26 April 2024

**DP Aircraft I Limited (the 'Company')**

**Annual Report and Accounts**

The Company is pleased to provide a copy of the Audited Consolidated Financial Statements of the Company for the year ended 31 December 2023 (the "Annual Report"), which is available from the Company's registered office and will shortly be available to view or download from the Company's website www.dpaircraft.com

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Sarah Felmingham / Chris Copperwaite

# DP AIRCRAFT I LIMITED

## ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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## FACT SHEET

| | |
|---|---|
| **Ticker** | DPA |
| **Company Number** | 56941 |
| **ISIN Number** | GG00BBP6HP33 |
| **SEDOL Number** | BBP6HP3 |
| **Traded** | Specialist Fund Segment ('SFS') of the London Stock Exchange |
| **SFS Admission Date** | 4-Oct-13 |
| **Share Price** | US$ 0.0625 as at 31 December 2023 |
| **Loss per Share** | US$ 0.01047 for the year ended 31 December 2023 |
| **Country of Incorporation** | Guernsey |
| **Current Ordinary Shares in Issue** | 239,333,333 |
| **Administrator and Company Secretary** | Aztec Financial Services (Guernsey) Limited |
| **Asset Manager** | DS Aviation GmbH & Co. KG |
| **Independent Auditor** | KPMG Channel Islands Limited |
| **Corporate Broker** | Investec Bank Plc |
| **Aircraft Registration** | HS-TQD<br>HS-TQC |
| **Aircraft Serial Number** | 35320<br>36110 |
| **Aircraft Type and Model** | B787-8 |
| **Lessees** | Thai Airways International Public Company Limited ('Thai Airways') |
| **Website** | www.dpaircraft.com |

## SUMMARY

### COMPANY OVERVIEW

DP Aircraft I Limited (the 'Company') was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 2008 on 5 July 2013 with registered number 56941.

The Company was established to invest in aircraft. The Company is a holding company, and made its investment in aircraft held through two wholly owned subsidiary entities, DP Aircraft Guernsey III Limited and DP Aircraft Guernsey IV Limited (collectively and hereinafter, the 'Borrowers'), each being a Guernsey incorporated company limited by shares and one intermediate lessor company, DP Aircraft UK Limited (the 'Lessor'), a UK incorporated private limited company. The Company and its consolidated subsidiaries, DP Aircraft Guernsey III Limited, DP Aircraft Guernsey IV Limited and DP Aircraft UK Limited comprise the consolidated Group (the 'Group').

Pursuant to the Company's Prospectus dated 27 September 2013, the Company offered 113,000,000 ordinary shares of no par value in the capital of the Company at an issue price of US$ 1.00 per share by means of a Placing. The Company's shares were admitted to trading on the Specialist Fund Segment (previously the Specialist Fund Market) of the London Stock Exchange on 4 October 2013 and the Company was listed on the Channel Islands Securities Exchange until 27 May 2015.

On 5 June 2015, the Company offered 96,333,333 ordinary shares (the 'New Shares') of no-par value in the capital of the Company at an issue price of US$ 1.0589 per share by means of a Placing. The Company's New Shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 12 June 2015.

On 13 July 2022 the Company raised gross proceeds of $750,000 through the issue of 30,000,000 new ordinary shares in the capital of the Company at a price of US$0.025 per new ordinary share. The new ordinary shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 15 July 2022.

In total there are 239,333,333 Ordinary Shares in issue with voting rights.

In addition to the equity raised above in 2013, 2015 and 2022, the Group also utilised external debt to fund the initial acquisition of the aircraft. Further details are given within this summary section.

### INVESTMENT OBJECTIVE & POLICY

The Company and Group's investment objective is to obtain income and capital returns for its shareholders by acquiring, leasing and then, when the Board considers it appropriate, selling aircraft (the 'Asset' or 'Assets').

### THE BOARD

The Board comprises of independent non- executive Directors (the 'Directors' or the 'Board'). The Directors are responsible for managing the business affairs of the Company and Group in accordance with the Articles of Incorporation and have overall responsibility for the Company's and Group's activities, including portfolio and risk management while the asset management of the Group is undertaken by DS Aviation GmbH & Co. KG (the 'Asset Manager'/ 'DS Aviation').

### THE ASSET MANAGER

The Asset Manager has undertaken to provide the asset management services to the Company and Group under the terms of an asset management agreement but does not undertake any regulated activities for the purpose of the UK Financial Services and Markets Act 2000.

## SUMMARY (CONTINUED)

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The Group recognises the Paris Agreement on climate change. The Group operates NTA ('New Technology Aircraft'); specifically Boeing 787-8's equipped with Rolls Royce Trent-1000 engines which are 20% more fuel efficient on a revenue-per-kilometre basis than similar comparable legacy aircraft. The Board has taken steps to reduce its own travelling and maximises the use of virtual meetings within the Board and with all its key service providers.

### CORONAVIRUS ('COVID-19')

COVID-19 had a significant impact on the airline sector, and by extension the aircraft leasing sector. More information is provided below and in the Asset Manager's Report.

### THAI AIRWAYS INTERNATIONAL PCL ('THAI AIRWAYS' / 'THAI')

The suspension of travel due to COVID-19 in 2020 resulted in Thai Airways entering into business rehabilitation. The Central Bankruptcy Court approved Thai's Business Rehabilitation plan on 15 June 2021. The rehabilitation process is currently ongoing, please refer to the Asset Manager Report on pages 11 to 23 for more details regarding the rehabilitation process.

The Group signed a Letter of Intent ('LOI') dated 1 March 2021 with Thai Airways under which the parties agreed to amend the lease terms that existed then. The actual lease agreement reflecting the terms set out in the LOI was signed on 1 April 2022. The effective date for the lease modification was 15 June 2021.

The new lease terms provided for a power by the hour ('PBH') arrangement until 31 December 2022 (with rent payable by reference to actual monthly utilisation of the Thai aircraft and engines), with scaled back monthly fixed lease payments thereafter until October 2026 for aircraft MSN 36110 and December 2026 for aircraft MSN 35320 reflecting reduced market rates in the long-haul market. The lease term can be extended for a further 3 years to October and December 2029 respectively, with further scaled back monthly lease payments starting from November 2026 and January 2027. The Extension Period is however subject to agreement with the Group after consulting the Lenders. Given the uncertainty around the lease extension, the lease terms are considered to be the period up to October and December 2026.

A corresponding agreement was reached with the lenders as detailed below.

### DEKABANK DEUTSCHE GIROZENTRALE AND TWO OTHER CONSORTIUM MEMBERS ('DekaBank')

On 6 May 2021, subsequent to the LOI being entered into by the Group and Thai as described above, the Group and DekaBank amended and restated the existing loan facility agreements in respect of the Thai aircraft to accommodate the new lease terms, First Amendment and Restatement to the Loan Agreements. Repayments of principal were deferred until after the end of the PBH arrangement (31 December 2022), and a new repayment schedule was to be renegotiated close to the end of the PBH arrangement.

On 7 February 2023, the Group and DekaBank entered into a Second Amendment and Restatement to the Loan Agreement in which the parties agreed on the following main terms:

- the total loan amount outstanding was split into two tranches:
  - Facility A loan of US$ 61,144,842 made up of MSN 35320 loan of US$ 31,099,453 and MSN 36110 loan of US$ 30,045,389. The Facility A loan amortizes to a combined balloon of US$ 33,947,878 and represents the scheduled debt.

## SUMMARY (CONTINUED)

### DEKABANK DEUTSCHE GIROZENTRALE AND THREE OTHER CONSORTIUM MEMBERS ('DekaBank') (CONTINUED)

  - Facility B loan of US$ 35,504,024 (non-amortizing), made up of MSN 35320 loan of US$ 17,366,650 and MSN 36110 loan of US$ 18,137,374. The Facility B loan will be settled as a balloon payment at the end of the loan term in 2026.
- USD 2.36m of surplus cash generated under the PBH period was used to immediately repay debt on the amortizing Facility A loan in February 2023, while an agreed cash reserve of US$ 500,000 per aircraft will be retained to cover unforeseen costs going forward.
- the interest rate swap in place for the scheduled debt was dissolved at no net gain or loss.
- the MSN 35320 and MSN 36110 Facility A loans bear fixed interest rates of 6.61% and 6.89% respectively.
- the MSN 35320 and MSN 36110 Facility B loans bear fixed interest rates of 5.26% and 5.42% respectively.
- from the monthly fixed lease rental of US$ 510,000 per aircraft (which denotes the maximum amount the Company can earn in operations per month), US$ 475,000 is legally restricted so that those funds are only payable to the lenders, and US$ 35,000 per aircraft can be retained by the company to contribute towards ongoing fixed costs of the Company.

Due to the limited liquidity position of the Group, restructuring fees associated with the second amendment and restatement will be paid after the eventual remarketing of the aircraft, subject to surplus sales proceeds being realised.

### IMPAIRMENT

In line with each reporting date and market capitalisation of US$ 15 million at 31 December 2023, a detailed impairment assessment of the aircraft was undertaken. Following this review an impairment of US$ nil (2022: US$ nil) was booked against the aircraft. See note 3 for further details regarding the impairment and comments under Highlights on page 7 regarding the difference between net asset value and market capitalisation.

### DISTRIBUTION POLICY

Under normal circumstances, the Group aimed to provide shareholders with an attractive total return comprising income, from distributions through the period of the Company's ownership of the Assets, and capital, upon any sale of the Assets. The Company originally targeted a quarterly distribution in February, May, August, and November of each year. The target distribution was US$ 0.0225 per share per quarter. The dividends were targets only with no assurance or guarantee of performance or profit forecast.

Due to the impact of COVID-19 on the aviation industry and therefore our lessor, the Board suspended the payment of dividends from 3 April 2020 until further notice. This suspension remains in place to date. Any lease rental payments received by the Company in respect of the Thai aircraft are expected to be applied exclusively towards the running costs of the Company and its subsidiaries, and as a priority towards interest and principal repayments to the DekaBank. Given this backdrop the Company feels that there is no realistic prospect of the Company's shareholders receiving a dividend or other distribution during the remaining lease period. The Board and its advisers will continue to consult with shareholders and its advisors in the future with a view to determining the best course of action to take for the future of the Company.

## HIGHLIGHTS

### RESULTS FOR THE YEAR

Results for the year ended 31 December 2023 is a loss after tax of US$ 2,505,687 (loss per share US$ 0.01). For the year ended 31 December 2022 there was a profit after tax of US$ 7,660,823 (profit per share US$ 0.03).

The results for the year ended 31 December 2023 are mainly driven by rental income earned of US$ 8,714,249 (2022: US$ 16,462,372) and finance costs incurred of US$ 9,551,675 (2022: US$ 4,860,305). The increase of finance costs is a result of an adjustment required by IFRS to reflect the modification to the loan terms in February 2023. The adjustment for the modification to the loans in February 2023 totalled US$ 5,042,029 and increased both finance costs and the loans payable at the point of modification and resulted in an overall loss for the period. This adjustment essentially recognises a loss now due to the less favourable terms (primarily interest rate increases) under the modified terms compared to the original terms. As a result of this adjustment, interest will be recognised at the lower original effective interest rate as opposed to the higher modified interest rate going forward. The decrease in rent was due to the variable rent earned for the period ended 31 December 2022. For the period to 31 December 2023, the entity only earned fixed rental income.

Refer to page 48 for full details of results for the period.

### NET ASSET VALUE ('NAV')

The NAV for the reporting period was US$ 0.17645 per share at 31 December 2023 (2022: US$ 0.18692). NAV per share has decreased due to the loss made during the year (see above). The NAV excluding the financial effects of the straight-lining lease asset and the loan modification adjustment was US$ 0.16018 per share at 31 December 2023 ( 2022: US$ 0.13662).

The straight-lining lease asset and the loan modification adjustment will reduce to nil over time. The adjusted NAV and loan modification adjustment is therefore presented to provide what the Directors consider to be a more relevant assessment of the Group's net asset position.

| | Note | As at 31 December 2023, US$ | US$ per share | As at 31 December 2022 US$ | US$ per share |
|---|---|---|---|---|---|
| **NAV per the financial statements** | | **42,230,434** | **0.17645** | **44,736,121** | **0.18692** |
| Less: Straight-lining lease asset | 11 | (10,038,709) | (0.04194) | (13,525,502) | (0.05651) |
| Add: Provision for straight lining lease asset | 11 | 1,103,254 | 0.00461 | 1,486,453 | 0.00621 |
| Add: Loan modification adjustment | 6 | 5,042,029 | 0.02107 | - | - |
| | | (3,893,426) | (0.01627) | (12,039,049) | (0.05030) |
| **Adjusted NAV** | | **38,337,008** | **0.16018** | **32,697,072** | **0.13662** |

As at 31 December 2023 the price per share was US$ 0.0625 which is significantly lower than the NAV per share above, excluding the straight-lining lease asset and the loan modification adjustment. The reason for the difference is due to the market price per share reflecting other factors such as market sentiment that cannot be accounted for in a set of annual financial statements. The main asset in the Group, the aircraft, has been assessed for impairment (see note 9) – with no resulting impairment for the period. Other significant assets comprise cash and receivables whose values are considered to be reflective of fair value due to their short-term nature. Therefore, the low share price is not indicative of a need for further impairment to the assets of the Group.

## HIGHLIGHTS (CONTINUED)

### DIVIDENDS

As previously outlined, as a result of the Coronavirus pandemic on global aviation and particularly on its lessees; the Group suspended dividends on 3 April 2020 until further notice to help preserve liquidity. Further details on the impact of the COVID-19 pandemic can be found within the Summary, the Asset Manager's Report, and the Directors' Report. Furthermore, in accordance with the second amended loan agreement with DekaBank, the Group will make no dividend payments while loan deferrals remained outstanding under the amended loan agreement.

### OFFICIAL LISTING

The Company's shares were first admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 4 October 2013.

## CHAIRMAN'S STATEMENT

I am pleased to present Shareholders with the Annual Report of the Group for the year ended 31 December 2023.

The loss per share for the period was US$ 0.01047 compared to a profit per share of US$ 0.03429 for the same period last year. The net asset value per share at the period end was US$ 0.17645 compared to US$ 0.18692 at 31 December 2022. For the last six months of the year the Group made a profit of US$ 1.567m.

IFRS requires rental income to be recognised on a straight-line basis over the remaining lease period and consequently the accounting treatment has resulted in some income being recognised earlier than would normally be the case. In addition, IFRS requires a provision to be made against that lease income which has been estimated based on recent credit reports on Thai. Please refer to page 7 which explains the net impact of this on the profit for the period and the NAV of US$ 0.17645 per share.

There has been a continued improvement in the global aviation market following the challenges resulting from the effects of the Covid-19 (Covid) pandemic. Recent sentiment on airline and related stocks has been more optimistic. The Ukraine war has not had as a significant impact on the industry as was expected. With Covid restrictions in China being lifted there is cause for some optimism in tourism numbers from that market going forward.

It has been encouraging to see how the airline and the Thai tourist economy has responded and rebounded from the crippling effect of the Covid years. Thai has regained profitability and anticipates exiting administration – currently anticipated in Q4 2024. They have also projected a potential listing return during 2025.

Both our aircraft, HS-TQC and HS-TQD have mainly flown in the Asian region during the year. This has also been true of the other four, Rolls Royce Trent 1000 powered 787-8 aircraft in the Thai fleet. Sector lengths flown through the year have varied from just under two hours (Singapore and KL) to approximately six hours (Japanese routes). Other larger aircraft in the Thai fleet have also been serving Asian routes which at present represent the largest passenger segment. Under the terms of industry lease arrangements lessee's have the right to fly the routes which serve their needs. Shorter sector lengths do not reduce the airlines responsibility to maintain the aircraft nor in our case to return the aircraft at the lease term end in full life condition. Our asset manager is responsible for liaison with Thai on all operational matters and to regularly inspect our assets.

The vibrant uptick of the tourist economy has led to the airline placing both near term orders for seven larger wide bodied aircraft (both Boeing and Airbus) but also for bigger order sizes in the medium term. This larger reported order of 45 Boeing 787-9's is good news as a reinforcement of Boeing as a core fleet constituent but it has opted for GE engines rather than Rolls Royce which power the current six 787-8's in their fleet (including both our aircraft). The positioning of the smaller 787-8 within Thai's forward fleet plans is not conclusively known and we, through our asset manager, will be seeking to clarify greater detail in that regard.

Our aircraft are now operating on fixed monthly lease payments with Thai until October/December 2026 respectively, reflecting the reduced lease rates negotiated earlier. As previously noted, the lease term was extended by a further 3 years to October/December 2029, with further scaled back monthly lease payments starting from November 2026/January 2027, and the Group retaining a right of early termination in October/December 2026 after consultation with the Lenders.

## CHAIRMAN'S STATEMENT (CONTINUED)

The current finance arrangements with our Lenders expire at the end of 2026. In this respect the Group can therefore (i) negotiate to extend the loans with the existing Lenders, (ii) refinance the loans with new lenders or (iii) sell the aircraft to an investor within a time frame until the end of 2026. Any option has to be agreed with the current Lending group and corresponding discussions will start in October 2024. By April 2025, the Group and Lenders have to inform Thai whether or not they will execute the early termination option under the lease. By October 2025 the Group has to provide the Lenders with information on the steps it is taking to refinance or to remarket the aircraft followed by a Term sheet no later than August 2026. As an ongoing obligation, the Group has to inform the Lenders in relation to any negotiations and or consultation with Thai regarding any restructuring of the Operating Lease Agreement.

Whilst there can be no absolute certainty the preferred option for the Group is the sale of the aircraft with a lease attached which reflects improved market terms and conditions. The current leases require the aircraft to be returned in full life condition.

The Board and the Asset Manager remain fully committed to extract the best value for shareholders in this process and are focussed on actions to improve and preserve the value of the assets. The forthcoming months will allow us to consider and review the various options and to recommend a preferred path. Necessarily this will need to involve the proactive involvement of our lenders, advisors and our valued lessee.

The Company believes the Boeing 787 remains an attractive asset and notes recent transactions in the market though transparency around transaction values is not currently available. Boeing 787 wide body production is still behind historic levels and delayed deliveries for new aircraft are further strengthening this demand.

The Board notes that whilst the 787 aircraft is now key to Thai, the Group's aircraft type are the smaller 8 series and we note that all new wide bodied aircraft Thai propose to add to their fleet are the larger 787-9 variant. The priority of the Group will therefore be commencing discussions with Thai on how our aircraft fit into the overall Thai fleet strategy and to what extent existing arrangements can be enhanced for the mutual benefit of both parties.

As previously noted, there is no realistic prospect of the Company's shareholders receiving a dividend or other distribution prior to the end of the lease term. The key uncertainty remains the outlook for Thai, though the position of Thai has improved considerably, the impact of inflation on the travel industry and the knock on effect these factors may have on aircraft values and lease rentals.

Notwithstanding there has been some unavoidable cost increases and inflationary pressures, with respect to ongoing working capital requirements, the Group has been able to reduce the net cash burn because some service providers and the directors have deferred some amounts due.

In order to ensure the Group has sufficient funds to adequately finance the period over which the Board would like to realise value for shareholders, should an appropriate opportunity arise, a further fund raise up to $1 million will be required in Q3 2024.

The Board and its advisers will continue consulting with investors on an ongoing basis. I am especially grateful to the Board and our key service providers for their continued significant support over the period and going forward. Finally I would like to thank our Investors for their continued support.

