

**DP AIRCRAFT I LIMITED**

**ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2015**

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## **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 makes its investment in aircraft through four wholly owned subsidiary entities, DP Aircraft Guernsey I Limited, DP Aircraft Guernsey II Limited, 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 two intermediate lessor companies, DP Aircraft Ireland Limited and DP Aircraft UK Limited (the 'Lessors'), an Irish incorporated private limited company and a UK incorporated private limited company respectively. The Company and its subsidiaries (the Borrowers and the Lessors) comprise 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 Official List of the Channel Islands Securities Exchange and to trading on the Specialist Fund Market of the London Stock Exchange on 4 October 2013. As the ISA Regulations were amended last year so that shares traded on the Specialist Fund Market are now eligible in their own right for inclusion in an ISA, on 27 May 2015, the Company delisted its Shares from the Official List of the Channel Islands Securities Exchange.

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 Market of the London Stock Exchange on 12 June 2015.

In total there are 209,333,333 Ordinary Shares in issue with voting rights.

## **INVESTMENT OBJECTIVE & POLICY**

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 'Asset' or 'Assets').

To pursue its investment objective, the Company intends to use the net proceeds of placings and other equity capital raisings, together with loans and borrowings facilities, to acquire aircraft which will be leased to one or more international airlines.

## **THE BOARD**

The Board comprises independent non-executive directors. The directors of the Board are responsible for managing the business affairs of the Company in accordance with the Articles of Incorporation and have overall responsibility for the Company'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').

## **THE ASSET MANAGER**

The Asset Manager has undertaken to provide the asset management services to the Company 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.

#### **DISTRIBUTION POLICY**

The Company aims 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 targets a quarterly distribution in February, May, August and November of each year. The target distribution is US\$ 0.0225 per share per quarter. Four quarterly dividends have been paid during the year ended 31 December 2015 and one has been paid subsequent to the year end, each meeting the US\$ 0.0225 per share target. The target dividends are targets only and should not be treated as an assurance or guarantee of performance or a profit forecast. Investors should not place any reliance on such target dividends or assume that the Company will make any distributions at all.

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**FACT SHEET**

<b>Ticker</b>	DPA
<b>Company Number</b>	56941
<b>ISIN Number</b>	GG00BBP6HP33
<b>SEDOL Number</b>	BBP6HP3
<b>Traded</b>	Specialist Fund Market ('SFM') of the London Stock Exchange
<b>SFM Admission Date</b>	4-Oct-13
<b>Share Price</b>	US\$ 1.0475 at 31 December 2015
<b>Earnings per share</b>	US\$ 0.08990 for the year ended 31 December 2015
<b>Country of Incorporation</b>	Guernsey
<b>Current Shares in Issue</b>	209,333,333
<b>Administrator and Company Secretary</b>	Fidante Partners (Guernsey) Limited (formerly Dexion Capital (Guernsey) Limited)
<b>Asset Manager</b>	DS Aviation GmbH & Co. KG
<b>Auditor and Reporting Accountant</b>	KPMG, Chartered Accountants
<b>Corporate Broker</b>	Canaccord Genuity Limited
<b>Aircraft Registration</b>	EI-LNA (re-registered to LN-LNA on 10 February 2016) LN-LNB HS-TQD HS-TQC
<b>Aircraft Serial Number</b>	35304 35305 35320 36110
<b>Aircraft Type and Model</b>	B787-8
<b>Lessees</b>	Norwegian Air Shuttle ASA Thai Airways International Public Company Limited
<b>Website</b>	<a href="http://www.dpaircraft.com">www.dpaircraft.com</a>

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## HIGHLIGHTS

### PROFIT FOR THE YEAR

Profit for the year ended 31 December 2015 is US\$ 14,998,572 (Earnings per Share US\$ 0.0899 per Share) (period from 5 July 2013 to 31 December 2014 US\$ 10,195,726 (Earnings per Share US\$ 0.09022 per Share)).

### NET ASSET VALUE ('NAV')

The NAV was US\$ 0.98242 per Share at 31 December 2015 (2014: US\$ 0.93575).

Although the fair values of the derivatives will move over their terms, at maturity the derivatives will reduce to nil.

