 million higher /lower (2022: USD 20.7 million higher /lower), 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.

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

(b) Risk management (continued)

(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, 2023 of USD 308.7 million (2022: USD 299.9 million). Additionally, the Group has access to a number of undrawn credit facilities of USD 3,753.5 million as of December 31, 2023 (2022: USD 2,360.0 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.

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 2,883.9 million as at December 31, 2023 (2022: USD 2,935.7 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

Future minimum annual rentals to be received under the leases are as follows:

	2023 USD'000	**2022** USD'000
Not later than one year	1,149,613	1,153,021
Later than one year and not later than five years	3,201,723	3,364,347
Later than five years	2,080,456	2,282,985
Total	6,431,792	6,800,353

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.

Finance lease and loan receivables

Non-current	**2023** USD'000	**2022** USD'000
Finance lease receivables	44,698	55,516
Loan receivables	275,834	112,054
	320,532	167,570

Current

Finance lease receivables	10,818	9,936
Loan receivables	10,335	187,142
	21,153	197,078

Finance lease receivables

As at December 31, 2023, the Group owned 6 aircraft under finance lease agreements (December 31, 2022: 6 aircraft). The Group's finance lease receivables are secured by the Group's title to the leased assets. During the year ended December 31, 2022 one aircraft was transferred to aircraft held for lease, following the termination of the leasing of the aircraft.

Loan receivables

As at December 31, 2023, the Group holds 5 aircraft classified as loan receivables (December 31, 2022: 5 aircraft). During the year ended December 31, 2022 one aircraft was transferred to aircraft held for lease, following the termination of the leasing of the aircraft.

As part of the business combination during the year ended December 31, 2022 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. During the year ended December 31, 2023, the purchase option on these leased aircraft were extended from 2023-2024 to 2029.

27 Leases (continued)

Finance lease and loan receivables (continued)

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

	2023 USD'000	2022 USD'000
Gross receivables	391,416	180,483
Unearned income on finance lease and loan receivables	(70,884)	(12,913)
Total non-current finance lease and loan receivables	320,532	167,570
Gross receivables	40,950	203,654
Unearned income on finance lease and loan receivables	(19,797)	(6,576)
Total current finance lease and loan receivables	21,153	197,078

	2023		2022	
	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	40,950	21,153	203,654	197,078
Later than one year and not later than five years	155,121	92,230	172,786	160,164
Later than five years	236,295	228,302	7,697	7,406
Total	432,366	341,685	384,137	364,648
Less: unearned finance income	(90,681)	-	(19,489)	-
	341,685	341,685	364,648	364,648

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 and loan receivables net of collateral held. No material expected credit loss has been recognized on the Group's finance lease and loan 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 statement of profit or loss and other comprehensive income.

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

December 31, 2023	**Aircraft leasing** USD'000	**Engineering maintenance** USD'000	**Group** USD'000
Total segment revenue and other income	1,175,350	140,374	1,315,724
Adjusted EBITDA	1,112,594	31,622	1,144,216
Segment profit for the year	328,327	22,252	350,579
Finance income	50,588	1,102	51,690
Finance costs	(397,959)	(1,246)	(399,205)
Income tax expense	(15,709)	-	(15,709)
Depreciation and amortization	(564,605)	(8,301)	(572,906)
Segment assets	12,126,160	136,333	12,262,493

December 31, 2022	**Aircraft leasing** USD'000	**Engineering maintenance** USD'000	**Group** USD'000
Total segment revenue and other income	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

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 Recoveries/(asset write-off).

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

The UAE Corporate Income Tax is, as a result of Cabinet Decisions issued in 2023, regarded as substantively enacted within the meaning of IAS 12. Current taxes will only be payable for financial years beginning on or after June 1, 2023 so the Group's UAE activities, to the extent any are regarded as taxable at the 9% rate, will only be subject to current tax for the first time during the year ending December 31, 2024. The enactment of the legislation requires a Group with taxable activities to record deferred taxes using the enacted rate of 9%. However, as the Group does not have any differences between the existing tax bases of its asset and liabilities and the carrying amount of such assets and liabilities in the consolidated financial statements, no temporary differences are present which would require the recognition of a deferred tax in the event that the Group did have any activities subject to tax at 9%. The Corporate Tax Law also provides for a 0% tax rate to apply to the Qualifying Income of Qualifying Free Zone Persons. The Group is of the view that all of its UAE operations are conducted within Free Zones in the UAE and broadly expect the income of its UAE operations should be regarded as Qualifying Income based on the definitions provided in the Ministerial and Cabinet Decisions issued across 2023.

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in several jurisdictions in which the Group operates during the year and will come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction in scope of the rules and the 15% minimum rate. The Group is in the process of assessing its exposure to the Pillar Two legislation for 2024 and subsequent years. This assessment indicates that Ireland is the only material in-scope jurisdiction for 2024 with an effective tax rate below 15%, for the annual reporting period to December 31, 2023. It is not currently foreseen that the Group's UAE operations or operations in other material jurisdictions will be subject to the application of the 15% minimum tax rate in financial year 2024.

However, although the average effective tax rate is below 15%, the Group might not be exposed to paying Pillar Two income taxes in relation to Ireland. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications.

31 Subsequent events

There were no significant events subsequent to December 31, 2023.

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