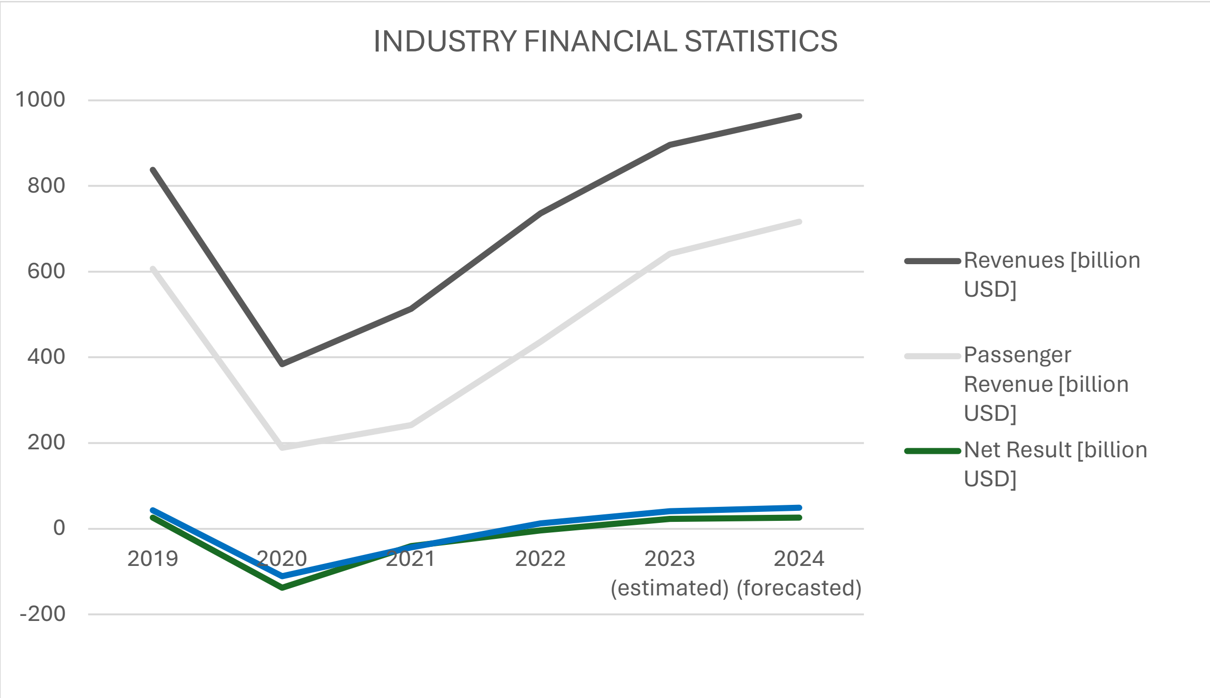
**Jonathan Bridel**
**Chairman**
**25 April 2024**

## ASSET MANAGER'S REPORT

### THE AIRLINE MARKET

**Snapshot**

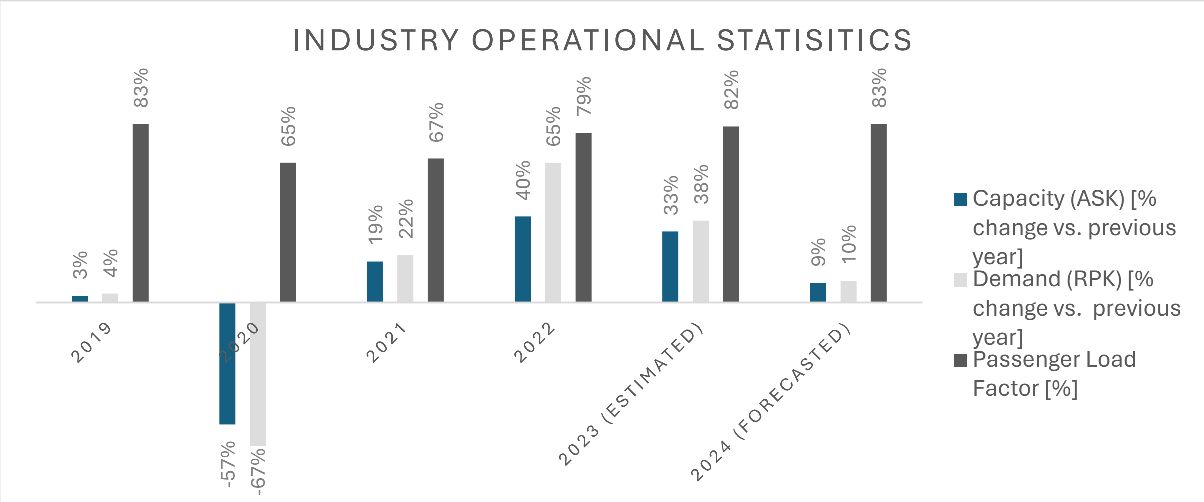
"The airline industry has emerged from the shadows of the pandemic, showing signs of robust recovery and resilience" says Jeremy Bowen, CEO at Cirium.[1] Global passenger traffic is expected to outperform pre-Covid levels in 2024 and airline revenues are expected to be about 7% higher than in 2019.[2] However, challenges such as rising inflation rates, geopolitical conflicts, environmental pressure and supply chain issues will continue to impact the aviation industry in 2024.




Source: IATA December 2023[3]

[1] Cirium: "Celebrating the airline industry's operational performance and 2024 industry outlook"; 18th January 2024
[2] IATA: "Global Outlook for Air Transport"; December 2023
[3] IATA: "Industry Statistics: Fact Sheet December 2023"; December 2023

## ASSET MANAGER'S REPORT (CONTINUED)




Source: IATA December 2023; April 2021[4]

**Global**

- Current Situation
  - All regions benefitted from increasing passenger demand and the lifting of Covid-19 restrictions[5]
  - Sluggish business travel recovery due to increasing cost management and sustainability strategies but premium travel of leisure passengers increased[6]
  - Aircraft deliveries in 2023 lower than in 2019 due to supply chain and manufacturer issues still unsolved[7]
  - At the end of 2023, 13% of the global fleet was reported as stored (including aircraft reserved for part-outs) compared to 19% at the beginning of 2023[8]
- Outlook
  - 60 national elections to take place in 2024 with uncertain outcome on the political direction[9]
  - Unknown impact of increasing geopolitical tensions, acts of war and warlike operations
  - The cargo market might profit from disruption of seaborne cargo and increasing volumes but is expected to remain weak[10]
  - Boeing predicts that over 42,000 new aircraft (with an approximate value of USD 8 trillion) will be needed over the next 20 years - an increase of 3.5% compared to Boeing´s last year outlook[11]
  - DBRS Morningstar expects aircraft asset values and lease rates to be strong in 2024[12]
  - Uncertainty regarding costs of sustainability strategies[13]

[4] IATA: "Industry Statistics: Fact Sheet December 2023"; December 2023; IATA: "Industry Statistics: Fact Sheet April 2021"; April 2021
[5] PwC: "2024 Aviation Industry Review & Outlook"; 25th January 2024
[6] Cirium: "Celebrating the airline industry's operational performance and 2024 industry outlook"; 18th January 2024 / PwC: "2024 Aviation Industry Review & Outlook"; 25th January 2024
[7] IATA: "Global Outlook for Air Transport"; December 2023
[8] PwC: "2024 Aviation Industry Review & Outlook"; 25th January 2024
[9] PwC: "2024 Aviation Industry Review & Outlook"; 25th January 2024
[10] PwC: "2024 Aviation Industry Review & Outlook"; 25th January 2024
[11] Boeing: "Boeing Forecasts Demand for 42,600 New Commercial Jets Over Next 20 Years"; 18th June 2023 / Cirium: „"Boeing raises 20-year aircraft demand forecast"; 19th June 2023
[12] DBRS Morningstar: "Aviation Secured, ABS, EETC 2024 Outlook Stable—Asset Values, Lease Rates Strong; Event Risk, Financing Challenges Exist"; 12th February 2024
[13] Cirium: "ANALYSIS: What's lies ahead for commercial aviation this year?"; 27th February 2024

## ASSET MANAGER'S REPORT (CONTINUED)

**Asia**

- Current Situation
  - **Recovery** lags **behind other regions such as Europe and North America**[14]
  - **An increase of** 131% in demand, measured in Revenue Passenger Kilometers (RPK) and 106% in availability, measured in Available Seat Kilometers (ASK) on full year international 2023 traffic[15]
  - **Break-even load-factor expected for 2023**[16]

- Outlook
  - Demand (ASK) expected to grow by over 13% in 2024 compared to 2023[17]
  - Recovery year 2024: passenger traffic expected to outperform 2019-levels[18]
  - AAPA´s (Association of Asia Pacific Airlines) Director general Subhas Menon expects 2024 to be a successful year for Asian airlines[19]

**Outlook & Conclusion**

The aviation industry has made good progress to completely return globally to pre-Covid-19 levels, despite ongoing-challenges such as high inflation, supply and maintenance facility bottlenecks as well as the rising number of geopolitical conflicts and wars. The current aircraft shortage results mainly from the still reduced delivery rates and the grounding of aircraft due to various reasons such as issues with B737MAX aircraft and Pratt & Whitney GTF engines. This situation might persist and lead to longer aircraft in service lives and the reactivation of previously retired aircraft.

The Asia Pacific market represents about one third of global demand[20] although not having completely recovered from the pandemic, particularly suffering from weak international markets to and from China. Other emerging markets, such as India, offer a huge potential for growth. This in turn, might intensify competition as new market entrants will try to benefit from such momentum.

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[14] PcW: "2024 Aviation Industry Review & Outlook"; 25th January 2024
[15] Cirium: "APAC airlines see robust passenger demand in 2023: AAPA"; 31st January 2024
[16] PcW: "2024 Aviation Industry Review & Outlook"; 25th January 2024
[17] IATA: ""Global Outlook for Air Transport"; December 2023
[18] IATA: "Global Outlook for Air Transport"; December 2023
[19] Cirium: "APAC airlines see robust passenger demand in 2023: AAPA"; 31st January 2024
[20] IATA: "Air Passenger Market Analysis December 2023"; 31st January 2024

## ASSET MANAGER'S REPORT (CONTINUED)

Considering the enormous number of new aircraft orders in 2023 shows that airlines are confident in the rising numbers of travellers and a positive trend of aviation transport. Increasing premium travel of leisure passengers indicates the importance of the freedom to travel after the pandemic and the importance of holiday trips. The current development emphasises the resilience of the aviation industry, although this business sector will always remain fragile to temporary downturns. One very important and significant challenge for the aviation industry, not only from a financial perspective, is to reduce its environmental impact and ultimately to reach zero $CO_2$ emissions.

Please note that all forecasts are predicated on historical facts and educated projections. It ought to be regarded as a potential rule of thumb.

### THE LESSEE – THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED

**Snapshot**

- Fleet of 69 aircraft in operation and 20 decommissioned aircraft in storage[21]
- Thai Airways is the market leader within Thailand´s carriers on international routes (16% market share) while being the smallest on domestic routes [22]
- Launch of a daily flight to Istanbul (Turkey) in December 2023[23]
- Yields in the third quarter 2023 were up more than 50% compared to the same quarter 2019[24]
- Stronger focus on sustainability through partnerships regarding SAF (Sustainable Aviation Fuel) usage and commitment to use more eco-friendly material (on-board amenity kits, new flight attendant uniforms, etc.)[25]
- The largest number of tourist arrivals at Thai airports are from Malaysia, China and South Korea[26]
- Arrivals from China and Japan in 2023 had reached only 35% and 65% respectively of 2019-levels, while inbound travel from Vietnam, Taiwan, Indonesia, UAE and the Philippines (nearly) exceeded pre-pandemic levels[27]
- Main threats result from lower economic growth in the Asia Pacific region, a high level of inflation, volatility of oil prices and the entrance of new market players[28]

[21] Cirium: "Thai Airways International Fleet Summary"; 2nd February 2024
[22] ISHKA: Thai Airways and Thai AirAsia seize demand recovery as rival Nok Air lags behind"; 5th February 2024
[23] Thai Airways International PCL: "Management´s Discussion and Analysis for the three months ended March 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"
[24] ISHKA: Thai Airways and Thai AirAsia seize demand recovery as rival Nok Air lags behind"; 5th February 2024
[25] Thai Airways International PCL: "Management´s Discussion and Analysis for the three months ended March 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"
[26] Thai Airways International PCL: "Management´s Discussion and Analysis for the three months ended March 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"
[27] Cirium: "ANALYSIS: Can Thailand recoup lost ground after the pandemic?"; 5th February 2023
[28] Thai Airways International PCL: "Management´s Discussion and Analysis for the three months ended March 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"

## ASSET MANAGER'S REPORT (CONTINUED)

### Restructuring and Rehabilitation Process since 18th May 2022

- Debt repayment according to the Business Rehabilitation Plan on track[29]
- Sale of six B747-400s, one A340-500, three additional unused aircraft, five unused engines, two overseas properties and shares in a pipeline Transportation company[30]
- The integration of Thai Smile into Thai had been completed 31st December 2023 and is expected to increase the carrier´s efficiency, flight operations and fleet utilisation[31]
- The carrier implemented a route expansion and fleet efficiency improvement plan[32]
- The Stock Exchange of Thailand (SET) approved to extend the time limit to 7th March 2025 for Thai to eliminate the criteria for delisting (negative equity)[33]
- Thai Airways plans to exit rehabilitation by the end of 2024[34]

[29] Thai Airways International PCL: "The update on the 10th progress of the implementation of the Business Rehabilitation Plan for the period from 15th September 2023 to 14 December 2023 (2nd quarter of the 3rd year); 27th December 2023
[30] Thai Airways International PCL: "The update on the progress of the implementation of the Business Rehabilitation Plan for the period from 15th March 2023 to 14 June 2023 (4th quarter of the 2nd year); 27th June 2023 / Thai Airways International PCL: "The update on the 9th progress of the implementation of the Business Rehabilitation Plan for the period from 15th June 2023 to 14 September 2023 (1st quarter of the 3rd year); 27th September 2023
[31] ISHKA: Thai Airways and Thai AirAsia seize demand recovery as rival Nok Air lags behind"; 5th February 2024 / ch-Aviation: "Thai Smile ends flight operations"; 4th January 2024
[32] Thai Airways International PCL: "Management´s Discussion and Analysis for year 2023 ended December 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"
[33] SET: "SET announces time extension for THAI to eliminate the ground for delisting"; 8th March 2024
[34] Thai Airways International PCL: "Management´s Discussion and Analysis for the three months ended March 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"

## ASSET MANAGER'S REPORT (CONTINUED)

**Thai´s Financial & operational performance in brief (incl. subsidiaries)[35]**

| [billion THB*] | 2023 | 2022 | Change | Link |
|---|---|---|---|---|
| **Operating Revenues** | **161.07** | **105.04** | **+ 53 %** | |
| - Passenger and Excess Baggage | 132.74 | 74.04 | + 79 % | |
| - Freight and Mail | 15.46 | 23.78 | - 35 % | |
| - Other Businesses | 9.25 | 6.67 | + 39% | a) |
| - Other Income | 3.62 | 0.55 | + 562% | |
| **Operating Expenses** | **120.86** | **97.24** | **+ 24 %** | **b)** |
| - Fuel and Oil | 47.77 | 38.38 | + 25 % | c) |
| - Non-Fuel Operating Costs | 73.09 | 58.87 | + 24 % | d) |
| **Operating Result excl. One-Time Items** | **24.60** | **- 4.59** | ↗ | |
| **Net Result** | **28.10** | **- 0.27** | ↗ | **e)** |
| **Capacity - ASK (million)** | **54,280** | **38,526** | **+ 41 %** | |
| **Demand - RPK (million)** | **43,268** | **26,163** | **+ 65 %** | |
| **Load Factor** | **79.7 %** | **67.9 %** | **+ 11.8 pp** | |
| **Passengers (million)** | **13.76** | **9.01** | **+ 53 %** | |
| **Passenger Yield [THB/RPK]** | **3.06** | **2.82** | **+ 9 %** | |
| **Aircraft Utilisation [block hours]** | **12.2** | **10.4** | **+ 17 %** | |
| **Number of Aircraft** | **77** | **86** | **- 11 %** | |
| **Increase in Cash & Cash Equivalents [bn THB]** | **18.40** | **29.03** | ↗ | **f)** |
| **Current Ratio (consolidated)** | **2.51** | **2.04** | ↗ | **g)** |

* Exchange rate THB:USD as at 31st December 2023: 1,00 THB : 0,03 USD[36]

*Remarks*

a) Catering, ground services, cargo handling, etc.
b) Increase is in-line with increased operations
c) Average fuel price in 2023 decreased by 16% compared to 2022
d) Crew expenses, aircraft maintenance, lease of aircraft, etc

[35] Thai Airways International PCL: "Management´s Discussion and Analysis for year 2023 ended December 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"
[36] Bundesverband Deutscher Banken; 27th February 2024

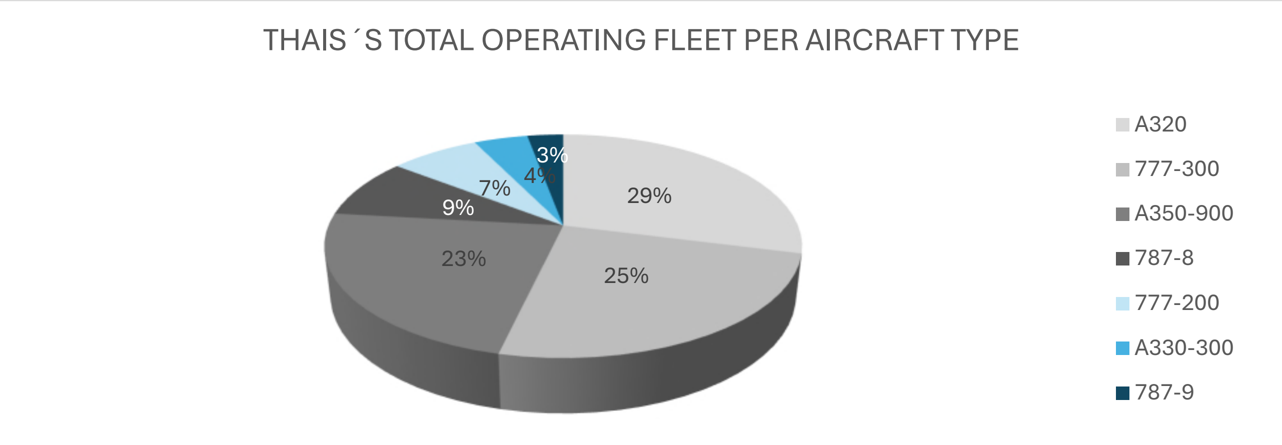
## ASSET MANAGER'S REPORT (CONTINUED)

**Thai´s Financial & operational performance in brief (incl. subsidiaries)[37] (Continued)**

*Remarks (continued)*

e) Affected by one-time expenses, particularly due to a gain on debt restructuring (THB 3.96 billion), the sale of assets (THB 0.47 billion) and a loss on foreign currency exchange (THB 1.07 billion)
f) Slower increase than last year but the amount of cash and cash equivalents further increased
g) Improve in liquidity and the ability to pay debt services (Current Ratio = Current Assets/Current Liabilities)

**Fleet**




- Currently about 70 aircraft in operation[38]
- Pre-pandemic fleet comprised approximately 100 aircraft
- Targeted growth of about ten aircraft annually to 90 aircraft by the end of 2025[39]
- Agreement to lease four A350-900s, three B787-9s and ten A321NEOs from AerCap with delivery between 2024 and 2026[40]
- Signed leases for two used A330-300s with CDB Aviation[41]
- Agreement with Air Lease Corporation on leases for three B787-9s with delivery in 2025[42]
- Firm order of 45 B787-9s equipped with GE Aerospace engines and additional 35 B787-9s on option; deliveries are expected to start in 2027 and Thai has the flexibility to change the order (partially) to B787-8s or B787-10s[43]
- Potential aircraft type phase-out in the mid-term[44]
  - A330 fleet as the only three aircraft in the current fleet (two used will join shortly on a lease; lease term unknown) are about 15 years old
  - B777-200ER fleet (five aircraft) being 16 to 17 years of age

[37] Thai Airways International PCL: "Management´s Discussion and Analysis for year 2023 ended December 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"
[38] Cirium: "Thai Airways International Fleet Summary"; 2nd February 2024
[39] Cirium: "SNAPSHOT: Thai Airways poised for widebody fleet renewal"; 16th February 2024
[40] AerCap: "AerCap announces lease agreements with Thai Airways for four Airbus A350-900 aircraft, three Boeing 787-9 aircraft and ten Airbus A321NEO aircraft; 21st February 2024
[41] Cirium: "Thai Airways to lease two A330-300s from CDB Aviation"; 3rd January 2024
[42] Cirium: "ALC places three new 787-9s with Thai Airways International"; 27th February 2024
[43] Thai Airways International PCL: "THAI Strengthens Fleet Efficiency by Adding Boeing 787 Dreamliners Powered by GEnx Engines"; 20th February 2024
[44] Cirium: "SNAPSHOT: Thai Airways poised for widebody fleet renewal"; 16th February 2024

## ASSET MANAGER'S REPORT (CONTINUED)

**Outlook & Opportunities post-Covid-19 pandemic**

- Additional destinations to be resumed in spring/summer 2024: Perth, Colombo, Milan and Oslo and frequencies on popular routes will be increased [45]
- Thai Airways plans to codeshare with low-cost airline Nok Air to enlarge its domestic network once Nok Air opens a base at Bangkok Suvarnabhumi Airport; expected for the second half of 2024[46]
- Eight start-up airlines had been granted an AOC in 2023, including cargo airlines, operators of less than 20-seat aircraft as well as competing airlines such as Really Cool Airlines; however, it remains uncertain if all of them will start operations[47]
- Passenger numbers at Thailand´s Airports in 2023 only recovered to about 75% of pre-pandemic levels leaving room for further growth[48]
- The Airports of Thailand announced to invest THB 97 billion (approx. USD 2.72 billion[49]) in the expansion of six major international Thai Airports, including Bangkok Suvarnabhumi, within the next six years[50]
- The Thai Government decided on a permanent visa-exemption for Chinese tourists[51]
- Analysts are not aligned if Thailand´s passenger numbers will fully recover in 2024 as this strongly depends on tourism, especially on Chinese tourists' numbers which are currently impacted by a weak Chinese economy[52]

### Comments & conclusions

Thai Airways is dependent on the tourism sector, particularly on in-bound tourism and contingent on any decision made by the Government to soften travel restrictions. Consequently, the visa-exemption for Chinese travellers might be welcome to support the airline´s growth of passengers, revenues´ and operational income.