	As at 31 December 2015 US\$ per share	As at 31 December 2014 US\$ per share
NAV including swap liabilities	0.98242	0.93575
NAV excluding swap liabilities	1.00832	0.98151

### DIVIDENDS

Dividends were declared on:

Date	Dividend reference period	Dividend per Share	Payment date
20 January 2015	Quarter ended 31 December 2014	US\$ 0.0225 per Share	13 February 2015
20 April 2015	Quarter ended 31 March 2015	US\$ 0.0225 per Share	18 May 2015
17 July 2015	Quarter ended 30 June 2015	US\$ 0.0225 per Share	14 August 2015
21 October 2015	Quarter ended 30 September 2015	US\$ 0.0225 per Share	13 November 2015
20 January 2016	Quarter ended 31 December 2015	US\$ 0.0225 per Share	12 February 2016

### OFFICIAL LISTING

The Company's Shares were first admitted to trading on the Official List of the Channel Islands Securities Exchange and to trading on the Specialist Fund Market of the London Stock Exchange on 4 October 2013. The Company's Shares were delisted from the Official List of the Channel Islands Securities Exchange on 27 May 2015.

### PLACING OF SHARES

On 12 June 2015, 96,333,333 Shares were issued at a price of US\$ 1.0589 per Share pursuant to a Placing Agreement, dated 5 June 2015, between the Company, DS Aviation, JS Holdings GmbH & Co. KG (DS Aviation and JS Holdings together the 'Asset Manager Parties') and Canaccord Genuity (the Company's Corporate Broker) whereby Canaccord Genuity acted as agent for the Company, to procure subscribers for Shares under the Placing of Shares at the Issue Price (the 'Placing'). The Placing raised gross proceeds of US\$ 102m.

### ACQUISITION OF AIRCRAFT

Two additional aircraft were purchased on 18 June 2015 with the equity from the Placing and from new borrowings. The two aircraft are leased to Thai Airways International Public Company Limited ('Thai Airways').

## **CHAIRMAN'S STATEMENT**

I am pleased to present Shareholders with the Annual Report and Financial Statements for the year ended 31 December 2015.

The key highlight for the Company was the issue of 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 Market of the London Stock Exchange on 12 June 2015 and facilitated the purchase of two further Boeing 787-8 aircraft which were leased to Thai Airways. DP Aircraft I Limited took over the title to the aircraft HS-TQC and HS-TQD.

There are no issues to bring to the attention of Shareholders concerning the performance of either of the Lessees and the Company is performing very much as expected.

The Total Shareholder Return for the accounting period under review was US\$ 0.0899 per Share (2014: US\$ 0.09022 per Share). The Company continued to meet its target dividends of US\$ 0.0225 per Share for the quarter's ending April, July and October 2015. A fourth interim dividend was declared on 20 January 2016 and paid on 12 February 2016. The Net Asset Value per Share as at 31 December 2015 was US\$ 0.98242 per share (2014: US\$ 0.93575 per share).

The outlook is described fully in the Asset Manager's Report that follows on page 8 of this report. The Asset Manager will advise the Directors of any further acquisition opportunities as they arise.

The Company's second annual general meeting ('AGM') is scheduled for July 2016.

On 21 January 2016 we announced with great sadness the death of Didier Benaroya, a non-executive director of the Company. Didier's knowledge and experience of the aviation sector, as well as his pragmatism and good humour, were highly valued by all of us who worked with him. Didier is and will continue to be greatly missed.

Following the sad loss of Didier Benaroya we have embarked on a search for a suitable replacement. We are making excellent progress with a new appointment and expect to make an announcement on or around 1 May 2016.

MSN 35305 was deregistered from the Irish registry (EI-LNB) and subsequently re-registered on the Norwegian registry (LN-LNB) on 29 May 2015.

MSN 35304 was deregistered from the Irish registry (EI-LNA) and subsequently re-registered on the Norwegian registry (LN-LNA) on 10 February 2016.