The airline`s move to fully integrate the subsidiary Thai Smile is expected to offer a more consistent brand identity and to allow Thai Airways to switch more easily narrow- and widebody aircraft on domestic and regional routes due to seasonality and overall demand. Therefore, it makes sense that the Business Class comfort of the former A320 Thai Smile Fleet will be enhanced to offer a consistent product within its fleet. However, it will be interesting to see if increased fleet flexibility and synergy effects will succeed to counterbalance the parent company`s higher aircraft operating costs.

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[45] Thai Airways International PCL: "Management´s Discussion and Analysis for year 2023 ended December 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"
[46] ch-aviation: "Thailand's Nok Air firms Suvarnabhumi base for 2H24"; 6th February 2024
[47] Cirium: "ANALYSIS: Can Thailand recoup lost ground after the pandemic?"; 5th February 2023
[48] ISHKA: Thai Airways and Thai AirAsia seize demand recovery as rival Nok Air lags behind"; 5th February 2024
[49] Exchange rate as at 6th February 2024
[50] The Nation Thailand: "AOT earmarks 97 billion baht to expand 6 airports in the next 6 years"; 26th November 2023
[51] Thai Airways International PCL: "Management´s Discussion and Analysis for year 2023 ended December 31, 2023, for Thai Airways International Public Company Limited and Its Subsidiaries"
[52] Cirium: "ANALYSIS: Can Thailand recoup lost ground after the pandemic?"; 5th February 2023

## ASSET MANAGER'S REPORT (CONTINUED)

**Outlook & Opportunities post-Covid-19 pandemic (Continued)**

### Comments & conclusions (Continued)

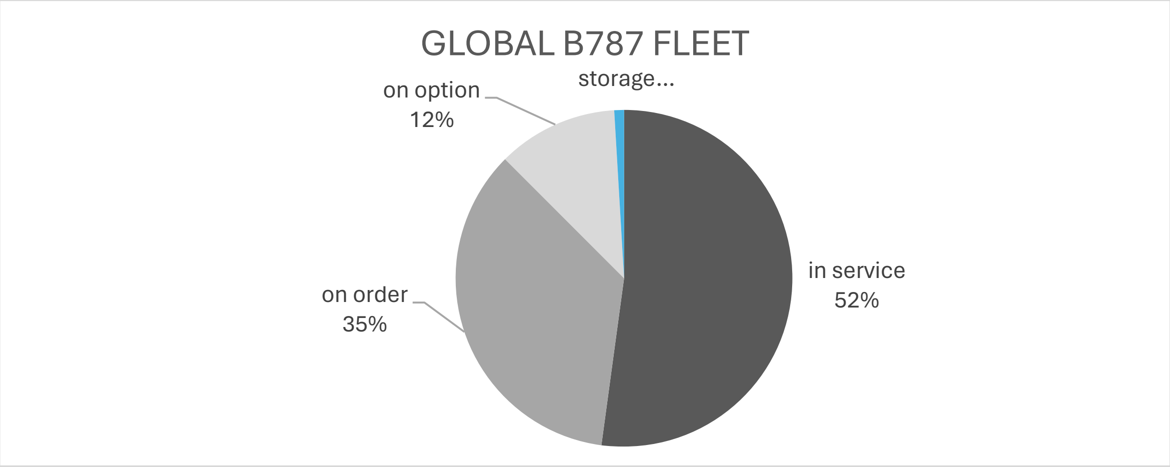
Thai´s order of B787s demonstrates that this aircraft type is of significance in the carrier´s long term fleet strategy. The decision for engines from GE is not a big surprise as Thai has publicly mentioned not to be happy with Rolls-Royce´s pricing strategy[53] and Rolls-Royce engine shop capacity is limited. It is not completely uncommon to operate one aircraft family with engines from different manufacturers. Emirates´ operates its A380 fleet with two different engine types and LATAM recently ordered B787s equipped with GE engines despite operating its current B787s fleet with Rolls-Royce engines. Taking into account that not all aircraft joining the fleet over the next ten years are dedicated for growth but also for replacement of older aircraft puts the growth rate into perspective. Nevertheless, Thai will need to demonstrate that their aircraft orders are not bringing more seat capacity into the market than the airline will be able to profitably utilise.

The 2023 financial results look promising, and Thai intends to exit Rehabilitation earlier than originally forecasted. Though, the carrier will have to prove profitability in the long-term allowing for potential new market entrants and a flattening passenger growth after pre-pandemic levels have been reached. The recovery in the Asia Pacific region could also attract new airline launches aiming to benefit from a recovering market. Potentially, in times of delivery and aircraft shortages, the winners will be those who successfully manage to receive additional aircraft at the time of market need.

**THE ASSETS**

**Update Boeing 787[54]**

- 313 Boeing 787s were ordered in 2023; including 14 of the B787-8 variant
- 73 B787s were delivered in 2023, including ten B787-8s
- The orderbook showed 797 backlogs of the Dreamliner, including 43 of the B787-8 variant (as at 27th February 2024)
- Boeing intends to increase the monthly B787 production rate to ten aircraft in 2025; the current rate was at five per month as at the end of 2023[55]
- Seven B787 aircraft, all of them of the B787-8s variant, were published for remarketing as at March 2024[56]




[53] Bangkok Post: "THAI baulks at Rolls-Royce engine prices"; 9th November 2023
[54] Boeing Commercial Airplanes: Orders and Deliveries as per 27th February 2024
[55] Flight Global: "Boeing moves forward with plan to bump up 737 and 787 production rates"; 26th July 2023 / Reuter: "Boeing execs stand by 2025-26 financial guidance; near-term focus is safety"; 1st February 2024
[56] ISHKA: "Remarketing Watch Data Sheet: March 2024"; 5th March 2024

## ASSET MANAGER'S REPORT (CONTINUED)

**THE ASSETS (Continued)**

**Update Boeing 787[57] (Continued)**

Source: Cirium: "Fleet Analyzer"; 28th February 2024

- 27% of delivered and ordered B787s are powered by Rolls-Royce compared to a market share of 33% in 2022[58]
- Rolls-Royce is going to invest GBP 1 million in the improvement of existing products, including the Trent 1000 engine (powering B787s)[59]
- Latest transactions:
    - November 2023: Credit Agricole closed a finance lease of one B787-9 operated by Vistara[60]
    - December 2023
        - First delivery of one B787-9 to a Chinese airline after two years[61]
        - Order of five B787s powered with GE-engines by LATAM[62]
        - Air Europe took delivery of one B787-9 leased from AerCap63
    - 2023: Lessor AerCap bought three B787-9s to be hold in their own portfolio[64]
    - January 2024: Air Japan (Low-Cost-Carrier newly launched by ANA) received its first B787-8 (formerly operated by ANA)[65]
    - February 2024
        - Royal Brunei ordered four B787-9s with deliveries starting in 2028[66]
        - Thai Airways ordered 45 B787-9s plus 35 Dreamliner on option[67]
        - Hawaiian´s first Dreamliner (B787-9) will be financed by the Lessor Jackson Square Aviation[68]
    - One B787-9 had been delivered to Turkish Airlines by AerCap[69]
    - March 2024: Oman Air intends to sell its only two B787-8s and keep its B787-9s a part of their restructuring[70]

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[57] Boeing Commercial Airplanes: Orders and Deliveries as per 27th February 2024
[58] Cirium: "Rolls-Royce homes in on durability improvements"; 23rd February 2024
[59] Cirium: "Rolls-Royce homes in on durability improvements"; 23rd February 2024
[60] Cirium: "Credit Agricole arranges Vistara 787 finance lease"; 30th November 2023
[61] Cirium: "Juneyao breaks Chinese 787 delivery drought"; 22nd December 2023
[62] Cirium: "LATAM switches to GEnx engines for new order of five 787s"; 20th December 2023
[63] ISHKA: "Lessor order books: Avolon moves to head of the pack with 140-strong December narrowbody orders"; 22nd January 2024
[64] Cirium: "AerCap sells 20 aircraft in fourth quarter"; 4th January 2024
[65] ch-Aviation: "AirJapan takes first B787-8; launches"; 12th February 2024
[66] Cirium: "Royal Brunei orders four 787-9s"; 20th February 2024
[67] Thai Airways International PCL: "THAI Strengthens Fleet Efficiency by Adding Boeing 787 Dreamliners Powered by GEnx Engines"; 20th February 2024
[68] Cirium: "Jackson Square finances Hawaiian Airlines' first 787-9"; 22nd February 2024
[69] Cirium: "DEALS REPORT: What to do with an A330 as a regional lessor"; 23rd February 2024
[70] Cirium: "Oman Air selling widebodies: sources"; 8th March 2024

## ASSET MANAGER'S REPORT (CONTINUED)

**Assets & Operations**

**Overview**

Both aircraft, HS-TQC and HS-TQD, are based at Bangkok International Airport and operated by Thai Airways. HS-TQC is in regular commercial service.

The utilisation of TQC and TQD as well as their respective titled engines is shown in the following tables:

| AIRCRAFT OPERATIONS | Thai Airways | |
|---|---|---|
| | HS-TQC | HS-TQD |
| Cabin Layout | 24 Business Class Seats<br>240 Economy Class Seats | |
| LAST PHYSICAL INSPECTION | | |
| Date | 21st December 2023 | 3rd February 2023 |
| Place | Bangkok Airport (BKK) | |
| AIRFRAME STATUS (29th February 2024) | | |
| Total Flight Hours | 24,313 | 22,166 |
| Average Monthly Utilisation Since Delivery [FH] | 217 | 200 |
| Total Flight Cycles | 5,702 | 5,144 |
| Average Monthly Utilisation Since Delivery [FC] | 51 | 46 |
| Hours/Cycles Ratio Since Delivery | 4.26 | 4.31 |

| TITLED ENGINES (29th February 2024) | HS-TQC | | HS-TQD | |
|---|---|---|---|---|
| | ESN 10239 | ESN 10243 | ESN 10244 | ESN 10248 |
| Total Time [Flight Hours] | 22,735 | 16,645 | 18,967 | 21,431 |
| Total Flight Cycles | 5,322 | 3,482 | 4,640 | 4,632 |
| Location | On-wing | In-shop at SAESL for repair | HS-TQE | On-wing |

Engine ESN 10243 was removed due to IPC Stage 8 blade damage found and inducted into shop at the SAESL facility in Singapore on 31st January 2024. Moreover, during replacing engine ESN 10240 with ESN 10243, it was contractually agreed with Thai Airways that the AD (Airworthiness Directives)-2019-0286 would be included in the work scope of the next shop visit of ESN 10243.

On 27th October 2023, the C3-check of HS-TQC was completed at the maintenance facilities at Don Muang Airport (Bangkok, Thailand). On 21st December 2023, the annual inspection of HS-TQC has been performed at Bangkok Suvarnabhumi Airport. The aircraft was undergoing an A-check at this time. No major issues had been found. The aircraft is airworthy and currently in regular commercial operation with Thai Airways. The C3-Check of HS-TQD was completed on 15th March 2024 at the maintenance facilities at Don Muang Airport (Bangkok, Thailand)

## ASSET MANAGER'S REPORT (CONTINUED)

**Snapshot: Destinations of HS-TQC and HS-TQD in December 2023**

| Destination | Average Flight Time | Frequency – TQC | Frequency – TQD* |
|---|---|---|---|
| Bangalore, India | 3:18 | 1 | - |
| Chitose, Japan | 6:32 | 1 | 1 |
| Delhi, India | 3:38 | 1 | 1 |
| Denpasar, Indonesia | 3:44 | 1 | 1 |
| Dhaka, Bangladesh | 2:06 | 3 | 1 |
| Hanoi, Vietnam | 1:46 | 3 | 2 |
| Hyderabad, India | 3:01 | 8 | - |
| Islamabad, Pakistan | 4:26 | - | 2 |
| Istanbul, Turkey | 9:18 | 2 | - |
| Jakarta, Indonesia | 2:53 | 8 | 3 |
| Karachi, Pakistan | 4:28 | - | 1 |
| Kuala Lumpur, Malaysia | 1:46 | 1 | 1 |
| Lahore, Pakistan | 4:06 | 2 | 1 |
| Madras, India | 2:56 | - | 1 |
| Manila, Philippines | 2:55 | 5 | 2 |
| Mumbai, India | 4:12 | 4 | 1 |
| Rangoon, Myanmar | 1:13 | 2 | 1 |
| Saigon, Vietnam | 1:30 | - | 1 |
| Singapore, Singapore | 2:00 | 7 | 2 |

*Less frequencies compared to HS-TQC due to the C3-Check starting 13 December 2023

Source: Flightaware

## ASSET MANAGER'S REPORT (CONTINUED)

**Asset Manager´s actions ensure asset value**

Regular monitoring is the top priority for DS Aviation as DP Aircraft's Asset Manager to make sure that the Lessee is keeping the aircraft in the best condition per the manufacturer's and Lessor's requirements.

Therefore, both aircraft are inspected regularly by DS Aviation´s technical staff or on-site representatives. As previously reported, HS-TQD was lastly inspected in February 2023 at Bangkok International Airport. The next annual inspection will be scheduled in due course. Aircraft HS-TQC was inspected December 2023 at Bangkok International Airport by DS Aviation's on-site representative.

Considering the past, it is essential to monitor the Lessee's activities including both aircraft and its overall activities. Additionally, it is important to ensure a prompt exchange of updated information. Because of this, DS Aviation continues to have an "on-demand" contract with the on-site service provider. Their expertise and workforce are available whenever the circumstance calls for it, ensuring prompt and efficient support on the spot.

**Comments and Conclusions**

The challenges for the manufacturers and airlines to deal with bottlenecks and quality issues remain. The procurement of metals and parts take up to five times longer than in 2019.[71] Airbus´s supply chain management had been increased by 150% and engineers sent out to critical supplier facilities.[72] Therefore, many airlines are not able to grow as quickly as intended. If a carrier is in the favourable position to extend leases, reactivate stored aircraft or push back the phase-out of older aircraft, it might overcome the current bottlenecks. But this might cause new issues as airlines might then not be able to meet given or self-proclaimed standards of sustainability. The significance of sustainability is growing, not only in the population but also in statutory provisions. And delaying the change to a more environmentally friendly fleet might result in additional costs.

The latest B787 transactions show that this aircraft is still a liquid asset and well accepted by airlines. On the engine side, Rolls-Royce pays for their reliability issues, particularly with the Trent 1000 engines where the manufacturer lost market shares. Both Thai and LATAM, operating their current B787 fleet with Roll-Royce engines, decided on the GE engine option regarding their latest orders. Rolls-Royce needs to make huge efforts to regain the airlines´ trust and generate orders. Nevertheless, the Dreamliner B787 is of the latest technology and seems to be well-positioned for the near and mid-term future. However, it remains important to closely watch the market and monitor the assets' condition.

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[71] Reuters: "Supply chain strains set to weigh on aviation industry bounce-back"; 23rd February 2024
[72] Forbes: „Airbus CEO On 'World Of Bottlenecks' In Supply, Spirit AeroSystems"; 16th February 2024

## DIRECTORS

**Jonathan (Jon) Bridel,** *Non-Executive Chairman (59), appointed 10 July 2013*

Jon is a Guernsey resident and is currently a non-executive director of Fair Oaks Income Fund Limited. Jon was previously managing director of Royal Bank of Canada's ('RBC') investment businesses in the Channel Islands and served as a director on other RBC companies including RBC Regent Fund Managers Limited. Prior to joining RBC, Jon served in a number of senior management positions in banking, specialising in credit and corporate finance and private businesses as Chief Financial Officer in London, Australia and Guernsey having previously worked at Price Waterhouse Corporate Finance in London.

Jon graduated from the University of Durham with a degree of Master of Business Administration, holds qualifications from the Institute of Chartered Accountants in England and Wales (1987) where he is a Fellow, the Chartered Institute of Marketing and the Australian Institute of Company Directors. Jon is a Chartered Marketer and a Member of the Chartered Institute of Marketing, a Chartered Director and Fellow of the Institute of Directors and a Chartered Fellow of the Chartered Institute for Securities and Investment.

**Jeremy Thompson,** *Non-Executive Director (68), appointed 10 July 2013*

Jeremy Thompson is a Guernsey resident. He acts as a non-executive director to a number of businesses which include three private equity funds, an investment manager serving the listed NextEnergy Solar Fund Limited and London listed Riverstone Energy Limited. Prior to that he was CEO of four autonomous global businesses within Cable & Wireless PLC and earlier held CEO roles within the Dowty Group.

Jeremy currently serves as chairman of the States of Guernsey Renewable Energy Team and is a commissioner of the Alderney Gambling Control Commission. He is also an independent member of the Guernsey Tax Tribunal panel. Jeremy is an engineering graduate of Brunel (B.Sc) and Cranfield (MBA) Universities and attended the UK's senior defence course (Royal College of Defence Studies). He holds the Institute of Directors (IoD) Certificate and Diploma in Company Direction and is an associate of the Chartered Institute of Arbitration. He completed an M.Sc in Corporate Governance in 2016 and qualified as a Chartered Company Secretary in 2017.

**Harald Brauns,** *Non-Executive Director (70), appointed 1 November 2019*

Harald is a German banker with extensive experience in the specialised lending sector. He joined NORD/LB Hannover, Germany in 1977 with a first engagement in the shipping segment. In 1985 he started the aircraft finance activities for the bank from scratch. As the Global Head of Aircraft Finance, he built successively a team of more than 40 dedicated aviation experts located in Hannover, New York and Singapore. Focused on an asset-based business model with sophisticated solutions for selected clients, he and his team advanced to global leaders in commercial aircraft finance with an exposure of well above US$ 10 billion split over a portfolio of 650 aircraft assets. After more than 35 years in the aviation industry Harald retired in October 2019. He is resident in Germany and was appointed as a director of the Company with effect from 1 November 2019.

## DIRECTORS' REPORT

The Directors present their Annual Report and Audited Consolidated Financial Statements for DP Aircraft I Limited for the year ended 31 December 2023.

**Principal Activity and Review of the Business**

The Company's principal activity is to purchase, lease and then sell two Boeing 787-8 Aircraft (the 'Assets'). The Company wholly owns two subsidiary entities, DP Aircraft Guernsey III Limited and DP Aircraft Guernsey IV Limited (collectively and hereinafter, the 'Borrowers'), each being a Guernsey incorporated company limited by shares and one intermediate lessor company, DP Aircraft UK Limited (the 'Lessor'), a UK incorporated private limited company. The Company and its consolidated subsidiaries, DP Aircraft Guernsey III Limited, DP Aircraft Guernsey IV Limited and DP Aircraft UK Limited comprise the consolidated Group (the 'Group').

The investment objective of the Group is to obtain income and capital returns for the Company's shareholders by acquiring, leasing and then, when the Board considers it appropriate, selling the Assets. The Company has made its investments in the Assets through its subsidiaries. The Ordinary Shares of the Company are currently trading on the Specialist Fund Segment of the London Stock Exchange.

Notwithstanding the requirement for the aircraft to be parked in the past due to Trent 1000 issues there are no incidents to bring to the attention of Shareholders concerning the operation of the Thai aircraft. Inspections have revealed no matters of concern. The aircraft have been operational for all of 2023 year and are currently in regular commercial use with the exception of regular mandated C checks where the aircraft are thoroughly checked. Such checks are a functions of flight hours flown. It should be noted that the Company receives full lease payments during such checks. Rolls Royce are continuing to address the Trent 1000 engine warranty related issues which have not impacted the Company. A more detailed review of the business and prospects is contained in detail in the Asset Manager's Report on pages 11 to 23.

**Results and Dividends**

For the year ended 31 December 2023 the Group made a loss of US$ 2,505,687 (2022:US$ 7,660,823). The results for the year ended 31 December 2023 are mainly driven by rental income earned of US$ 8,714,249 (2022: US$ 16,462,372) and finance costs incurred of US$ 9,551,675 (2022: US$ 4,860,305). The increase of finance costs is a result of an adjustment required by IFRS to reflect the modification to the loan terms in February 2023. The modification adjustment for the modification to the loans in February 2023 totalled US$ 5,042,029 and increased both finance costs and the loans payable at the point of modification and resulted in an overall loss for the period. This adjustment essentially recognises a loss now due to the less favourable terms (primarily interest rate increases) under the modified terms compared to the original terms. As a result of this adjustment, interest will be recognised at the lower original effective interest rate as opposed to the higher modified interest rate going forward. The decrease in rent was due to the variable rent period ending on 31 December 2022. For the period to 31 December 2023, the entity only earned fixed rental income. As a result, the group reported loss during the period ended 31 December 2023, see page 49 for full results for the year.

Historically, under normal circumstances, the Company aimed to provide Shareholders with an attractive total return comprising income, from distributions through the period of the Company's ownership of the Assets, and capital, upon any sale of the Assets. The Company targeted a quarterly distribution in February, May, August and November of each year. The target distribution was US$ 0.0225 per share per quarter.

## DIRECTORS' REPORT (CONTINUED)

On 3 April 2020, the Company announced a suspension of dividends until further notice due to the impact of Covid-19 in global aviation and especially with long haul operations. The suspension is continuing and as noted in Summary report on pages 4 to 6, there is no realistic prospect of the Company's shareholders receiving a dividend or any other distribution.

**Subsequent Events**
Refer to note 23 for further details regarding Subsequent Events.

**Directors**
The Independent Directors of the Company, who served during the year and to date, are as shown below:
- Jonathan Bridel;
- Jeremy Thompson; and
- Harald Brauns.

**Directors' Interests**
The Directors interests in the shares of the Company as at 31 December 2023 are set out below and there have been no changes in such interests up to the current date:

| | Number of ordinary shares 31 December 2023 | Number of ordinary shares 31 December 2022 |
|---|---|---|
| Connected parties of Jon Bridel | 90,000 | 90,000 |
| Jeremy Thompson | 15,000 | 15,000 |
| Harald Brauns | - | - |

**Principal Risks and Uncertainties**
The Statement of Principal Risks and Uncertainties are as described on pages 38 to 40.

**Substantial Shareholdings**
The Directors note the following substantial interests in the Company's share capital as at 31 December 2023 (10% and more shareholding):
- M&G Investments 59,533,421 shares – 24.87 %
- Ironsides Partners 53,082,972 shares – 22.18 %

As at the date of this report there have been no significant changes in the above list of substantial shareholdings.

**The Board**
The Board consists of three directors, all of whom are non-executive. Mr Bridel and Mr Thompson satisfy all the criteria for assessing director independence set out by the Association of Investment Companies ("AIC") and adopted by the Board. Although they have served on the Board for over ten years, it is the opinion of the other member of the Board that they both continue to demonstrate objective and independent thought processes during Board meetings and in their dealings with the Asset Manager, and therefore consider them both to be independent, despite their long service.

Jeremy Thompson was appointed as Senior Independent Director (the 'SID') on 1 April 2016. During the year ended 31 December 2023 the Board had a breadth of experience relevant to the Company and a balance of skills and experience.

## DIRECTORS' REPORT (CONTINUED)

The Board recognises the importance of diversity and will evaluate applicants to fill any vacant positions regardless of gender and without prejudice. Applicants will be assessed on their broad range of skills, expertise and industry knowledge, and business and other expertise. In view of the long-term nature of the Company's investments, the Board believes that a stable board composition is fundamental to run the Company. The Board has not stipulated a maximum term of any directorship.

**Board Independence and Disclosure**

The Board is composed entirely of independent Directors, who meet as required without the presence of the Asset Manager or service providers to scrutinise the achievement of agreed goals, objectives and monitor performance. Through the Audit Committee and the Management Engagement Committee they are able to ascertain the integrity of financial information and confirm that all financial controls and risk management systems are robust and analyse the performance of the Asset Manager and other service providers on a regular basis.

The Directors have challenged the Asset Manager throughout the year under review and for the purposes of assessing compliance with the AIC Code, the Board as a whole considers that each Director is independent of the Asset Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. If required, the Board is able to access independent professional advice. Open communication between the Asset Manager and the Board is facilitated by regular Board meetings, to which the Asset Manager is invited to attend and update the Board on the current status of the Company's aircraft, along with ad hoc meetings as required.

The Board has been actively engaged in negotiating revised agreements with its lending group and Thai. Jon Bridel and Jeremy Thompson have served for ten years and together with Harald Brauns have acted independently and in the best interests of the Company. The Board is now focused on using its experience to work with the Asset Manager to maximise value for shareholders.

**Directors**

As the Company is not a FTSE 350 company, Directors were not subject to annual election by the shareholders nor for the requirement for the external audit contract to be put out to tender every 10 years. Historically, the Directors had offered themselves by rotation for re-election at each annual general meeting ('AGM'). Harald Braun was re-elected at the AGM on 19 September 2023. Jeremy Thompson is offering himself for re-election at the forthcoming AGM.

The Directors are on a termination notice of three months.

**Directors' Duties and Responsibilities**

The Board of Directors has overall responsibility for the Company's affairs and is responsible for the determination of the investment policy of the Company, resolving conflicts and for monitoring the overall portfolio of investments of the Company. To assist the Board in the day-to-day operations of the Company, arrangements have been put in place for the performance of certain of the day-to-day operations of the Company to third-party service providers, such as the Asset Manager, Administrator and Company Secretary, under the supervision of the Board. The Board receives full details of the Company's assets, liabilities and other relevant information in advance of Board meetings.

The Board undertakes an annual evaluation of its own performance and the performance of its audit committee and individual Directors. This is to ensure that they continue to act effectively and efficiently and to fulfil their respective duties, and to identify any training requirements. The results of the most recent evaluation have been reviewed by the Chairman and his fellow Directors. No significant corporate governance issues arose from this review.

## DIRECTORS' REPORT (CONTINUED)

**Directors' Duties and Responsibilities (continued)**
The Board also undertakes an annual review of the effectiveness of the Company's system of internal controls and the safeguarding of shareholders' investments and the Company's assets. A Management Engagement Committee, chaired by Harald Brauns has been established to further this safeguarding. At each quarterly meeting the Audit and Risk Committee reviews a risk matrix. Issues identified as a result of this review are discussed and action plans put in place as is necessary. There is nothing to highlight from the reviews of these reports as at the date of this report.

**Board Meetings**
The Board meets at least four times a year to consider the business and affairs of the Company for the previous quarter. Between these quarterly meetings the Board keeps in regular contact by email and video calls as well as meeting to consider specific matters of a transactional nature. There is regular contact with the Secretary and administrator.

The Directors are kept fully informed of investment and financial controls and other matters that are relevant to the business of the Company. The Directors also have access, where necessary in the furtherance of their duties, to professional advice at the expense of the Company.

The Board considers agenda items laid out in the Notice and Agenda which are formally circulated to the Board in advance of any meeting as part of the board papers. Such items include but are not limited to; investment performance, share price performance, review of marketing and shareholder communication. The Directors may request any agenda items to be added that they consider appropriate for Board discussion. In addition, each Director is required to inform the Board of any potential or actual conflict of interest prior to Board discussion.

Board meetings are attended by representatives of the Asset Manager. The Company's corporate brokers also attend to assist the Directors in understanding the views of major shareholders about the Company.

**Board Meeting attendance**
The table below shows the attendance at Board meetings and Audit Committee meetings during the year.

| **Director** | **No of board meetings attended** | **No of audit committee meetings attended** |
|---|---|---|
| Jonathan Bridel | 5 | 4 |
| Jeremy Thompson | 5 | 4 |
| Harald Brauns | 5 | 4 |
| **No. of meetings during the year** | **5** | **4** |

The Directors also attended committee meetings for the Management Engagement Committee meeting in addition to the regular quarterly meetings as shown in the above table and the Chairman attended further meetings with various stakeholders and on management related matters.

## DIRECTORS' REPORT (CONTINUED)

**Directors' Remuneration**

The remuneration of the non-executive Directors is reviewed on an annual basis and compared with the level of remuneration for directorships of funds with similar responsibilities and commitments.

Base annual fees are as follows:

| **Annual Fees** | **Jan 23 to Dec 23** | **Oct 22 to Dec 22** | **Jan 22 to Sept 22** |
|---|---|---|---|
| Jonathan Bridel | £61,750 | £61,750 | £66,000 |
| Jeremy Thompson | £49,450 | £49,450 | £53,700 |
| Harald Brauns | £49,450 | £49,450 | £53,800 |

In 2021, in recognition of the extra services performed by the Directors and the significant increase of committed time during 2021 due to the Group's circumstances, the Board had earned extra fees of £65,000 which were not paid in cash but deferred to be possibly settled by the issue of shares. This is included in note 13 as part of the Directors fees payable. No additional fees were earned by the Board during the 2023 financial period.

On 1 October 2022, the Director fees were reduced by 10% which was the portion being deferred and possibly payable in shares.

During the current and prior year each Director received the following remuneration in the form of Directors' fees from Group companies:

| | **Year ended 31 December 2023** | | **Year ended 31 December 2022** | |
|---|---|---|---|---|
| | **£** | **US$ equivalent** | **£** | **US$ equivalent** |
| Jonathan Bridel (Chairman) | 61,750 | 78,608 | 64,937 | 80,701 |
| Jeremy Thompson (Audit Committee Chairman) | 49,450 | 62,950 | 52,637 | 65,503 |
| Harald Brauns (Management Engagement Committee Chairman) | 49,450 | 62,950 | 48,229 | 60,064 |
| | **160,650** | **204,508** | **165,803** | **206,268** |

Up to 30 September 2022, 10% of base fees and all extra fees were not paid by way of cash payments but were deferred to be settled in the future or to be paid by way of equity. There has been no settlement of director remuneration via the issue of equity in the current year (2022: nil) and the deferred fees remain outstanding as at 31 December 2023 (see note 13).

There are no executive director service contracts in issue.

## DIRECTORS' REPORT (CONTINUED)

**Remuneration Policy**

All Directors of the Company are non-executive and therefore there are no incentive or performance schemes. Each director's appointment is subject to an appointment letter and article 24 of the Company's articles of association. Base remuneration is paid monthly in arrears and reflects the experience, responsibility, time, commitment and position on the main board as well as responsibility for sitting on subsidiary boards when required. The Chairman, Audit Chairman (SID) and other committee Chairman may receive additional remuneration to reflect the increased level of responsibility and accountability. The maximum amount of directors' fees payable by the Company in any one year is currently set at £200,000 in accordance with article 24. Remuneration may if deemed appropriate also be payable for special or extra services if required in accordance with article 24. This is defined as work undertaken in connection with a corporate transaction including a new prospectus to acquire, finance and lease an aircraft and/or engines, managing a default, refinancing, sale or re-lease of aircraft and for defending a takeover bid. This may include reasonable travel time if applicable. The Board may appoint an independent consultant to review fees if it is considered an above inflation rise may be appropriate.

**Internal Controls and Risk Management Review**

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and monitoring the significant risks faced by the Company.

The Board carries out an annual review of internal controls including those of the administrator. The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

The Directors of the Company clearly define the duties and responsibilities of their agents and advisors. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved and the Board monitors their ongoing performance and contractual arrangements. Each service provider is reviewed annually, and key risks and operating matters are addressed as part of that review.

**Dialogue with Shareholders**

All holders of shares in the Company have the right to receive notice of, and attend, all general meetings of the Company, during which the Directors are available to discuss issues affecting the Company. The Directors are available to enter into dialogue with shareholders and make themselves available for such purpose when reasonably required. The Company believes such communications to be important. Reports are provided to the Board of Directors on shareholders' views about the Company and any issues or concerns they might have.

**Board Policy on Tenure and Independence**

The Board has not yet formed a policy on tenure. However, it does consider the independence of each director on an annual basis during the performance evaluation process. All Directors are considered independent.

**Auditor**

In order to align the Company's auditing arrangements with the location of its business, the Board have changed the KPMG entity which undertakes the Company's audit during the year. As a consequence, KPMG Channel Islands Limited has assumed the role of independent auditor for the year ended 31 December 2023 and has replaced KPMG Ireland.

KPMG Channel Islands Limited have indicated their willingness to continue in office.

## DIRECTORS' REPORT (CONTINUED)

**Going Concern**

The Directors believe that it is appropriate to prepare these consolidated financial statements on a going concern basis as the current cash flow forecasts demonstrate that the Group, with continued deferral of fees, as outlined below, from some service providers, has sufficient cash to cover operating costs for a period of at least twelve months from the signing of the consolidated financial statements (the "going concern period").

Should a plausible downside scenario occur additional finance will be required to provide sufficient funding to fund the Group's activities to cover any negotiations with the lenders as further detailed below. In this respect the Company believes it is therefore prudent to raise additional capital in Q3 2024. The Board will consult with its broker regarding a proposed capital raise and its uptake. However, the outcome is currently uncertain.

The Board therefore concludes that to sufficiently cover off all going concern scenarios, there is a material uncertainty, however it remains appropriate to prepare the financial statements on a going concern basis.

In making this conclusion, the Board have taken into consideration:

- that Thai Airways have made monthly fixed lease rental payments on time and in full from the start of the revised fixed rental period commencing in January 2023. Further that Thai have reported a consistent return to profitability and have projected that they will exit their formal rehabilitation Period in Q4 2024;
- that given Thai Airways improved performance the Company will continue to receive US$ 35,000 per aircraft per month as a contribution towards its operating costs with the rest going towards the pay down of the Group's outstanding loan arrangements;
- the continued deferral of some fees by the Board, the Asset Manager and the Broker as noted in note 13;
- successfully raising up to US$ 1m in Q3 2024 to allow the Group to trade beyond the going concern period to facilitate negotiating (i) an extension to the current loan maturities beyond the expiring loan terms in Q4 2026 with the Lenders, and (ii) an enhancement of the terms and conditions of the leases with Thai Airways, noting that negotiations with the lenders will commence in late 2024;and
- as a matter of prudence, the Company will need to consider costs associated with the winding up of the Group should it be required.

**Viability Statement**

As with previous reports the Directors regularly assess the viability of the Group with respect to the impact of potential risks the Group faces and the Group's current position.

In February 2023, the Group and DekaBank entered into Second Amendment and Restatement to the Loan Agreements in which the parties agreed to new repayment schedules for the loans in place. Under the revised repayment schedules, monthly payments of fixed interest and principal will be limited to net lease rental monies available for application towards the loans of US$475,000 per loan and the final balloon repayments will be settled out of proceeds from sale of the aircraft at the end of the lease term. These new repayment terms are aligned with the lease agreements in place.

The PBH period on the Thai Airways leases expired on 31 December 2022 and now the Group is receiving fixed monthly rental payments of US$510,000 per aircraft. This is in line with the amended lease agreements finalised and signed on 1 April 2022. US$35,000 per aircraft of the fixed monthly rental payments will be retained by the Group to contribute to ongoing fixed costs, the remainder will be used to cover principal and fixed interest payable on the DekaBank loans per above.

## DIRECTORS' REPORT (CONTINUED)

**Viability Statement (continued)**

Both aircraft have been operational for the 2023 year and are currently in regular commercial use. With both aircraft operational, this not only means the aircraft are earning revenue, but it also means that if Thai were to default, the aircraft are in flightworthy condition.

Thai Airways, at the end of the lease term, have an obligation to return the aircraft in full life condition. This is either by undertaking all the work themselves to do this or provide the lessor with the equivalent cash to undertake the work required. The viability and therefore continuation of the Group looks positive save any major, likely force majeure, scenarios. The Company is though dependent on contracted lease payments paid on time and in full.

Mindful of the significant challenges which could still impact the airline industry, Thai Airways in particular and the Company, the Company has extended its viability period to June 2025 assuming Thai Airways continue to meet its lease payment obligations and certain service providers (Asset Manager, Broker and Directors) continue to defer some of their fees as agreed. The Board also proposes an additional capital raise in 2024 as stated in going concern section on page 31.

The Group is required to present a plan for refinancing or similar to the lenders before the expiry of the current loan facilities in the last quarter of 2026. The Directors are currently assessing this keeping in mind that they have to act in the best interest of the Group.

Continuing and foremost amongst the near-term risks faced by the Group, is the successful emergence from restructuring of Thai Airways and the recovery from Covid related restrictions to Thai's tourist economy. So far, the news from Thai Airways has been positive. The Directors note that whilst they believe that Thai Airways is currently in a good position to exit rehabilitation, there is no guarantee of this. The Directors continue to monitor the developments of the rehabilitation process and the impact on the Group. The Directors regularly consider and assess the viability of the Company and take into account the Company's current position and the potential impact of the principal risks outlined below. The Directors have considered the impact of the Russian invasion of Ukraine on the Group and other emerging conflicts and have concluded that to date there has been no material impact on the operations of the Group save for indirect impacts such as rising fuel costs. Of note is that the Company's aircraft currently operate in the Indo-Pacific region where there are at present no overfly or other restrictions.

The Directors continue to consider that an investment in the Company should be regarded as long term in nature and is suitable only for sophisticated investors, investment professionals, high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts and private clients (all of whom will invest through brokers), in each case, who can bear the economic risk of a substantial or entire loss of their investment and who can accept that there may be limited liquidity in the shares.

The Directors consider that the Notes to the Financial Statements are integral to the support of the Viability Statement.

## DIRECTORS' REPORT (CONTINUED)

**Annual General Meeting**

The next AGM of the Company will be held in Guernsey at a date that will be communicated in the future at East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey. The meeting will be held to, inter alia; receive the Annual Report and Audited Consolidated Financial Statements; elect and re-elect Directors; propose the reappointment of the auditor; authorise the Directors to determine the auditor's remuneration; approve the Directors' remuneration policy; authorise the Company to issue and allot new shares and approve a partial disapplication of the pre-emption rights to allow the Company to issue new shares by way of tap issues. Shareholders are encouraged to vote in advance by proxy. The formal notice of AGM will be issued to shareholders in due course.

The Board continues to welcome engagement with its shareholders and those who have questions relating directly to the business of the AGM can forward their questions to the Company Secretary by email to DPA@aztecgroup.co.uk by no later than one week before the AGM. A Q&A reflecting the questions received and responses provided will be made available on the Company's website at www.dpaircraft.com as soon as practicable following the AGM.

On 19 September 2023 at the Company's last AGM, the following percentages of total votes cast were cast against resolutions:

- 32.16% against resolution 2, (to approve the re-election of Harald Brauns);
- 36.65% against resolution 4, (to approve the Directors' remuneration report);
- 73.21% against resolution 5, (to approve the Directors' remuneration policy);
- 32.27% against resolution 7, (to authorise Directors to allot and issue up to 10% of ordinary shares in issue); and
- 32.27% against resolution 8, (to authorise Directors to allot and issue a further 10% of ordinary shares in issue).

The Company noted it would reflect and continue to consult with shareholders in this respect.

The Company has subsequently discussed the matter with shareholders who wished to engage further and following discussions with those shareholders, the matters raised had been satisfactorily clarified and resolved.

The Board is thankful to all shareholders for their continuous support.

**Corporate Governance**

The Company is not required to comply with any particular corporate governance codes in the UK or Guernsey, but the Directors take corporate governance seriously and will have regard to relevant corporate governance standards in determining the Company's governance policies including without limitation in relation to corporate reporting, risk management and internal control procedures.

The Directors intend to comply, and ensure that the Company complies, with any obligations under the Companies (Guernsey) Law, 2008 and the Articles to treat shareholders fairly as between themselves.

**Directors' Share Dealings**

The Board has agreed to adopt and implement the Market Abuse Regulation for Directors' dealings. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Market Abuse Regulation.

## DIRECTORS' REPORT (CONTINUED)

**Board Committees**
The Board of Directors has established an audit committee, which operates under detailed terms of reference, copies of which are available on request from the Company Secretary. Details of the Company Secretary are included within the Company information on page 79.

The Board have established a Management Engagement Committee which reviewed the performance of the Asset Manager and the key service providers at least annually and this review includes a consideration of the service providers' internal controls, risk management, operational management, information technology and their effectiveness.

**Alternative Investment Fund Managers Directive ('AIFMD')**
In July 2013 the European Alternative Investment Fund Management Directive ('AIFMD') came into effect with transitional provisions until July 2014. The Company has been determined to be a 'self-managed' Guernsey Alternative Investment Fund ('AIF') and as such will be treated as a non-EU AIFM for the purposes of the Directive. The Company has registered with the Financial Conduct Authority (and notified the Guernsey Financial Services Commission) under the AIFMD (Marketing) Rules, 2013.

For a non-EU AIFM that has over EUR 100 million (equivalent to US$ 107 million at 31 December 2023) of net assets under management and also utilises leverage, certain Annual Investor Disclosures are required.

For the purpose of AIFMD, the Company is a Self-Managed Alternative Investment Fund Manager with assets above the EUR 100 million (equivalent to US$ 107 million at 31 December 2023), with leverage, threshold.

AIFMD does not prescribe use of any one particular accounting standard. However, the financial statements must be audited by an auditor empowered by law to audit the accounts in accordance with the EU Statutory Audit Directive.

The required disclosures for investors are contained within the Financial Conduct Authority checklist and the Company's compliance therewith can be found in Appendix 1 to these financial statements.