**Jon Bridel**  
**Chairman**  
**19 April 2016**

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## **ASSET MANAGER'S REPORT**

### **Overview and Development – The Aviation Market**

2015 proved to be a successful year in the airline market. In December 2015, the International Air Transport Association (IATA) raised its outlook for global airline profits for 2015 from US\$ 29.3 billion to US\$ 33.0 billion. In October 2015, air traffic – measured in Revenue Passenger Kilometres (RPK) – of airlines in the Asia-Pacific region increased by 8.6 per cent and the load factor was up 1.5 percentage points compared to the same month in 2014. Although trade activity to and from Asia decreased and the growth of the Chinese economy was behind expectations, it seems that these factors have not impacted passenger demand for air transportation. Passenger traffic in Europe saw 6.7 per cent growth, with the passenger load factor increasing by 1.9 percentage points to 83.8 per cent, which is the highest among the geographic regions. As the majority of European large carriers are hedging most of their fuel demand, the positive effect of low crude oil prices has been delayed into 2016. In the first ten months of 2015, compared to the same period in the previous year, global capacity – measured in Available Seat Kilometres (ASK) – grew by 6.0 per cent whereas global traffic increased by 6.8 per cent. This resulted in a global average load factor of 80.7 per cent.

Although crude oil prices have dropped markedly, there has been a delay in airlines enjoying the benefits of that fall as a result of pre-existing hedging contracts. On top of that, the strength of the US-dollar and the associated exchange rate effects have tempered the gains from lower oil prices. As future oil prices (as well as the market trend) remain uncertain and the business environment stays competitive, the demand for aircraft benefitting from the latest technology, such as the Dreamliner Boeing 787 and the Airbus A350, is expected to stay strong.

The aircraft manufacturers Airbus and Boeing expect air travel to grow by an average of 4.6 per cent and 4.9 per cent respectively within the next 20 years according to their Global Market Forecast (Airbus) and Current Market Outlook (Boeing) for the period spanning 2015 to 2034. Airbus assumes that the growth in air traffic will result in demand for 32,600 aircraft worth US\$ 4.7 trillion during that period; while Boeing expects deliveries of 38,050 aircraft worth US\$ 5.6 trillion in the next 20 years. With both manufacturers predicting that more than 13,000 aircraft will be retired due to lower fuel efficiency or older technology, the global passenger and freighter aircraft fleets would, on their forecasts, double in size to 38,500 and 43,560 aircraft respectively by 2034.

For 2016, IATA expects a modest improvement in global economic activity which it is assumed will have a positive effect on air transport demand and airlines' profits. The organisation is of the opinion that emerging markets will continue to see a slow-down in growth in the short term, but remain robust over the medium term. Both the European and North American economies are expected to improve in 2016, and global airline profits are therefore expected to grow further to US\$ 36.3 billion. Air travel is forecast to grow by 6.9 per cent over the year, which would be the strongest growth since 2010 and would raise passenger numbers up to 3.8 billion. The number of destinations, as well as the frequency of flights, are expected to grow by 2.2 per cent, while tourist travel alone is expected to account for around US\$ 634 billion of spending for air transportation and its services in 2016.

### **The Assets – Four Boeing Dreamliner B787-8s**

By the end of December 2015, 1,142 Dreamliner Boeing 787 had been ordered and 363 Boeing 787 aircraft delivered to 35 different customers. The number of deliveries includes 289 aircraft of the B787-8 variant, whereas the current backlog of all three different B787 types counts for 779 aircraft. In 2015, six of the 35 customers received their first B787 aircraft, amongst others American Airlines, Korean Air and Privatair.



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**ASSET MANAGER'S REPORT (CONTINUED)**

**The Assets – Four Boeing Dreamliner B787-8s (continued)**

The B787 is a favoured aircraft which is operated on all continents across different climatic conditions and by airlines with different business models. Thai Airways' decision to select the B787 and make it an important part of its fleet strategy is reflected in the statement by Thai's acting president Siwakiat Jayema that "The Dreamliner is a perfect fit for THAI in terms of its range, size and fuel efficiency". The CEO of Ethiopian Airlines, Tewolde Gebremariam, said of the Dreamliner that "passengers love it and whenever we introduce the Dreamliner on a route then our load factor improves". These testimonials underline the high level of operator and customer satisfaction for this aircraft. Since 2011, 10 per cent of new routes operated by wide-bodies have been launched with B787 aircraft. The B787-8 in particular has been used as a market opener and, due to its efficiency and capability, can be operated economically between hubs and secondary markets. According to Boeing, airlines from the Asia-Pacific region will have especially high demand for small and medium wide-body aircraft. It seems obvious that the Dreamliner B787 will remain a sought-after aircraft.