**Environmental, social and governance (ESG)**
The Group recognises the Paris Agreement on climate change. The Group operates NTA ('New Technology Aircraft'); specifically Boeing 787-8's equipped with Rolls Royce Trent-1000 engines which are 20% more fuel efficient on a revenue-per-kilometre basis than similar comparable current technology legacy aircraft. The Board continue to implement steps to reduce its own travelling and maximises the use of virtual meetings within the Board and with all its key service providers.

| | |
|---|---|
| **Jonathan Bridel** | **Jeremy Thompson** |
| **Director** | **Director** |
| **25 April 2024** | **25 April 2024** |

## REPORT OF THE AUDIT COMMITTEE

On the following pages, we present the Audit Committee (the 'Committee') Report for 2023, setting out the Committee's structure and composition, principal duties and key activities during the year. The Committee has reviewed the Company's financial reporting, the independence and effectiveness of the independent auditor (the 'auditor') and the internal control and risk management systems of service providers.

The Board is satisfied that for the period under review and thereafter the Committee has recent and relevant commercial and financial knowledge sufficient to satisfy the requirements of the Committee's remit.

**Structure and Composition**
The Committee is chaired by Mr Thompson and its other members are Mr Bridel and Mr Brauns.

The Committee conducts formal meetings not less than three times a year. There were four meetings during the period under review and multiple ad-hoc meetings. All Directors were present and forming part of the quorum. The auditor is invited to attend those meetings at which the annual and interim reports are considered.

**Principal Duties**
The role of the Committee includes:

- Monitoring the integrity of the published financial statements of the Group;
- Keeping under review the consistency and appropriateness of accounting policies on a year to year basis;
- Satisfying itself that the annual financial statements, the interim statement of financial results and any other major financial statements issued by the Group follow International Financial Reporting Standards and give a true and fair view of the Group and its subsidiaries' affairs; matters raised by the external auditors about any aspect of the financial statements or of the Group's internal control, are appropriately considered and, if necessary, brought to the attention of the Board, for resolution;
- Monitoring and reviewing the quality and effectiveness of the auditor and their independence;
- Considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Group's auditor;
- Monitoring and reviewing the internal control and risk management systems of the service providers; and
- Considering at least once a year whether there is a need for an internal audit function.

The complete details of the Committee's formal duties and responsibilities are set out in the Committee's terms of reference, a copy of which can be obtained from the Secretary.

**Independent Auditor**
The Committee is also the forum through which the auditor reports to the Board of Directors. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to the terms under which it is appointed to perform non-audit services including fees. The Committee has established pre-approval policies and procedures for the engagement of KPMG Channel Islands Limited ('KPMG') to provide non-audit services.

In order to align the Company's auditing arrangements with the location of its business, the Board have changed the KPMG entity which undertakes the Company's audit during the year. As a consequence, KPMG Channel Islands Limited has assumed the role of independent auditor for the year ended 31 December 2023 and has replaced KPMG Ireland.

## REPORT OF THE AUDIT COMMITTEE (CONTINUED)

**Independent Auditor**
The audit fees proposed by the auditor each year are reviewed by the Committee taking into account the Group's structure, operations and other requirements during the year and the Committee make appropriate recommendations to the Board. The Committee considers KPMG Channel Islands Limited to be independent of the Company. The Committee also met with the external auditors without the Asset Manager or Administrator being present so as to provide a forum to raise any matters of concern in confidence.

**Evaluations or Assessments made during the year**
The following sections discuss the assessments made by the Committee during the year:

***Significant Areas of Focus for the Financial Statements***
The Committee's review of the interim and annual financial statements focused on:

- Valuation of the Company's Assets (more detail in relation to the approach is in note 3);
- Assessing straight lining lease asset for impairment;
- Considering the accounting treatment of the loan modification and its associated adjustment;
- The financial statements giving a true and fair view and being prepared in accordance with International Financial Reporting Standards and the Companies (Guernsey) Law, 2008; and
- Going concern and the viability statement review.

***Effectiveness of the Audit***
The Committee had formal meetings with KPMG during the period under review:

- Before the start of the audit to discuss formal planning, discuss any potential issues and agree the scope that will be covered; and
- After the audit work was concluded to discuss any significant matters such as those stated above.
- The Board considered the effectiveness and independence of KPMG by using a number of measures, including but not limited to:
- The audit plan presented to them before the start of the audit;
- The audit results report;
- Changes to audit personnel;
- The auditor's own internal procedures to identify threats to independence; and
- Feedback from both the Asset Manager and Administrator.

***Internal Audit***
There is no internal audit function. As all of the Directors are non-executive and all of the Company's administration functions have been delegated to independent third parties, the Audit Committee considers that there is no need for the Company to have an internal audit function. However, this matter is reviewed periodically.

**Conclusion and Recommendation**
After reviewing various reports such as the operation and risk management framework and performance reports from the Directors and the Asset Manager and assessing the significant areas of focus for the financial statements listed on pages 49 to 52, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures).

## REPORT OF THE AUDIT COMMITTEE (CONTINUED)

**Conclusion and Recommendation (continued)**

The Committee is also satisfied that the significant assumptions used for assessing going concern and, determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The independent auditor reported to the Committee that no material misstatements were found in the course of its work. Furthermore, the Administrator confirmed to the Committee that they were not aware of any material misstatements including matters relating to presentation. The Committee confirms that it is satisfied that the independent auditor has fulfilled its responsibilities with diligence and professional scepticism. Following the completion of the financial statements review process on the effectiveness of the independent audit and the review of audit services, the Committee will recommend that KPMG be reappointed at the next Annual General Meeting.

For any questions on the activities of the Committee not addressed in the foregoing, a member of the Committee will attend each Annual General Meeting to respond to such questions.

By order of the Audit Committee

**Jeremy Thompson**
**Audit Committee Chairman**
**25 April 2024**

## STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

**Geopolitical and economic risks**
The Company leases aircraft to a customer in Thailand exposing it to (i) Thailand's varying economic, social, legal and geopolitical risks, (ii) instability of Thailand markets and (iii) the impact of global health pandemics and other global market disruptions. Exposure to Thailand's jurisdiction may adversely affect the Company's future performance, position and growth potential if Thailand's economy does not perform well or if laws and regulations that have an adverse impact on the aviation industry are passed in Thailand. The adequacy and timeliness of the Company's response to emerging risks in this jurisdiction is of critical importance to the mitigation of their potential impact on the Company.

The Geopolitical risk surrounding the Russian invasion of Ukraine and ongoing conflict in the Middle East and the subsequent consequences have the potential to impact travel and/or travellers' willingness to travel which in turn could affect the volume of traffic to and from Thailand. The Thai government led by PM Thavisin and the return from exile of former PM Thaksin provides an unknown backdrop in terms of political stability. However, it is clear though that tourism is a major part of the Thai economy.

**Exposure to the commercial airline industry**
As a supplier to and partner of the airline industry, the Group is exposed to the financial condition of the airline industry as it leases its aircraft to commercial airline customers. The financial condition of the airline industry is affected by, among other things, geopolitical events, outbreaks of communicable pandemic diseases and natural disasters, fuel costs and the demand for air travel. To the extent that any of these factors adversely affect the airline industry they may result in (i) downward pressure on lease rates and aircraft values, (ii) higher incidences of lessee defaults, restructuring, and repossessions and (iii) inability to lease aircraft on commercially acceptable terms.

Thai Airways

Thai went into debt rehabilitation on 27 May 2020, and the business rehabilitation plan was approved on 15 June 2021, by the Central Bankruptcy Court of Thailand. There is risk that the business rehabilitation plan does not achieve the desired results, and this could have an adverse impact on the entity's lease arrangements, with Thai Airways which is the core source of income for the Group.

Thai is under the contractual obligation to return the aircraft in full life condition. The additional requirement to cash collateralize the obligation by payment of Maintenance Reserves was waived in the novated lease agreement.
This leaves the company with the risk that in case of a Thai default under the lease the aircraft may not be returned in a full life status.

In addition, the continuing impact of COVID-19 and the conflict between Russia and Ukraine has the potential to impact Thai's business rehabilitation plan and adversely impact the Group. This is particularly relevant for the Group given the aircraft leased to Thai Airways are the sole source of income for the Group.

**Asset risk**
The Company's Assets as at year end comprise of two Boeing 787-8 aircraft. The Group bears the risk of selling or re-leasing the aircraft in its fleet at the end of their lease terms or if the lease is terminated. If demand for aircraft decreases market lease rates may fall, and should such conditions continue for an extended period, it could affect the market value of aircraft in the fleet and may result in an impairment charge. The Directors have engaged an asset manager with appropriate experience of the aviation industry to manage the fleet and remarket or sell aircraft as required to reduce and address this risk. Any lasting impact of the COVID-19 situation on both aircraft demand and lease rates are at present unknown.

## STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

**Asset risk (continued)**
The Company's Assets as at year end comprise of two Boeing 787-8 aircraft. The Group bears the risk of selling or re-leasing the aircraft in its fleet at the end of their lease terms or if the lease is terminated. If demand for aircraft decreases market lease rates may fall, and should such conditions continue for an extended period, it could affect the market value of aircraft in the fleet and may result in an impairment charge. The Directors have engaged an asset manager with appropriate experience of the aviation industry to manage the fleet and remarket or sell aircraft as required to reduce and address this risk. Any lasting impact of the COVID-19 situation on both aircraft demand and lease rates are at present unknown.

There is no guarantee that, upon expiry or cessation of the leases, the Assets could be sold or re-leased for an amount that would enable shareholders to realise a capital profit on their investment or to avoid a loss. Costs regarding any future re-leasing of the assets would depend upon various economic factors and would be determinable only upon an individual re-leasing event. Potential reconfiguration costs could in certain circumstances be substantial.

**Key personnel risk**
The ability of the Company to achieve its investment objective is significantly dependent upon the advice of certain key personnel at its Asset Manager DS Aviation GmbH & Co. KG; there is no guarantee that such personnel will be available to provide services to the Company for the scheduled term of the Leases or following the termination of the Lease. However, Key Man clauses within the Asset Management agreement do provide a base line level of protection against this risk.

**Credit risk & Counterparty risk**
Credit risk is the risk that a significant counterparty will default on its contractual obligations. The Group's most significant counterparty is Thai Airways as lessee and provider of income and DekaBank Deutsche Girozentrale ('DekaBank') as holder of the Group's cash and restricted cash. The lessee does not maintain a credit rating. Thai Airways is currently in the early stages of implementing a rehabilitation plan. The Moody's credit rating of DekaBank is Aa2 (2022: Aa2).

There is no guarantee that the business rehabilitation process of Thai Airways will continue to be successful even though developments to date have been positive. Failure of any material part of the business rehabilitation plan may have an adverse impact on Thai's ability to comply with its obligations under the LOI entered into during March 2021 and the subsequent amended lease agreement entered into in 2022.

Any failure by Thai Airways to pay any amounts when due could have an adverse effect on the Group's ability to comply with its obligations under the DekaBank loan agreements and could result in the lenders enforcing their security and selling the relevant Assets on the market, potentially negatively impacting the returns to investors. Thai Airways is however an international full-service carrier and is important to Thailand's economy and as such it is unlikely that the government will not provide it with the necessary support to see it through its restructure. There is no guarantee and hence a significant risk remains.

**Refinancing risk**
The Group is required to present a plan for refinancing or similar to the lenders before the expiry of the current loan facilities in the last quarter of 2026. There is a risk that the Group will not be able to replace the DekaBank debt obligation with new debt before the expiry of the current loan facilities. If not able to refinance, the Group would have to dispose the aircraft to settle the loan and there is no guarantee that the Assets could be sold for an amount that would enable shareholders to realise a capital profit on their investment or to avoid a loss.

## STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

**Liquidity risk**

In order to finance the purchase of the Assets, the Group entered into loan agreements. Pursuant to the loan agreements, the lenders are given first ranking security over the Assets. Under the provisions of each of the loan agreements, the Borrowers are required to comply with loan covenants and undertakings. A failure to comply with such covenants or undertakings may result in the relevant lenders recalling the relevant loan. In such circumstances, the Group may be required to remarket the relevant Asset (either sell or enter into a subsequent lease) to repay the outstanding relevant loan and/or re-negotiate the loan terms with the relevant lender. With respect to working capital, the Company intends to raise additional finance in Q3 2024 as stated in the going concern section on page 31.

**Cyber risk**

The Group relies on its key third party service providers' cyber security measures including firewalls, encryption protocols, employee training programs and regular security assessments to safeguard the Group's data and records from unauthorized access and harmful exploitations. The Management Engagement Committee receives annual confirmation from all its third parties service providers to ensure that controls over cyber security and IT infrastructure are in place.

**Boeing**

The Company is exposed to Boeing being able to resolve any identified 787 related problems which the FAA or other regulatory bodies designate as restricting commercial operations. At present no such restrictions exist. The 787 is considered a latest generation aircraft type which has pioneered areas including the extensive use of carbon fibre in its fuselage and wing construction.

**Rolls Royce**

The Company has exposure to Rolls Royce as suppliers of the Trent 1000 engines in terms of ongoing support. Announcements by RR have implied that the low-pressure turbine (LPT) and other known previous engine performance issues have been resolved. The Trent 1000 is a highly fuel-efficient engine, representing the latest engine technology. As such the Company is exposed to any future as yet unknown performance issues. This situation is partially mitigated by Thai using Rolls Royce Total Care and by the Asset Manager having oversight of performance issues from both physical and desktop checks.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the IASB and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable; and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies (Guernsey) Law, 2008. which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

**Statement of directors' responsibilities (Continued)**

The Directors who hold office at the date of approval of this Director's Report confirm that so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware, and that each Director

has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

**Responsibility statement of the directors in respect of the annual financial report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the annual report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board by

| | |
|---|---|
| **Jonathan Bridel** | **Jeremy Thompson** |
| **Director** | **Director** |
| **25 April 2024** | **25 April 2024** |

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DP AIRCRAFT I LIMITED

*Our opinion is unmodified*

We have audited the consolidated financial statements of DP Aircraft I Limited (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

*In our opinion, the accompanying consolidated financial statements:*

- give a true and fair view of the financial position of the Group as at 31 December 2023, and of the Group's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards ("IFRS"); and
- comply with the Companies (Guernsey) Law, 2008.

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the Crown Dependencies' Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

*Material uncertainty relating to going concern*

| ***Going concern*** | ***The risk*** | ***Our response*** |
|---|---|---|
| We draw attention to note 2a to the consolidated financial statements which indicates that the Group's current cash flow forecasts demonstrate that the Group has sufficient cash to cover operating costs for a period of at least twelve months from the date of approval of the Group's consolidated financial statements. Should a plausible downside scenario occur, additional finance will be required to provide sufficient funding to the Group's operating activities. Therefore the Company will look to raise additional capital in Q3 2024 (the "capital raise").<br><br>These events and conditions, along with the other matters explained in note 2a, constitute a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. | ***Disclosure quality***<br>The consolidated financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group.<br><br>That judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least twelve months from the date of approval of the Group's financial statements, in particular in relation to the extent of additional funding that may be required in order to meet obligations as they fall due.<br><br>The risk for our audit is whether such judgements amounted to a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern. If so, that fact is required to be disclosed (as has been done) and along with a description of the circumstances, is a key financial statement disclosure. | Our audit procedures included but were not limited too:<br><br>***Review of the Group's going concern assessment:***<br>We evaluated the Group's going concern assessment and performed inquiries of the Board of Directors to understand the key judgements made.<br>We assessed the Group's cash-flow forecast and agreed inputs to supporting documentation, as appropriate.<br>We assessed the level of forecast expenses against expenses historically incurred. This cash flow forecast takes into consideration the deferral of Asset Manager fees, broker fees and Directors' fees. We have obtained confirmation to support the deferral of these fees.<br><br>Since the Group also relies on the timely receipt of lease rental income from Thai Airways, we held inquiries with the Asset Manager and the Board of Directors to assess the likelihood that Thai Airways continues to meet the contractually agreed rental payments on time. We inspected correspondence received by the Group from Thai Airways. We agreed the payments made by Thai Airways during the year and post year end to the Group's bank statements.<br><br>***Assessing disclosures***:<br><br>We considered whether adequate disclosures have been made in relation to material uncertainties relating to going concern included in note 2a to the consolidated financial statements, including the identified risks and dependencies. |

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DP AIRCRAFT I LIMITED (CONTINUED)

*Key audit matters: our assessment of the risks of material misstatement*

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in the 'Material uncertainty relating to going concern' section of our report. 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. In arriving at our audit opinion above, the other key audit matter was as follows (unchanged from 2022):

| | *The risk* | *Our response* |
|---|---|---|
| Valuation of PPE – Aircraft & Related Components (the "Assets")<br><br>$124.1 million (2022: $125.5 million)<br><br>Refer to pages 38-39 of the Audit Committee, note 2c accounting policy and notes 3 and 9 disclosures | **Basis:**<br><br>IAS 36 'Impairment of Assets' requires that assets are assessed for impairment on at least an annual basis including management's estimate of the recoverable amount.<br><br>The standard requires that for all assets in scope at the end of the reporting period, an entity assess whether there is any indication that an asset may be impaired and, where such indications exist, the recoverable amount of the asset is estimated.<br><br>**Risk:**<br><br>The carrying value of the Assets, due to the estimation uncertainty involved, and their magnitude in the context of the consolidated financial statements as a whole, is considered to be the area which has the greatest effect on our overall strategy and allocation of resources in planning and completing the audit. | Our audit procedures included but were not limited to:<br><br>**Internal Controls:**<br><br>We assessed the design and implementation of the key control over the Assets' valuation.<br><br>**Challenging management's method, assumptions and inputs:**<br><br>We assessed the consistency of the method applied in the Group's impairment assessment with the approach outlined in the Group's accounting policy and the requirements of IFRS.<br><br>With regard to the reports of the two independent professional appraisers engaged by the Group (the "Appraisers"), we<br><br>• assessed the reasonableness of the current market values included in the impairment assessment by obtaining and inspecting the reports of the Appraisers;<br>• assessed the Appraisers' competence, capabilities and objectivity;<br>• performed inquiries with the Appraisers and management to understand key judgements made;<br>• compared the current market values included in the impairment assessment to the reports prepared by the Appraisers.<br><br>We recalculated the carrying value of the Assets and compared to the recoverable amount in the impairment assessment prepared by management.<br><br>**Assessing Disclosures:**<br><br>We also considered the Group's disclosures (see notes 3 and note 9) in relation to the use of judgements and estimates regarding the determination of the carrying value of the Assets and the Group's measurement policies adopted in note 2c for compliance with IFRS. |

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DP AIRCRAFT I LIMITED (CONTINUED)

*Our application of materiality and an overview of the scope of our audit*

Materiality for the consolidated financial statements as a whole was set at $1,150,000, determined with reference to a benchmark of group total assets of $150,864,020, of which it represents approximately 0.75% (2022: 0.75%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the consolidated financial statements as a whole. Performance materiality for the Group was set at 75% (2022: 75%) of materiality for the consolidated financial statements as a whole, which equates to $862,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $57,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

The group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total group revenue, total group profit before tax, and total group assets and liabilities.

*Going concern*

The directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have concluded that there are material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements (the "going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the "Material uncertainty relating to going concern" section of our report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate; and
- we have nothing material to add or draw attention to in relation to the directors' statement in note 2a to the consolidated financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Group's ability to continue to use that basis for the going concern period, and found the going concern disclosure in note 2a to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Company will continue in operation.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DP AIRCRAFT I LIMITED (CONTINUED)

### Fraud and breaches of laws and regulations – ability to detect

#### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

#### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
The Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Group and the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DP AIRCRAFT I LIMITED (CONTINUED)

### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *We have nothing to report on other matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

### Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on pages 41 and 42, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DP AIRCRAFT I LIMITED (CONTINUED)

## Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## The purpose of this report and restrictions on its use by persons other than the Company's members, as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Fiona Babbe**

**For and on behalf of KPMG Channel Islands Limited**

Chartered Accountants and Recognised Auditors

Guernsey

25 April 2024

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | Notes | Year ended 31 Dec 2023 US$ | Year ended 31 Dec 2022 US$ |
|---|---|---|---|
| **Income** | | | |
| Lease rental income | 4 | 8,714,249 | 16,462,372 |
| **Expenses** | | | |
| Asset management fees | 22 | (450,890) | (471,590) |
| General and administrative expenses | 5 | (1,129,640) | (1,094,587) |
| Expected credit gain/(loss) on straight lining lease asset | 11 | 383,199 | (1,486,453) |
| Expected credit loss write off | 11 | - | (105,063) |
| Depreciation | 9 | (1,343,498) | (958,760) |
| | | **(2,540,829)** | **(4,116,453)** |
| Operating profit | | 6,173,420 | 12,345,919 |
| Finance costs | 6 | (9,551,675) | (4,860,305) |
| Other Income | | 8,138 | 1,552 |
| Finance income | | 860,827 | 194,906 |
| **Net finance costs** | | **(8,682,710)** | **(4,663,847)** |
| (Loss)/profit before tax | | (2,509,290) | 7,682,072 |
| Taxation | 7 | 3,603 | (21,249) |
| **(Loss)/profit for the year** | | **(2,505,687)** | **7,660,823** |
| **Total Comprehensive (Loss)/Income for the year** | | **(2,505,687)** | **7,660,823** |
| **(Loss)/Earnings per Share for the year – basic and diluted** | 8 | (0.01047) | 0.03429 |

All income is attributable to the Ordinary Shares of the Company.

The notes on pages 53 to 78 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | Notes | 31 Dec 2023 US$ | 31 Dec 2022 US$ |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| PPE- Aircraft & Related Components | 9 | 124,122,582 | 125,466,080 |
| Trade and other receivables | 11 | 5,853,206 | 8,935,454 |
| Restricted Cash | 10 | 15,735,805 | 14,979,197 |
| **Total non-current assets** | | **145,711,593** | **149,380,731** |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 11 | 3,144,163 | 3,857,514 |
| Restricted cash | 10 | 1,093,759 | 4,175,280 |
| Cash and cash equivalents – available for use | | 914,505 | 1,479,541 |
| **Total current assets** | | **5,152,427** | **9,512,335** |
| **TOTAL ASSETS** | | **150,864,020** | **158,893,066** |
| **EQUITY** | | | |
| Share Capital | 15 | 211,279,828 | 211,279,828 |
| Accumulated losses | 16 | (169,049,394) | (166,543,707) |
| **TOTAL EQUITY** | | **42,230,434** | **44,736,121** |
| **NON-CURRENT LIABILITIES** | | | |
| Bank borrowings | 14 | 85,027,721 | 80,779,172 |
| Maintenance provision | 12 | 14,829,296 | 14,829,296 |
| **Total non-current liabilities** | | **99,857,017** | **95,608,468** |
| **CURRENT LIABILITIES** | | | |
| Bank borrowings | 14 | 7,684,502 | 17,707,184 |
| Trade and other payables | 13 | 1,092,067 | 841,293 |
| **Total current liabilities** | | **8,776,569** | **18,548,477** |
| **TOTAL LIABILITIES** | | **108,633,586** | **114,156,945** |
| **TOTAL EQUITY AND LIABILITIES** | | **150,864,020** | **158,893,066** |

The financial statements on pages 49 to 78 were approved by the Board of Directors and were authorised for issue on 25 April 2024. They were signed on its behalf by:

The notes on pages 53 to 78 form an integral part of these financial statements.

**Jonathan Bridel**
**Chairman**

**Jeremy Thompson**
**Director**

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | Notes | Year ended 31 Dec 2023 US$ | Year ended 31 Dec 2022 US$ |
|---|---|---|---|
| (Loss)/profit for the year | | (2,505,687) | 7,660,823 |
| *Adjusted for:* | | | |
| Depreciation and amortisation | 9 | 1,343,498 | 958,760 |
| Finance costs | 6 | 9,551,675 | 4,860,305 |
| Taxation | 7 | (3,603) | 21,249 |
| Movement in straight lining lease asset | 11 | 3,486,794 | (8,753,206) |
| Lease receivable written off | 11 | - | 105,063 |
| Movement in expected credit loss on straight lining lease assset | 11 | (383,199) | 1,486,453 |
| Tax-paid | | (11,086) | - |
| *Changes in:* | | | |
| Increase in maintenance reserves | 12 | - | 368,614 |
| Increase in trade and other payables | 13 | 265,462 | 192,312 |
| Decrease/(increase) in trade and other receivables | 11 | 692,004 | (607,766) |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | | **12,435,858** | **6,292,607** |
| **INVESTING ACTIVITIES** | | | |
| Restricted cash | | 2,324,913 | (1,900,631) |
| **NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES** | | **2,324,913** | **(1,900,631)** |
| **FINANCING ACTIVITIES** | | | |
| Share issue proceeds | | - | 750,000 |
| Share issue costs | | - | (26,824) |
| Bank loan principal repaid | 14 | (9,556,363) | - |
| Bank loan interest paid | 14 | (5,769,445) | (4,814,822) |
| **NET CASH FLOW USED IN FINANCING ACTIVITIES** | | **(15,325,808)** | **(4,091,646)** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **1,479,541** | 1,179,211 |
| (Decrease)/increase in cash and cash equivalents | | (565,036) | 300,330 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **914,505** | **1,479,541** |

The notes on pages 53 to 78 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | Note | Share capital US$ | Accumulated losses US$ | Total Equity US$ |
|---|---|---|---|---|
| As at 1 January 2023 | 15 | 211,279,828 | (166,543,707) | 44,736,121 |
| **Total comprehensive expenses for the year** | | | | |
| Loss for the year | | - | (2,505,687) | (2,505,687) |
| **Total comprehensive expense** | | **-** | **(2,505,687)** | **(2,505,687)** |
| **As at 31 December 2023** | | **211,279,828** | **(169,049,394)** | **42,230,434** |
| As at 1 January 2022 | | 210,556,652 | (174,204,530) | 36,352,122 |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | | | 7,660,823 | 7,660,823 |
| **Total comprehensive income** | | **-** | **7,660,823** | **7,660,823** |
| **Transactions with owners** | | | | |
| Issue of ordinary shares | 15 | 750,000 | - | 750,000 |
| Share issue costs paid | | (26,824) | - | (26,824) |
| **As at 31 December 2022** | | **211,279,828** | **(166,543,707)** | **44,736,121** |

The notes on pages 53 to 78 form an integral part of these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

### 1) GENERAL INFORMATION

The consolidated audited financial statements ('financial statements') incorporate the results of DP Aircraft I Limited (the "Company") and that of wholly owned subsidiary entities, DP Aircraft Guernsey III Limited, DP Aircraft Guernsey IV Limited (collectively and hereinafter, the 'Borrowers'), each being a Guernsey incorporated company limited by shares and one intermediate lessor company, DP Aircraft UK Limited (the 'Lessor'), a UK incorporated private limited company respectively. The Company and its subsidiaries (the Borrowers and the Lessor) comprise together the "Group".

The Company was incorporated on 5 July 2013 with registered number 56941. The Company is admitted to trading on the Specialist Fund Segment of the London Stock Exchange.

The Company's investment objective is to obtain income and capital returns for its shareholders by acquiring, leasing and then, when the Board considers it appropriate, selling aircraft.

The financial statements were approved by the Board of Directors and authorised for issue on 25 April 2024.

### 2) MATERIAL ACCOUNTING POLICY INFORMATION

***a) Basis of preparation***

These financial statements are prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations ('IFRS') issued by the International Accounting Standards Board ('IASB') and the Disclosure Guidance and Transparency Rules (the 'DTRs') of the UK's Financial Conduct Authority (the 'FCA').

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

The financial statements are presented in United States Dollars (US$) which is also the functional currency of the Company and its subsidiaries.

***Material uncertainty relating to going concern***

The Directors believe that it is appropriate to prepare these consolidated financial statements on a going concern basis as the current cash flow forecasts demonstrate that the Group, with continued deferral of fees, as outlined below, from some service providers, has sufficient cash to cover operating costs for a period of at least twelve months from the signing of the consolidated financial statements (the "going concern period").

Should a plausible downside scenario occur additional finance will be required to provide sufficient funding to fund the Group's activities to cover any negotiations with the lenders as further detailed below. In this respect the Company believes it is therefore prudent to raise additional capital in Q3 2024. The Board will consult with its broker regarding a proposed capital raise and its uptake. However, the outcome is currently uncertain.

The Board therefore concludes that to sufficiently cover off all going concern scenarios, there is a material uncertainty, however it remains appropriate to prepare the financial statements on a going concern basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

**2) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

***a) Basis of preparation (continued)***

***Material uncertainty relating to going concern (continued)***

In making this conclusion, the Board have taken into consideration:

- that Thai Airways have made monthly fixed lease rental payments on time and in full from the start of the revised fixed rental period commencing in January 2023. Further that Thai Airways have reported a consistent return to profitability and have projected that they will exit their formal rehabilitation Period in Q4 2024;
- that given Thai Airways improved performance the Company will continue to receive US$ 35,000 per aircraft per month as a contribution towards its operating costs with the rest going towards the pay down of the Group's outstanding loan arrangements;
- the continued deferral of some fees by the Board, the Asset Manager and the Broker as noted in note 13;
- successfully raising up to US$ 1m in Q3 2024 to allow the Group to trade beyond the going concern period to facilitate negotiating (i) an extension to the current loan maturities beyond the expiring loan terms in Q4 2026 with the Lenders, and (ii) an enhancement of the terms and conditions of the leases with Thai Airways, noting that negotiations with the lenders will commence in late 2024; and
- as a matter of prudence, the Company will need to consider costs associated with the winding up of the Group should it be required.

***New standards, interpretation and amendments from 1 January 2023***

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed (in this note) in certain instances.

***New and amended accounting standards and interpretations.***

At the date of authorisation of these financial statements, the following amendments to Standards and Interpretations were assessed to be relevant and are all effective for annual periods beginning on or after 1 January 2024 and thereafter:

– IAS 1 Amendments (Classification of Liabilities as Current or Non-Current)

– IAS 1 Amendments (Disclosure of Accounting Policies and IFRS Practice Statement 2)

– IAS 1 Amendments (Non-current Liabilities with Covenants)

– IAS 8 Amendments (Definition of Accounting Estimates)

– IAS 12 Amendments (Deferred Tax and OECD Pillar 2 Taxes)

– IAS 12 Amendments (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

**2) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

***a) Basis of preparation (continued)***

***New and amended accounting standards and interpretations (Continued)***

The Group intends to adopt the Standards and Interpretations in the reporting period when they become effective and the Board does not anticipate that the adoption of these Standards and Interpretations in future periods will materially impact the Group's financial results in the period of initial application although there may be revised presentations to the Financial Statements and additional disclosures.

***b) Basis of consolidation***
The financial statements incorporate the financial statements of the Company and the subsidiary undertakings controlled by the Company made up to 31 December each year. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of the investor's returns.

When control of a subsidiary undertaking is lost, the assets and liabilities of that subsidiary are deconsolidated at the date of loss of control and a resulting loss or gain on loss of control is reported in profit or loss.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

***c) Property, Plant and Equipment (PPE) – Aircraft and Related Components***
Upon delivery, aircraft (the 'Assets') are initially recognised at cost plus initial direct costs which may be capitalised under IAS 16. In accounting for property, plant and equipment, the Group makes estimates about the expected useful lives, the fair value of attached leases and the estimated residual value of aircraft. In estimating useful lives, fair value of leases and residual value of aircraft, the Group relies upon actual industry experience, supported by estimates received from independent appraisers.

Items of PPE are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items of PPE.

***d) Depreciation***
Depreciation is calculated to write off the cost of items of PPE less their residual values under the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 2) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### e) *Lease*

When an aircraft is acquired with a lease attached, an evaluation of whether the lease is at fair value is undertaken. A lease premium is recognised when it is determined that the acquired lease terms are above fair value. Lease premiums are recognised as a component of aircraft and are amortised to profit or loss on a straight-line basis over the term of the lease.

The two aircraft leased to Thai Airways International were acquired in 2015 and had a useful economic lease life of 12 years at acquisition. The useful economic lease life since acquisition of 12 years is unchanged as at year end.

The Group's policy is to depreciate the Assets over their remaining lease life (given the intention to sell the Assets at the end of each respective lease) to an appraised residual value at the end of the lease. Residual values are reviewed annually at the beginning of each year, and such estimates are supported by future values determined by two external valuations and discounted by the inflation rate incorporated into those valuations, see note 3 for further details.

#### f) *Operating lease – Group as lessor*

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

The Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease.

#### g) *Lease rental income*

Leases relating to the Aircraft are classified as operating leases where the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee. Fixed rental income from operating leases is recognised on a straight-line basis over the term of the lease. Variable rental income is accounted for on an accrual basis. Any modifications to operating leases are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Initial direct costs incurred in setting up a lease are capitalised to Property, Plant and Equipment and amortised over the lease term.

#### h) *Bank Borrowings and interest expense*

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised through profit or loss in the consolidated statement of comprehensive income over the period of borrowing using the effective interest rate method. Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least one year after the reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

**2) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)**

***h) Bank Borrowings and interest expense (Continued)***

Initial direct costs related to bank borrowings are capitalised, presented net against the bank borrowings in the consolidated statement of financial position and amortised to the consolidated statement of comprehensive income over the period of the related loan as part of the effective interest rate.

Where loans are modified, the modification is assessed in line with IFRS 9 to determine whether the modification is substantial. Where the modification is substantial, the existing loan is derecognised and the new loan is recognised at fair value. Where the modification is not substantial, the existing loan is not derecognised. Any difference arising on modification is recognised as a gain or loss within the consolidated statement of comprehensive income regardless of whether the modification is substantial or not.

Interest expense is calculated using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees or amounts paid or received that form an integral part of the effective interest rate, including transaction costs and other premiums or discounts) through the expected life of the financial asset or liability.

***i) Restricted Cash***

Restricted cash comprises cash held by the Group, but which is ring-fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash includes monies received in relation to maintenance provisions and security deposits.

***j) Maintenance Reserves Provision***

Maintenance reserves are lessee contributions to a retention account held by the lessor which are calculated by reference to the budgeted cost of maintenance and overhaul events (the 'supplemental rentals'). They are intended to ensure that at all times the lessor holds sufficient funds to cover the proportionate cost of maintenance and overhaul of the Asset relating to the life used on the airframe, engines and parts since new or since the last overhaul. During the term of the lease, all maintenance is required to be carried out at the cost of the lessee, and maintenance provisions are required to be released only upon receipt of satisfactory evidence that the relevant qualifying maintenance or overhaul has been completed.

Maintenance reserves are recorded in the consolidated statement of financial position during the term of the lease as a liability. Reimbursements will be charged against this liability as qualifying maintenance work is performed. Maintenance reserves are restricted and not distributable until, at the end of the lease, the Group is released from the obligation to make any further reimbursements in relation to the aircraft, and the remaining balance of maintenance provisions, if any, is released through profit or loss as lease related income. On termination of the lease maintenance reserves balance is also released to profit or loss as lease related income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 2) MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

***k) Segmental reporting***

The Directors are of the opinion that the Group is engaged in a single segment of business, being acquiring, leasing and subsequent selling of aircraft. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

### 3) USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires that the Directors make judgements and estimates about the future, that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Information about assumptions and estimation uncertainty at 31 December 2023 that have a significant effect of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are:

***Assumptions and estimation uncertainties in the impairment testing of PPE and key assumptions underlying recoverable amounts cost of disposal.***

***Impairment of property, plant and equipment***

An impairment is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

At each reporting, the Group reviews the carrying amounts of its PPE to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. The recoverable amount of an asset is the higher of the value in use and fair value less cost to disposal. In considering the impairment of the Thai aircraft, the Board concluded that the fair value less costs of disposal was the recoverable amount. The fair value less costs of disposal used in the assessment is based on the full-life market value of each aircraft as determined by 2 independent appraisers given the aircraft have a lease with a full-life return condition attached to them.

The Board considered all possible valuation ranges and concluded that the Thai aircraft were not impaired as at 31 December 2023 given the fair value less costs of disposal was greater than the book value of the aircraft. 2 independent appraisers determined that the full life market value of the aircraft as at 31 December 2023 ranges from US$ 59.8m to US$ 74.5m. Note, every appraiser has its own opinion of the market and how the market will develop. On a specific aircraft type one appraiser might be more favourable compared to another firm and vice versa. In addition, appraisers obtain their market information from different sources and use different calculation models. This has an influence on future and current market values hence the wide range. In order to eliminate peaks in one or the other direction the Board take the average of the 2 appraisers in determining market values for the aircraft. This approach is consistent with the approach adopted by other market participants (lessors, lenders, etc) and is consistent with prior periods. Given the nature and life of the aircraft this approach is considered to be reasonable. The average market value less selling costs for each aircraft is more than each aircraft's carrying value. Therefore, no impairment loss has been recognised during the financial year ended 31 December 2023 ( 2022: US$ nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 3) USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

***Impairment of property, plant and equipment (Continued)***

The Board also considered if there was any indication that the accumulated impairment recognised in previous years on Thai aircraft of US$ 58,839,697 had reversed partially or in full. The Board has concluded that based on the possible ranges of the aircraft valuations, there was no reversal during the year ended 31 December 2023.

The aircraft are currently in a half-life state which means the airframe, engines, landing gear and other major time/cycle limited components are halfway through their various overhaul and /or life cycles. Note that the aircraft will be returned in a full-life condition on termination of the leases hence full-life market value was used in the impairment assessment.

***Depreciation of aircraft***

As described in note 2, the Group depreciates the Assets on a straight-line basis over the remaining lease life and taking into consideration the estimated residual value at the end of the lease term. The Group engages independent expert valuers (appraisers) each year to provide a valuation of the Assets and take into account the average of the valuations provided.

Residual value estimates of the Aircraft were determined by the full life inflated base values at the end of the leases from external valuations and discounted by the inflation rate incorporated into those valuations.

The full life inflated base value is the appraiser's opinion of the underlying economic value of the aircraft in an open, unrestricted, stable market environment with a reasonable balance of supply and demand and assumes full consideration of its 'highest and best use'. The full life inflated values used within the financial statements match up the two lease termination dates (October 2026 and December 2026) and have been discounted by the inflation rate incorporated into the valuations. The residual value of the aircraft does not represent the current fair value of the aircraft.

The residual value estimates at the end of each year are used to determine the aircraft depreciation of future periods. The residual value estimates for aircraft as at 31 December 2023 was US$ 122,852,389 (2022: US$ 120,247,838), carrying value as at 31 December 2023 was US$ 124,122,582 (2022: US$ 125,466,080).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 4) LEASE RENTAL INCOME

| | 2023 | 2022 |
|---|---|---|
| | US$ | US$ |
| Variable rental (PBH rent) income | - | 7,709,166 |
| Straight lining rental income | 8,714,249 | 8,753,206 |
| **Total lease rental income** | **8,714,249** | **16,462,372** |

All lease rental income was derived from Thai Airways and the related two Boeing 787-8 aircraft leased to them.

Until 31 December 2022 the lease terms provided for a power by the hour (‘PBH’) arrangement (i.e., rent was payable by reference to actual monthly utilisation of the Thai aircraft). After 31 December 2022, lease payments are fixed at US$ 510,000 per month until October and December 2026 respectively for each lease.

The lease term may be extended by three years to October 2029 for aircraft MSN 36110 and December 2029 for aircraft MSN 35320 (the "Extension Period") with further scaled back monthly lease payments starting from November 2026 and January 2027 respectively. The Extension Period is however subject to agreement with the Group after consulting the Lenders. The lease term has been determined to be the period to October 2026 and December 2026 which is the non-cancellable term of each aircraft lease.

The contracted cash lease rental payments to be received under non-cancellable operating leases at the reporting date are:

| | Boeing 787-8 Serial No: 35320 | Boeing 787-8 Serial No: 36110 | Total |
|---|---|---|---|
| **31 Dec 2023** | **US$** | **US$** | **US$** |
| 2024 | 6,120,000 | 6,120,000 | 12,240,000 |
| 2025 | 6,120,000 | 6,120,000 | 12,240,000 |
| 2026 | 5,758,065 | 5,067,097 | 10,825,162 |
| | **17,998,065** | **17,307,097** | **35,305,162** |
| **31 Dec 2022** | **US$** | **US$** | **US$** |
| 2023 | 6,120,000 | 6,120,000 | 12,240,000 |
| 2024 | 6,120,000 | 6,120,000 | 12,240,000 |
| 2025 | 6,120,000 | 6,120,000 | 12,240,000 |
| 2026 | 5,758,065 | 5,067,097 | 10,825,162 |
| | **24,118,065** | **23,427,097** | **47,545,162** |

US$ 10,038,709 (2022: US$ 13,525,502) of the future contracted lease rental payments are recognised as a straight lining lease asset as at year end.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

### 5) GENERAL AND ADMINISTRATIVE EXPENSES

| | 2023 | 2022 |
|---|---|---|
| | US$ | US$ |
| Administration fees | 227,569 | 259,437 |
| External accounting services | 21,726 | 36,810 |
| Aircraft agency fees | 5,523 | 12,033 |
| Aircraft valuation fees | 13,266 | 9,092 |
| Aircraft security trustee fees | 25,079 | 12,000 |
| Audit fees | 123,398 | 69,895 |
| Interim audit fees | - | 12,810 |
| Company broker fees | 167,899 | 167,902 |
| Directors' fees and expenses | 196,520 | 212,593 |
| Insurance costs, including directors' insurance | 89,249 | 100,873 |
| Foreign exchange | 26,095 | 4,974 |
| IT and printing costs | 19,036 | 22,378 |
| Legal fees | 8,194 | 3,157 |
| Miscellaneous costs | 12,911 | 8,399 |
| Registrar fees | 26,016 | 28,738 |
| Other expenses | 14,213 | 20,725 |
| **Total ongoing costs** | **976,694** | **981,816** |
| Restructuring fees | 152,946 | 112,771 |
| **Total general and administrative expenses** | **1,129,640** | **1,094,587** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 6) FINANCE COSTS

| | 2023<br>US$ | 2022<br>US$ |
|---|---|---|
| Loan interest | 4,494,653 | 4,860,305 |
| Loan Modification adjustment | 5,042,029 | - |
| Loan arrangement fee | 14,993 | - |
| **Total finance costs** | **9,551,675** | **4,860,305** |

During the period there was a restructure of the loans advanced by DekaBank. Management, in line with IFRS 9, assessed whether the modification was substantial or not. The assessment was done on a quantitative basis and compared the net present value of the modified cash flows per the amended loan terms including any fees payable or receivable, discounted at the original effective interest rate, against the carrying value of the loans prior to the modification. A difference of 10% or more would have been considered substantial as is advised in IFRS 9. Management concluded that the modification was not substantial, and a modification adjustment, being the difference between the net present value of the cash flows under the revised terms discounted at the original agreement's effective interest rate and the carrying value of the loans immediately prior to the modification, was made to the existing loan in line with IFRS 9. This totalled US$ 5,042,029 and increased both finance costs and the loans payable at the point of modification. This adjustment essentially recognises a loss now due to the less favourable terms (primarily interest rate increases) under the modified terms compared to the original terms. As a result of this adjustment, interest will be recognised at the lower original effective interest rate as opposed to the higher modified interest rate going forward.