Since DP Aircraft I Limited took title of the two aircraft LNA and LNB in 2013, Norwegian has met all of its obligations in full. The carrier's B787 fleet offers a total of 291 seats in premium economy and economy class. The airline deploys its Dreamliner fleet out of Scandinavia and the UK both to Bangkok and to destinations in the US such as Orlando and Los Angeles, as well as to Caribbean destinations like Puerto Rico and St. Croix. In November 2015, both aircraft LNA and LNB were inspected by DS Skytech at the Boeing maintenance facilities at Copenhagen International Airport. This inspection took place during overnight checks and included a review of the technical records. Both aircraft and their technical records were found to be in good condition with no significant defects or airworthiness related issues.

Thai Airways equipped its B787 fleet with a total of 264 seats in business and economy class. The carrier operates this aircraft type on routes within the Asia-Pacific region such as Kuala Lumpur, Singapore and Denpasar, as well as to and from destinations in Australia such as Brisbane and Perth. Both aircraft, TQC and TQD, were inspected by DS Skytech Limited on the 8th and 9th July 2015 at Bangkok International Airport. The inspection found the aircraft to be in good condition with no significant defects or airworthiness related issues and the records are being maintained to an acceptable standard. Since DP Aircraft I Limited took title of both TQC and TQD, Thai Airways has met all of its lease obligations in full.

The two charts below give a short overview of the utilisation of airframe and engines of each of the four Aircraft:

AIRFRAME STATUS (31 <sup>st</sup> December 2015)	Norwegian Air Shuttle			
	EI-LNA		LN-LNB	
	TOTAL	December 2015	TOTAL	December 2015
Flight Hours	10,657.1	502.2	12,059.8	475.8
Cycles	1,302	58	1,478	59
Average Monthly Utilisation	353.8 hours 43.0 cycles	---	426.3 hours 52.1 cycles	---
Flight Hours/Cycles Ratio	8.19 : 1	8.66 : 1	8.16 : 1	8.06 : 1
ENGINE DATA (31 <sup>st</sup> December 2015)				
Engine Serial Number	10118	10119	10130	10135
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [Flight Hours]	8,894.4	6,256.0	6,505.5	6,984.4
Total Cycles	1,114	842	694	826
Location	LNA	LNF	LNA	LNB

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**ASSET MANAGER'S REPORT (CONTINUED)**

**The Assets – Four Boeing Dreamliner B787-8s (continued)**

AIRFRAME STATUS (31 <sup>st</sup> December 2015)	Thai Airways International			
	HS-TQC		HS-TQD	
	TOTAL	December 2015	TOTAL	December 2015
Flight Hours	4,757.7	324.4	4129.2	349.2
Cycles	1,291	75	1,109	94
Average Monthly Utilisation	323.2 hours 87.7 cycles	---	309.6 hours 83.1 cycles	---
Flight Hours/Cycles Ratio	3.69 : 1	4.33 : 1	3.72 : 1	3.71 : 1
ENGINE DATA (31 <sup>st</sup> December 2015)				
Engine Serial Number	10239	10240	10244	10248
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [Flight Hours]	4,757.7	4,757.7	4129.2	4129.2
Total Cycles	1,291	1,291	1,109	1,109
Location	TQC	TQC	TQD	TQD

**The Lessees**

**Norwegian Air Shuttle ASA**

Norwegian Air Shuttle transported 25.7 million passengers in 2015, which represents a growth in number of 2 million passengers compared to 2014. The airline received eleven new aircraft during the course of last year, and the majority of newly-launched routes were long-haul destinations. The load factor increased by 5 percentage points to 86 per cent in 2015. The airline is the third largest carrier by passenger numbers operating out of London-Gatwick where ten aircraft (as well as 130 pilots and 300 cabin crew members) are based. In addition to receiving several awards which highlighted the airline's convincing performance, Norwegian Air Shuttle was named the "most fuel-efficient airline on transatlantic routes" by a study of the ICCT (International Council on Clean Transportation); for the purposes of that award, the top 20 airlines on transatlantic routes were compared on their relative fuel efficiency and the associated carbon footprint. Furthermore, Norwegian is the first airline to offer live TV on board European flights.

Norwegian's third quarter results state operating revenues of NOK 7,277 million (US\$ 860 million). This is an increase of 15 per cent compared to the same quarter in the previous year. ASKs and RPKs increased by 2 per cent and 9 per cent respectively. The passenger load factor therefore rose to 91 per cent. Operating profits increased by 122 per cent to NOK 1,182 million (US\$ 140 million). EBT amounted to NOK 1,098 million (US\$ 130 million), which represented an increase of 117 per cent on the third quarter 2014. The carrier's net profits improved by 123 per cent to NOK 833 million (US\$ 98 million) and the net profit margin increased to 11.4 per cent. Unit costs increased by 2 per cent whereas unit revenue increased by 13 per cent. Moreover, ancillary revenues grew by 3 per cent. Cash and cash equivalents as at 30th September 2015 counted for NOK 2,297 million (US\$ 271 million). Norwegian transported 7.7 million passengers during the third quarter, a gain of 9 per cent. The strongest growth in passenger numbers was recorded at London Gatwick.

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**ASSET MANAGER'S REPORT (CONTINUED)**

**The Lessees (continued)**

***Norwegian Air Shuttle ASA (continued)***

Traffic figures for December 2015 showed an increase in ASK of 12 per cent and in RPK of 15 per cent compared to the same month in the previous year. The load factor therefore improved by 2 percentage points to 83.3 per cent. In the same period, passenger numbers grew by 9 per cent. The yield remained stable whereas the Revenue per Available Seat Kilometre (RASK) increased by 2 per cent. As at 30th September 2015, Norwegian operated 434 scheduled routes to 130 destinations in 31 countries and had a fleet of 105 aircraft.

Apart from the already announced new routes from Europe to Boston, in December Norwegian disclosed its plans to open a route between Oakland and London Gatwick in May of this year. In January 2016, Norwegian announced that it had made a deal with a number of tour operators, such as TUI. This renewal of partnerships is worth GBP 40 million and comprises flights from the UK and Scandinavia to destinations mainly around the Mediterranean Sea.

Norwegian currently operates eight Boeing 787-8s. Last year the airline announced plans to further increase the long-haul fleet. Amongst some orders via lease deals, the carrier placed an order for 19 B787-9s, with options for ten further Dreamliners. This is the largest single order placed by a European airline. In 2016, the airline expects to receive another four B787s and by 2020 the Dreamliner fleet will comprise 38 aircraft from the B787 family. The mix of B787-8s and B787-9s will provide the airline with flexibility in regard to route planning and further long-haul commitment. Furthermore, the carrier has been granted both a UK AOC (Air Operator's Certificate) and an Operating License. This is an essential step towards further growth as it offers the airline the opportunity to extend its network to Africa, South America and Asia.

The fourth quarter results were due to be published in mid-February. However, Bjørn Kjos, CEO of Norwegian Air Shuttle, said that "[the] long-haul operation has stabilised and contributed significantly to the 2015 figures. It bodes well going forward, as it increases [Norwegian's] global competitiveness and positions [the carrier] for further growth at London Gatwick". In 2016, Norwegian expects to receive four leased B787-9s and intends to increase capacity in the long-haul market by 40 per cent.

***Thai Airways International***

The flag carrier Thai Airways International Public Company Limited is a full-service network carrier with 55 years of operational experience. The carrier is market-listed and majority-owned by the Thai Government (51.03 per cent). In 2015, around 18.5 million passengers flew with Thai (including Thai Smile, a fully owned subsidiary of Thai Airways), with the average passenger load factor increasing by 4 percentage points. The carrier (including its subsidiary) currently offers flights from Bangkok to 70 destinations in 60 countries. As at 30th September 2015, Thai's fleet (including Thai Smile) was 95 aircraft in size. Thai itself operates mainly wide-body aircraft from both Airbus and Boeing, whereas Thai Smile operates narrow-body Airbus A320s. Thai Airways has six B787-8s in operation and two more B787-9s on order as part of its fleet renewal plan.