### 7) TAXATION

With the exception of DP Aircraft UK Limited, all companies within the Group are exempt from taxation in Guernsey and are charged an annual exemption fee of £1,600 each (2022: £1,200).

DP Aircraft UK Limited are subject to taxation at the applicable rate in the United Kingdom. They recorded a tax benefit of US$3,603 during the year compared to a tax expense of US$21,249 in 2022. The Directors do not expect the taxation payable to be material to the Group.

A tax reconciliation has not been presented in these Financial Statements as the effective tax rate is not material and the reconciliation is not relevant to the understanding of the Company's results for the year end.

### 8) EARNINGS PER SHARE

| | 2023<br>US$ | 2022<br>US$ |
|---|---|---|
| (Loss)/Profit for the year | (2,505,687) | 7,660,823 |
| Weighted average number of shares | 239,333,333 | 223,388,128 |
| **(Loss)/Earnings per Share** | **(0.01047)** | **0.03429** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 9) PROPERTY, PLANT & EQUIPMENT – AIRCRAFT & RELATED COMPONENTS

| | Aircraft US$ | Lease Premium US$ | Total US$ |
|---|---|---|---|
| **COST** | | | |
| **As at 1 January 2023 and 31 December 2023** | **238,731,161** | **17,398,493** | **256,129,654** |
| **ACCUMULATED DEPRECIATION / AMORTISATION** | | | |
| As at 1 January 2023 | 54,425,384 | 8,200,047 | 62,625,431 |
| Charge for the year | 1,343,498 | - | 1,343,498 |
| **As at 31 December 2023** | **55,768,882** | **8,200,047** | **63,968,929** |
| **IMPAIRMENT** | | | |
| As at 1 January 2023 | 58,839,697 | 9,198,446 | 68,038,143 |
| Charge for the year | - | - | - |
| **As at 31 December 2023** | **58,839,697** | **9,198,446** | **68,038,143** |
| **CARRYING AMOUNT** | | | |
| **As at 31 December 2023** | **124,122,582** | **-** | **124,122,582** |

| | Aircraft US$ | Lease Premium US$ | Total US$ |
|---|---|---|---|
| **COST** | | | |
| **As at 1 January 2022 and 31 December 2022** | **238,731,161** | **17,398,493** | **256,129,654** |
| **ACCUMULATED DEPRECIATION / AMORTISATION** | | | |
| As at 1 January 2022 | 53,466,624 | 8,200,047 | 61,666,671 |
| Charge for the year | 958,760 | - | 958,760 |
| **As at 31 December 2022** | **54,425,384** | **8,200,047** | **62,625,431** |
| **IMPAIRMENT** | | | |
| As at 1 January 2022 | 58,839,697 | 9,198,446 | 68,038,143 |
| Charge for the year | - | - | - |
| **As at 31 December 2022** | **58,839,697** | **9,198,446** | **68,038,143** |
| **CARRYING AMOUNT** | | | |
| **As at 31 December 2022** | **125,466,080** | **-** | **125,466,080** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 9) PROPERTY, PLANT & EQUIPMENT – AIRCRAFT & RELATED COMPONENTS (CONTINUED)

As at year end PPE is comprised of two aircraft leased to Thai Airways under an operating lease. Under the terms of the leases that existed during the year, the cost of repair and maintenance of the Assets is to be borne by Thai Airways and Thai Airways has an obligation to return the Assets in a full life condition. However, after expiry or termination of the leases with Thai, the cost of repair and maintenance will fall upon the Group. Therefore, after expiry or termination of the Thai leases, the Group may bear higher costs and the terms of any subsequent leasing arrangements (including terms for repair, maintenance and insurance costs relative to those agreed under the leases) may be less favourable, which could reduce the overall distributions paid to the shareholders.

Refer to note 3 for details regarding residual value estimates. The Group depreciates the aircraft on a straight-line basis over the remaining lease term. The lease term has been determined to end in 2026.

As detailed in note 3, as at 31 December 2023 there is no impairment to the aircraft and there are no indications of reversal of prior year impairment either. Refer to note 3 for further details.

The loans entered into by the Group to complete the purchase of the two Thai aircraft are cross collateralised. Each of the loans are secured by way of security taken over each of the two aircraft.

### 10) RESTRICTED CASH

| | 2023 | 2022 |
|---|---:|---:|
| **Current assets** | **US$** | **US$** |
| Security deposit accounts | 97 | 91 |
| Lease rental accounts | 1,093,662 | 4,175,189 |
| | 1,093,759 | 4,175,280 |
| **Non-current assets** | | |
| Maintenance reserves accounts | 15,735,805 | 14,979,197 |
| **Total restricted cash** | **16,829,564** | **19,154,477** |

Maintenance reserves held at reporting date, are to be used solely to cover costs related to the maintenance of the two aircraft. Effective 15 June 2021, the Group no longer receives maintenance reserves contributions from the lessee in line with the updated lease terms.

The majority of security deposits were transferred to Lease Rental Accounts during the prior period and are being used to service loan payments due to DekaBank in accordance with the DekaBank financing arrangements. Monies received into the Lease Rental Accounts during the fixed rent period are to be transferred into Borrower Rental Accounts and applied in a specific manner as agreed between DekaBank and the Group. Access to the Lease Rental Accounts, Security deposit accounts and Maintenance reserves accounts is physically restricted by DekaBank therefore these monies are classified as restricted cash.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 11) TRADE AND OTHER RECEIVABLES

| | 2023 | 2022 |
|---|---|---|
| | US$ | US$ |
| Prepayments | 61,914 | 82,333 |
| Rent receivable | - | 671,585 |
| Straight-lining lease asset | 10,038,709 | 13,525,503 |
| **Total trade and other receivables** | **10,100,623** | **14,279,421** |
| Less: Expected credit loss on straight lining lease asset | (1,103,254) | (1,486,453) |
| **Net trade and other receivables** | **8,997,369** | **12,792,968** |

Current and non-current split as at year end is as follows:

| | 2023 | 2022 |
|---|---|---|
| **Current assets** | US$ | US$ |
| Prepayments | 61,914 | 82,333 |
| Rent receivable | - | 671,586 |
| Straight-lining lease asset | 3,082,249 | 3,103,595 |
| | 3,144,163 | 3,857,514 |
| **Non-current assets** | | |
| Straight-lining lease asset | 5,853,206 | 8,935,454 |
| **Trade and other receivables** | **8,997,369** | **12,792,968** |

The Group has assessed the straight-lining lease asset for impairment. This balance represents the result of straight lining of future fixed Thai lease payments over the lease term. The Group has performed an assessment on the straight-lining lease asset taking into account current and future information relating to the airline industry as well as the lessee specifically and concluded that the expected credit loss provision as at 31 December 2023 is US$ 1,103,254 (2022: US$ 1,486,453). For the remaining receivables, the Group has concluded that these are not material thus any provision, if any, would also be immaterial and so no further assessment is necessary.

Movements in the impairment provision for trade receivables is as follows:

| | 2023 | 2022 |
|---|---|---|
| | US$ | US$ |
| **Opening provision** | 1,486,453 | - |
| Expected credit loss on straight lining lease asset | (383,199) | 1,486,453 |
| Expected credit loss on lease receivable | - | 105,063 |
| Lease receivable written off | - | (105,063) |
| **Closing provision** | **1,103,254** | **1,486,453** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 12) MAINTENANCE PROVISION

The maintenance reserves liability relates to funds received from Thai Airways reserved for covering the cost of maintenance. Effective 15 June 2021, the Group no longer receives maintenance reserves contributions from the lessee in line with the updated lease terms.

### 13) TRADE AND OTHER PAYABLES

| | 2023 | 2022 |
|---|---|---|
| **Current** | **US$** | **US$** |
| Accruals and other payables | 255,581 | 221,749 |
| Asset Manager fees payable (note 22) | 283,011 | 218,033 |
| Broker fees payable | 321,809 | 167,902 |
| Director fees payable (note 21) | 225,105 | 212,360 |
| Taxation payable | 6,560 | 21,249 |
| **Total trade and other payables** | **1,092,066** | **841,293** |

All directors, brokers fees and most of the asset manager fees have been classified as current liabilities under IFRS but these creditors have agreed the amounts are not payable within twelve months unless there is an asset sale.

### 14) BANK BORROWINGS

| | 2023 | 2022 |
|---|---|---|
| | **US$** | **US$** |
| Current liabilities: Bank interest payable and Bank borrowings | (7,684,502) | 17,707,184 |
| Non-current liabilities: Bank borrowings | (85,027,721) | 80,779,172 |
| **Total liabilities** | **(92,712,223)** | **98,486,356** |

**The borrowings are repayable as follows:**

| | | |
|---|---|---|
| Interest payable | 183,992 | 181,493 |
| Within one year | 7,500,510 | 17,525,691 |
| In two to five years | 85,027,721 | 80,779,172 |
| **Total Bank borrowings** | **92,712,223** | **98,486,356** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 14) BANK BORROWINGS (CONTINUED)

The table below analyses the movements in the Group's bank borrowings:

| | 2023<br>US$ | 2022<br>US$ |
|---|---|---|
| Opening balance | 98,304,863 | 98,304,863 |
| Loan modification adjustment (note 6) | 5,042,029 | - |
| Repayment of loan | (9,556,363) | - |
| Amortisation payable | (1,262,298) | - |
| **Principal Bank borrowings** | **92,528,231** | **98,304,863** |
| Interest payable | 183,992 | 181,493 |
| **Total Bank borrowings** | **92,712,223** | **98,486,356** |

The table below sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2023

| | Cash and cash equivalents<br>US$ | Principal<br>US$ | Interest<br>US$ | Net Debt<br>US$ |
|---|---|---|---|---|
| **At 1 January 2023** | **1,479,541** | **(98,304,863)** | **(181,493)** | **(97,006,815)** |
| Cash flows | (565,036) | 9,556,363 | 5,769,445 | 14,760,772 |
| Non cash: - | | | | |
| Modification adjustment | - | (5,042,029) | - | (5,042,029) |
| Amortisation adjustment | - | 1,262,298 | (1,262,298) | - |
| Interest charge | - | - | (4,494,653) | (4,494,653) |
| Loan arrangement fee | - | - | (14,993) | (14,993) |
| **At 31 December 2023** | **914,505** | **(92,528,231)** | **(183,992)** | **(91,797,718)** |

| | Cash and cash equivalents<br>US$ | Principal<br>US$ | Interest<br>US$ | Net Debt<br>US$ |
|---|---|---|---|---|
| **At 1 January 2022** | 1,179,211 | (98,304,863) | (136,010) | (97,261,662) |
| Cash flows | 300,330 | - | 4,814,822 | 5,115,152 |
| Non cash: - | | | | |
| Interest charge | - | - | (4,860,305) | (4,860,305) |
| **At 31 December 2022** | **1,479,541** | **(98,304,863)** | **(181,493)** | **(97,006,815)** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 14) BANK BORROWINGS (CONTINUED)

***DekaBank***

On 6 May 2021, subsequent to the LOI being entered into by the Group and Thai as described in the summary in page 4, the Group and DekaBank amended and restated the existing loan facility agreements in respect of the Thai aircraft to accommodate the new lease terms, First Amendment and Restatement to the Loan Agreements. Repayments of principal were deferred until after the end of the PBH arrangement (31 December 2022), and a new repayment schedule was to be renegotiated close to the end of the PBH arrangement.

On 7 February 2023, the Group and DekaBank entered into a Second Amendment and Restatement to the Loan Agreement in which the parties agreed on the following main terms:

- The total loan amount outstanding was split into two tranches:
    - Facility A loan of US$ 61,144,842, made up of MSN 35320 loan of US$ 31,099,453 and MSN 36110 loan of US$ 30,045,389. The Facility A loan amortizes to a combined balloon of US$ 33,947,878 and represents the scheduled debt.
    - Facility B loan of US$ 35,504,024 (non-amortizing), made up of MSN 35320 loan of US$ 17,366,650 and MSN 36110 loan of US$ 18,137,374. The Facility B loan will be settled as a balloon payment at the end of the loan term in 2026.
- USD 2.36m of surplus cash generated under the PBH period was used to immediately repay debt on the amortizing Facility A loan in February 2023, while an agreed cash reserve of US$ 500,000 per aircraft will be retained to cover unforeseen costs going forward.
- the interest rate swap in place for the scheduled debt was dissolved at no net gain or loss.
- the MSN 35320 and MSN 36110 Facility A loans bear fixed interest rates of 6.61% and 6.89% respectively.
- the MSN 35320 and MSN 36110 Facility B loans bear fixed interest rates of 5.26% and 5.42% respectively.
- From the monthly fixed lease rental of US$ 510,000 per aircraft (which denotes the maximum amount the Company can earn in operations per month), US$ 475,000 is legally restricted so that those funds are only payable to the lenders, while the remaining US$ 35,000 per aircraft can be retained by the company to contribute towards ongoing fixed costs of the Company.

The MSN 35320 loan and the MSN 36110 loan have a final maturity date of 9 December 2026 and 29 October 2026 respectively.

Due to the limited liquidity position of the Group, restructuring fees associated with the second amendment and restatement will be paid after the eventual remarketing of the aircraft, subject to surplus sales proceeds being realised.While there are covenants attached to the loans, there has been no issues of non-compliance within the period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 15) SHARE CAPITAL

Company's authorised share capital is unlimited.

| **Year ended 31 December 2023** | **Subordinated Administrative Share** | **Ordinary Shares** | **Total** |
|---|---|---|---|
| **Issued and fully paid (no par value shares):** | **Number** | **Number** | **Number** |
| **Shares as at 1 January 2023** | **1** | **239,333,333** | **239,333,334** |
| **Shares as at 31 December 2023** | **1** | **239,333,333** | **239,333,334** |
| | **US$** | **US$** | **US$** |
| **Share capital as at 1 January 2023** | **-** | **211,279,828** | **211,279,828** |
| **Share capital as at 31 December 2023** | **-** | **211,279,828** | **211,279,828** |

| **Year ended 31 December 2022** | **Subordinated Administrative Share** | **Ordinary Shares** | **Total** |
|---|---|---|---|
| **Issued and fully paid (no par value shares):** | **Number** | **Number** | **Number** |
| **Shares as at 1 January 2022** | **1** | **209,333,333** | **209,333,334** |
| Share issued during the year | - | 30,000,000 | 30,000,000 |
| **Shares as at 31 December 2022** | **1** | **239,333,333** | **239,333,334** |
| | **US$** | **US$** | **US$** |
| **Share capital as at 1 January 2022** | **-** | **210,556,652** | **210,556,652** |
| Proceeds from issue of shares | | 750,000 | 750,000 |
| Issue cost paid | - | (26,824) | (26,824) |
| **Share capital as at 31 December 2022** | **-** | **211,279,828** | **211,279,828** |

Subject to the applicable company law and the Company's Articles of Incorporation, the Company may issue an unlimited number of shares of par value and/or no par value or a combination of both.

The Subordinated Administrative Share is held by DS Aviation GmbH & Co. KG, (the Asset Manager).

Holders of Subordinated Administrative Shares are not entitled to participate in any dividends and other distributions of the Company. On a winding up of the Company the holders of the Subordinated Administrative Shares are entitled to an amount out of the surplus assets available for distribution equal to the amount paid up, or credited as paid up, on such shares after payment of an amount equal to the amount paid up, or credited as paid up, on the Ordinary Shares to the Shareholders. Holders of Subordinated Administrative Shares shall not have the right to receive notice of and have no right to attend, speak and vote at general meetings of the Company except if there are no Ordinary Shares in existence.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2023

### 15) SHARE CAPITAL (CONTINUED)
The Directors are entitled to issue and allot C Shares. No C Shares have been issued since the Company was incorporated.

On 13 July 2022 the Company raised gross proceeds of $750,000 through the issue of 30,000,000 new ordinary shares in the capital of the Company at a price of US$0.025 per new ordinary share.

### 16) ACCUMULATED LOSSES

The movements in the Group's accumulated losses are shown on page 52.

Accumulated losses comprise accumulated profits and losses over time.

### 17) DIVIDENDS

The dividends declared and paid during the year ended 31 December 2023 are US$ nil (2022: US$ nil).

On 3 April 2020, the Company announced a suspension of dividends until further notice due to the impact of Covid-19 in global aviation and especially with long haul operations. The suspension is continuing and as noted in Summary report on pages 4 to 6, there is no realistic prospect of the Company's shareholders receiving a dividend or other distribution.

### 18) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company's investments in subsidiaries, all of which have been included in these consolidated financial statements, are as follows:

| Name | Date of Incorporation | Country of Incorporation | Proportion of ownership interest at 31 December 2023 |
|---|---|---|---|
| DP Aircraft Guernsey III Limited | 21 May 2015 | Guernsey | 100% |
| DP Aircraft Guernsey IV Limited | 21 May 2015 | Guernsey | 100% |
| DP Aircraft UK Limited | 14 April 2015 | United Kingdom | 100% |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 19) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following table details the categories of financial instruments held by the Group at the reporting date:

| | 2023 | 2022 |
|---|---|---|
| | US$ | US$ |
| Cash and cash equivalents | 914,505 | 1,479,541 |
| Restricted cash | 16,829,564 | 19,154,477 |
| Trade and other receivables (excluding prepayments and straight-lining lease asset) | - | 671,586 |
| **Financial assets measured at amortised cost** | **17,744,069** | **21,305,604** |
| | | |
| **Financial liabilities** | | |
| Bank borrowings | 92,712,223 | 98,486,356 |
| Maintenance provision | 14,829,296 | 14,829,296 |
| Trade and other payables (excluding tax) | 1,092,066 | 841,293 |
| **Financial liabilities measured at amortised cost** | **108,633,585** | **114,156,945** |

The primary risks arising from the Group's financial instruments are capital management, credit risk, market risk and liquidity risk. The principal nature of such risks is summarised below. The Group's main financial instruments as at year end comprised of cash and cash equivalents, restricted cash, maintenance reserves payable and bank loans.

***Capital Management***

The capital managed by the Group comprises the ordinary shares and the subordinated administrative shares. The Company is not subject to externally imposed capital requirements.

Until COVID-19 and the impact on the aircraft industry and the lessees, income distributions were generally made quarterly, subject to compliance with Applicable Law and regulations, in February, May, August and November of each year. The Company aimed to make a distribution to investors of US$ 0.0225 per share per quarter. As a result of the COVID-19 pandemic impact on global aviation and especially its lessees, the Group has suspended dividends until further notice to help preserve liquidity.

***Credit risk***

Credit risk is the risk that a significant counterparty will default on its contractual obligations. The Group's main counterparty during the year was Thai Airways as lessee and provider of income. The Group, through the Asset Manager, mitigates credit risk related to Thai Airways through regular monitoring of Thai's use of the aircraft, review of Thai's financial position, performance, and prospects and through a general review of the performance of the airline market.

The Group assesses the probability of Thai defaulting under different scenarios and the losses that would be incurred under those different scenarios. The probability of each default scenario occurring and the related loss that would be incurred under that scenario is determined taking into account Thai's historic financial position, performance and future prospects. The general performance of the Thai economy and the overall airline industry is also considered in the assessment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 19) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

***Credit risk (continued)***

There are gross lease rentals receivable from Thai at 31 December 2023, US$ nil (2022: US$ 671,586). A full lifetime ECL was recognised for the lease rentals receivable from Thai in the prior year however no ECL has been recognised for the balance due as at year end (see note 11). Furthermore, the Group has also recognised a gross straight lining lease asset as at 31 December 2023 of US$ 10,038,709 (2022: US$ 13,525,502). A provision is recognised against this straight lining lease asset as at 31 December 2023 of US$ 1,103,254 (2022: US$ 1,486,453). Refer to note 11 for further details.

Whilst the Board expect that the approved Thai rehabilitation plan will succeed, the final outcome of these proceedings is unknown, refer to the Asset Manager Report on pages 11 to 23 for more details regarding the rehabilitation process. Failure of any material part of the rehabilitation plan may have an adverse impact on its ability to comply with its obligations under the lease (see note 4 for details re obligations of lessee).

Cash and restricted cash are all held at DekaBank. The credit rating of DekaBank by Moody' is Aa2 (2022: Aa2). The lessees do not maintain a credit rating.

The carrying amount of financial assets measured at amortised cost recorded in the financial statements represents the Group's maximum exposure to credit risk. The Group holds no collateral as security or any other credit enhancements.

***Market risk – interest rate risk***

Interest rate risk arises on the Group's various interest-bearing assets and liabilities from changes in the general economic conditions of the market from time to time. The bank borrowings have the most significant interest impact on the Group. As detailed in note 14, the Group's bank borrowings were amended and restated. As part of the amendment and restatement, interest rates were set at fixed rates. Therefore, the Group's interest rate exposure is currently limited only to the restricted cash and bank balances which earn an immaterial amount of interest. As a result, the Group has no material exposure to interest rate risk subsequent to year end.

A 0.25% increase or decrease in interest rates on all interest-bearing financial instruments would result in an increase or decrease in net finance costs for the year of US$ 186,960 (2022: US$ 194,177).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 19) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The following table details the Group's exposure to interest rate risk as at year end:

| 31 December 2023 | Fixed rate instruments US$ | Variable rate instruments US$ | Non-interest bearing instruments US$ | Total US$ |
|---|---|---|---|---|
| Restricted cash | - | 16,829,564 | - | 16,829,564 |
| Trade and other receivables *(excluding prepayments and straight-lining lease asset)* | - | - | - | - |
| Cash and cash equivalents | - | 914,505 | - | 914,505 |
| **Total financial assets** | **-** | **17,744,069** | **-** | **17,744,069** |
| | | | | |
| Trade and other payables | - | - | (1,092,066) | (1,092,066) |
| Maintenance reserves | - | - | (14,829,296) | (14,829,296) |
| Bank borrowings* | (92,528,231) | - | (183,992) | (92,712,222) |
| **Total financial liabilities** | **(92,528,231)** | **-** | **(16,105,354)** | **(108,633,585)** |
| **Total interest rate sensitivity gap** | **(92,528,231)** | **17,744,069** | | |

*Interest is charged on the deferred portion of the loan based on a variable rate and a fixed rate for the loan portion not deferred.

| 31 December 2022 | Fixed rate instruments US$ | Variable rate instruments US$ | Non-interest bearing instruments US$ | Total US$ |
|---|---|---|---|---|
| Restricted cash | - | 19,154,477 | - | 19,154,477 |
| Trade and other receivables *(excluding prepayments and straight-lining lease asset)* | - | - | 671,586 | 671,586 |
| Cash and cash equivalents | - | 1,479,541 | - | 1,479,541 |
| **Total financial assets** | - | **20,634,018** | **671,586** | **21,305,604** |
| | | | | |
| Trade and other payables | - | - | (820,044) | (820,044) |
| Maintenance reserves | - | - | (14,829,296) | (14,829,296) |
| Bank borrowings | (62,800,839) | (35,504,024) | (181,493) | (98,486,356) |
| **Total financial liabilities** | **(62,800,839)** | **(35,504,024)** | **(15,830,833)** | **(114,135,696)** |
| **Total interest rate sensitivity gap** | **(62,800,839)** | **(14,870,006)** | | |

***Market risk – foreign currency risk***

The Group's exposure to foreign currency risk is not significant as its cash flows are predominantly in US$ which is the functional currency of the company and subsidiaries, and presentation currency of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 19) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations in respect of its financial liabilities. The Group's main financial commitments are the loans due to DekaBank as well as meeting its ongoing operating expenses.

*Liquidity risk management*

In the event that the Leases are terminated as a result of a default by Thai Airways, there is a risk that the Group will not be able to remarket the Thai Assets successfully within the remarketing period specified in the loan agreements and that the Group will not have sufficient liquidity to comply with its obligations under the Loan Agreements. This may lead to a continued suspension in distributions paid on the shares and/or a reduction in the value of the shares and have an adverse effect on the Group and could ultimately result in the Dekabank enforcing their security and selling the relevant Asset or Assets on the market. There can be no guarantee that the Group will be able to re-lease the Assets on terms equivalent to the existing leases, which may have an adverse effect on the Group and its ability to meet its investment objective and its dividend target. Accordingly, were any or all of the Assets to be re-leased on less favourable terms, this may have an adverse effect on the Group and its share price. The Group monitors the impact of its obligations, including the Dekabank loan, on liquidity through cash flow forecasts which are prepared on a monthly basis.

As detailed in note 14, the Group has successfully renegotiated an amendment to the Dekabank loans and new terms were agreed. The new terms agreed change the liquidity profile of the Group compared the analysis shown below. Under the new terms, total loan repayments will be US$ 950,000 per month (US$ 475,000 for each of the two loans), see note 14 for further details.

The following table details the contractual maturity analysis of the Group's financial liabilities as at 31 December 2023. The amounts are contractual undiscounted cash flows and therefore will not agree directly to the balances in the consolidated statement of financial position as at 31 December 2023.

| **31 December 2023** | **Next 12 months** | **2-5 years** | **After 5 years** | **Total** |
|---|---|---|---|---|
| | **US$** | **US$** | **US$** | **US$** |
| Bank borrowings and interest | (11,400,000) | (91,301,902) | - | (102,701,902) |
| Maintenance provision | - | (14,829,296) | - | (14,829,296) |
| Trade and other payables | (1,092,066) | - | - | (1,092,066) |
| **Total** | **(12,492,066)** | **(106,131,198)** | **-** | **(118,623,264)** |

| **31 December 2022** | **Next 12 months** | **2-5 years** | **After 5 years** | **Total** |
|---|---|---|---|---|
| | **US$** | **US$** | **US$** | **US$** |
| Bank borrowings and interest | (20,172,088) | (92,309,392) | - | (112,481,480) |
| Maintenance provision | - | (14,829,296) | - | (14,829,296) |
| Trade and other payables | (841,293) | - | - | (841,293) |
| **Total** | **(21,013,381)** | **(107,138,688)** | **-** | **(128,152,069)** |

In addition to the bank loans, the Group may from time-to-time use borrowings. To this end the Group may arrange an overdraft facility for efficient cash management. The Directors intend to restrict borrowings other than the bank loans to an amount not exceeding 15 percent of the net asset value of the Group at the time of drawdown.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 19) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

***Liquidity risk (continued)***

*Liquidity risk management*

Borrowing facilities will only be drawn down with the approval of the Directors on a case-by- case basis. The Directors may also draw down on an overdraft facility for extraordinary expenses determined by them, on the advice of DS Aviation, to be necessary to safeguard the overall investment objective. With the exception of the loans, the Directors have no intention, as at the date of this report, to use such borrowings or overdraft facility for structural investment purposes.

*No right of redemption or repurchase*

Shareholders have no right to have their shares redeemed or repurchased by the Company at any time. Shareholders wishing to realise their investment in the Company would be required to dispose of their shares on the stock market. Accordingly, the ability of shareholders to realise the Net Asset Value of, or any value in respect of, their shares is mainly dependent on the existence of a liquid market in the shares and the market price of such shares.

*Liquidity Proposal*

Although the Company does not have a fixed life, the Articles require that the Directors convene a Liquidity Proposal Meeting to be held no later than 30 June 2026 at which a Liquidity Proposal in the form of an ordinary resolution will be put forward proposing that the Company should proceed to an orderly wind-up at the end of the term of the leases. In the event the Liquidity Proposal is not passed, the Directors will consider alternatives for the Company and shall propose such alternatives at a general meeting of the shareholders, including re-leasing the Assets, or selling the Assets and reinvesting the capital received from the sale of the Assets in other aircraft.

### 20) FAIR VALUE MEASUREMENT

The accounting policies and basis of measurement in respect of financial instruments are detailed in note 2.

**Financial assets and financial liabilities at amortised cost**

The fair value of cash and cash equivalents, trade and other receivables (excluding prepayment and straight lining lease asset), restricted cash and interest payable approximate their carrying amounts due to the short-term maturities of these instruments.

### 21) RELATED PARTY TRANSACTIONS

The Directors who served during the year received the following remuneration:

| | 2023 US$ | 2022 US$ |
|---|---|---|
| Jonathan Bridel (Chairman) | 78,608 | 80,701 |
| Jeremy Thompson (Chairman of the Audit Committee and Senior Independent Director) | 62,950 | 60,064 |
| Harald Brauns (Chairman of the Management Engagement Committee) | 62,950 | 65,503 |
| **Total** | **204,508** | **206,268** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 21) RELATED PARTY TRANSACTIONS (CONTINUED)

Up to 30 September 2022, 10% of base fees and all extra fees were not paid by way of cash payments but were deferred to be settled in the future or to be paid by way of equity. There has been no settlement of director remuneration via the issue of equity in the current year (2022: US$ nil) and the deferred fees remain outstanding as at 31 December 2023 (see note 13).

During the year, the total fees and expenses for Directors amounted to £196,520 (2022: 212,593). Due to the deferral of fees, the outstanding Directors' fees payable at year end was 225,105 (2022:212,360).

Base annual fees are as follows:

| **Annual Fees** | **Jan 23 to Dec 23** | **Oct 22 to Dec 22** | **Jan 22 to Sept 22** |
|---|---|---|---|
| Jonathan Bridel | £61,750 | £61,750 | £66,000 |
| Jeremy Thompson | £49,450 | £49,450 | £53,700 |
| Harald Brauns | £49,450 | £49,450 | £53,800 |

**Note: Directors fees were agreed in GBP, the financial statements are presented in USD*

Director fees have been reduced by 10% which was the portion being deferred and possibly payable in shares. The reduction in fees are effective 1 October 2022.

The Directors interests in the shares of the Company as at 31 December 2023 are set out below:

| | **Number of ordinary shares 31 December 2023** | **Number of ordinary shares 31 December 2022** |
|---|---|---|
| Connected parties of Jon Bridel | 90,000 | 90,000 |
| Jeremy Thompson | 15,000 | 15,000 |
| Harald Brauns | - | - |

There has been no distribution of dividends to the directors during the year ended 31 December 2023 (2022:US$ nil)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 22) MATERIAL CONTRACTS

**Asset Management Agreement**

The Asset Management Agreement dated 19 September 2013, between the Group and DS Aviation was initially amended on 5 June 2015 to reflect the acquisition of two new aircraft. A second amendment via a side letter, effective 1 January 2021, was made to the Asset Management Agreement on 7 May 2021.

**Disposal fee**

The initial amendment provides a calculation methodology for the disposal fee which will only become payable when all four of the Assets (first two currently under receivership and second two currently held by the Group) have been sold after the expiry of the second Thai Airways lease in December 2026. The fee will be calculated as a percentage of the aggregate net sale proceeds of the four assets, such percentage rate depending upon the Initial Investor Total Asset Return per share being the total amount distributed to an initial investor by way of dividend, capital return or otherwise over the life of the Company. If each of the Assets is sold subsequent to the expiry of their respective leases, the percentage rate shall be:

- Nil if the Initial Investor Total Asset Return per Share is less than 205%;
- 1.5% if the Initial Total Asset Return per Share equals or exceeds 205% but is less than 255%;
- 2% if the Initial Total Asset Return per Share equals or exceeds 255% but is less than 305%; or
- 3% if the Initial Total Asset Return per Share equals or exceeds 305%.

**Management fees**

In the event that any of the Assets are sold prior to the expiry of its lease the percentage hurdles set out above will be adjusted on the following basis:

- An amount will be deducted in respect of each Asset sold prior to the expiry of its lease, equal to the net present value of the aggregate amount of dividends per Share that were targeted to be paid but were not paid as a result of the early divestment of the relevant Asset; and
- A further amount will be deducted, in respect of each Asset sold prior to the expiry of its lease, equal to the amount by which the proportion of the non-dividend component of the relevant percentage hurdle attributable to the relevant Asset would need to be reduced in order to meet its net present value.

Per the second amendment, payment of any Disposal Fee per above (if any) in connection with the sale of any of the Assets that were under receivership is subordinated to the DekaBank loans and will only become payable after the loans (including the deferred element) have been repaid or prepaid in full.

The disposal fee is a cash-settled payment to the Asset Manager. There is no disposal fee expected to be payable as at 31 December 2023 (2022: US$ nil).

The Asset Manager is paid a monthly base fee of US$ 15,085 (US$ 16,666 up to 31 December 2020) per asset in respect of the two Assets that are currently held by the Group, increasing by 2.5 per cent per annum from May 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023

### 22) MATERIAL CONTRACTS (Continued)

**Management fees (Continued)**

As consideration for the Asset Manager agreeing to a reduction of the monthly base fee in respect of the two Assets that are currently held by the Group, the Company agreed that, when permissible as advised by the corporate broker, the Asset Manager shall receive an allocation of shares in the Company determined to be of a value equivalent to the reduction in the monthly base fee with respect to the two Assets. The share allocation will be carried out using a share price for the conversion which is fair and reasonable as advised by corporate broker.

In the year ended 31 December 2023 Asset Management fees totalled US$ 450,890 (2022: US$ 471,590) of which US$ 283,011 was due as at 31 December 2023 (2022: US$ 218,033). As discussed in note 13, the amount due are not payable within twelve months unless there is an asset sale.

**Administration Agreement**

The Administrator of the Company is Aztec Financial Services (Guernsey) Limited. Aztec Financial Services (Guernsey) Limited and Aztec Financial Services (UK) Limited provide administration services to the Company's underlying subsidiaries. These administrator companies are collectively known as the "Administrators".

Total fees charged by the Administrators during the year were US$ 249,295 (2022:US$ 305,896) of which US$ 29,998 remained payable at 31 December 2023 (2022: US$ 57,711).

The Administrators have the right to be reimbursed from the Company for any reasonable out of pocket expenses incurred in carrying out their responsibilities.

**Directors' fees**

Details of the fees paid to the Directors are included in note 21.

### 23) SUBSEQUENT EVENTS

There are no relevant subsequent events to disclose in these annual financial statements.

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Jonathan Bridel<br>Jeremy Thompson<br>Harald Brauns |
| **Registered Office** | East Wing<br>Trafalgar Court<br>Les Banques<br>St Peter Port<br>Guernsey<br>GY1 3PP, Channel Islands |
| **Asset Manager** | DS Aviation GmbH & Co. KG<br>Stockholmer Allee 53<br>44269 Dortmund<br>Germany |
| **Solicitors to the Company (as to English law)** | Norton Rose Fulbright LLP<br>3 More London Riverside<br>London<br>SE1 2AQ, United Kingdom |
| **Advocates to the Company (as to Guernsey law)** | Mourant<br>Royal Chambers<br>St Julian's Avenue<br>St Peter Port<br>Guernsey<br>GY1 1HP, Channel Islands |
| **Auditor** | KPMG Channel Islands Limited<br>Glategny Court<br>Glategny Esplanade<br>St Peter Port<br>Guernsey<br>GY1 1WR, Channel Islands |
| **Administrator and Company Secretary** | Aztec Financial Services (Guernsey) Limited<br>East Wing<br>Trafalgar Court<br>Les Banques<br>St Peter Port<br>Guernsey<br>GY1 3PP, Channel Islands |
| **Corporate Broker** | Investec Bank plc<br>30 Gresham Street<br>London<br>EC2V 7QN, United Kingdom |

**THE FOLLOWING PAGES DO NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS**

## APPENDIX 1 – ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

| REGULATORY REFERENCE<br>AIFMD Article 23(1) | DOCUMENT NAME, PAGE AND REFERENCE |
|---|---|
| (a) a description of the investment strategy and objectives of the AIF; | Prospectus, page 34, Information on the Company. |
| if the AIF is a feeder AIF, information on where the master AIF is established; | Not applicable. |
| if the AIF is a fund of funds, information on where the underlying funds are established; | Not applicable. |
| a description of the types of assets in which the AIF may invest; | Prospectus, page 34, Information on the Company. |
| the investment techniques that the AIF, or the AIFM on behalf of the AIF, may employ and all associated risks; | Prospectus, page 34, Information on the Company.<br>Prospectus, pages 17-27, risk factors. |
| any applicable investment restrictions; | Prospectus, page 24, risk relating to an investment ins the shares |
| the circumstances in which the AIF may use leverage; | Prospectus, page 18, Risk of Debt Financing. |
| the types and sources of leverage permitted and the associated risks; | Prospectus, page 18, Risk of Debt Financing. |
| any restrictions on the use of leverage and any collateral and asset reuse arrangements; and | Prospectus, page 18, Risk of Debt Financing. |
| the maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF; | Prospectus, page 18, Risk of Debt Financing. |
| (b) a description of the procedures by which the AIF may change its investment strategy or investment policy, or both; | Prospectus, page 34, Investment Policy. |
| (c) a description of the main legal implications of the contractual relationship entered into for the purpose of investment, including information on jurisdiction, the applicable law and the existence or absence of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established; | Prospectus, page 66, Part IX, The Loans and the Loan Agreements.<br>Prospectus, page 130, Part IV, Definitions. |
| (d) the identity of the AIFM, the AIF's depositary, the auditor and any other service providers and a description of their duties and the investors' rights; | Prospectus, page 32, Directors and Advisers. |
| (e) a description of how the AIFM complies with the AIFMD's requirements relating to professional liability risk; | Prospectus, page 123, Representation and Warranties |

## APPENDIX 1 – ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (CONTINUED)

| REGULATORY REFERENCE<br>AIFMD Article 23(1) | DOCUMENT NAME, PAGE AND REFERENCE |
|---|---|
| (f) a description of: | |
| any AIFM management function delegated by the AIFM; | Not applicable. |
| any safe-keeping function delegated by the depositary; | Not applicable. |
| the identify of each delegate appointed; and | Not applicable. |
| any conflicts of interest that may arise from such delegations; | Not applicable. |
| (g) a description of the AIF's valuation procedure and of the pricing methodology for valuing assets, including the methods used in valuing any hard-to-value assets; | Prospectus, page 21, Valuation of the assets |
| (h) a description of the AIF's liquidity risk management, including the redemption rights of investors in normal and exceptional circumstances, and the existing redemption arrangements with investors; | Prospectus, page 38, Liquidity Reserve |
| (i) a description of all fees, charges and expenses, and the maximum amounts directly or indirectly borne by investors; | Prospectus, pages 42-43, Fees and Expenses. |
| (j) a description of how the AIFM ensures a fair treatment of investors; | Prospectus, page 92, Share Capital |
| whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of: | Prospectus, page 92, Share Capital |
| that preferential treatment; | Prospectus, page 92, Share Capital |
| the type of investors who obtain such preferential treatment; and | Prospectus, page 92, Share Capital |
| where relevant, their legal or economic links with the AIF or AIFM; | Not applicable. |
| (k) the latest annual report | Contained in this document. |
| (l) the procedure and conditions for the issue and sale of units or shares; | Prospectus, page 92, Share Capital |
| (m) the latest net asset value of the AIF or the latest market price of the unit or share of the AIF; | The Company's shares are traded on the London Stock Exchange so the latest share price should be available on www.londonstockexchange.com. |

## APPENDIX 1 – ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (CONTINUED)

| REGULATORY REFERENCE<br>AIFMD Article 23(1) | DOCUMENT NAME, PAGE AND REFERENCE |
|---|---|
| (n) where available, the historical performance of the AIF; | Not applicable. |
| (o) the identity of any prime broker; | Prospectus, page 152 (o). |
| a description of any material arrangements of the AIF with its prime brokerage firm and the way any conflicts of interest are managed; | Prospectus, page 152 (o). |
| the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets; and | Prospectus, page 151 (a). |
| information about any transfer of liability to the prime brokerage firm that may exist; and | Prospectus, page 152 (o). |
| (p) a description of how and when the information required under Art. 23(4) and Art. 23(5) of the AIFMD will be disclosed. | Information may be disclosed in the Company's annual report or by the Company publishing the relevant information on the Company's website (http://www.dpaircraft.com) or by the Company issuing an announcement via a Regulatory Information Service. |
| **AIFMD Article 23(5)** | |
| (a) any changes to the maximum level of leverage which the AIFM may employ on behalf of the AIF as well as any right of the reuse of collateral or any guarantee granted under the leveraging arrangement; | Not applicable as no changes to the maximum level of leverage. |
| (b) the total amount of leverage employed by that AIF. | The leverage employed by AIF is US$ 92,707,280 as at 31 December 2023. |