Due to the restructuring, the third quarter results for 2015 were heavily impacted by special items such as impairment charges arising in connection with the sale of older and less fuel-efficient aircraft to reduce operating costs and to become more competitive in the long term. In addition, the third quarter results were impacted by losses on foreign exchange, mainly attributable to the strong US dollar. Only 7 per cent of the carrier's revenues were received in US dollars, while in contrast 53 per cent of its expenses were incurred in that currency. According to Thai, the results were additionally stressed by the attack in Ratchaprasong in downtown Bangkok, after which air travel on key routes such as to China, Japan, Hong Kong, South Korea and Singapore decreased by around 15 to 20 per cent in the short term. For the third quarter of 2015, Thai Airways showed a THB 8,870

## **ASSET MANAGER'S REPORT (CONTINUED)**

### **The Lessees (continued)**

#### ***Thai Airways International (continued)***

million (US\$ 244 million) loss before tax compared to a THB 922 million (US\$ 25 million) gain in the same quarter of 2014. The carrier posted a net loss of THB 9,894 million (US\$ 272 million).

Thai's operational results show a positive trend. Losses before tax decreased by 19.0 per cent and total expenses decreased by 6.1 per cent compared to the same quarter in the previous year. Capacity had been slightly reduced by 0.8 per cent, while passenger traffic increased by 3.9 per cent and the overall number of passengers went up by 8.8 per cent. This resulted in a 3.4 percentage point increase in the load factor. Passenger revenues remained unchanged. Yields suffer from lower fuel surcharges on the air fare and intense competition. While passengers in a highly competitive market profit from lower oil prices relatively quickly, carriers such as Thai, who hedge out a large proportion of their fuel consumption, profit much later from decreasing oil prices as they have to wait for their fuel hedges to fall away. According to the unaudited consolidated financial statement, cash and cash equivalents as at 30th September 2015 were THB 28,251 million (US\$ 776 million).

The nine month performance of 2015 seems to provide proof that the measures introduced by the restructuring plan are beginning to have an effect. The operational loss before tax decreased by 72 per cent from the same period in the previous year - after an operational loss before tax of THB 16,224 million (US\$ 501 million) in the first nine months of 2014, the carrier stated an operational loss before tax of THB 4,536 million (US\$ 125 million) for the same period in 2015. Even though total revenues decreased by 1.4 per cent, passenger revenues increased slightly by 0.6 per cent. Total expenses decreased by 8.9 per cent whereas non-fuel related costs remained stable. ASK and RPK grew by 1.9 per cent and 9.1 per cent respectively. As a result, the load factor improved by 4.8 percentage points and the number of carried passengers increased by 15 per cent. Last but not least, internet sales as part of the transformation plan's commercial strategy were up on the previous year. By 30th September 2015, Thai had successfully issued a THB 8,000 million (US\$ 220 million) unsubordinated and unsecured debenture. The four tranches vary in size and maturities and the fixed coupon rates range between 3.46 and 4.74 per cent. The debentures were placed with both institutional investors as well as high net worth individuals.

In December 2015, after the ICAO (International Civil Aviation Organisation) had previously announced concerns regarding Thailand's civil aviation authority, the FAA (Federal Aviation Administration) downgraded the country of Thailand to category 2. This prevented Thai Airways from adding new US destinations either through its own operations or through code sharing; existing destinations and codeshare agreements were however untouched. Thai's decision to cancel flights to Los Angeles at the beginning of the winter schedule was not a result of the downgrade, but rather represented part of its network rationalisation and transformation plan, as Thai would have been permitted by the FAA to continue these flights. In contrast, Thai Airways was the first carrier outside the EU to pass the TCO (Third Country Operator) Audit by the EASA (European Aviation Safety Agency) which will become a requirement for all non EU-based carriers as of November 2016 if they wish to undertake operations to, from or within Europe. This supports the high safety standards which Thai Airways has sought to maintain, as the main concern of the ICAO and FAA is not particularly carrier related but applies instead to the civil aviation authority – in the case of Thailand, for example, the approval of AOCs for new operators, as well as the authority's understaffing, were concerns.

Thai Airways is on track with its transformation plan. This two year restructuring programme, which comprises six strategies and 21 project charters designed to turn the carrier into profitability, follows three steps: to stop losses, to rebuild Thai's strength and to grow sustainably. Some of the recent measures have included the postponement of the delivery of 14 aircraft which had been scheduled for between 2016 and 2018. In addition, the company completed the identification of unused or underutilised property, as a result of which Thai now

**ASSET MANAGER'S REPORT (CONTINUED)**

**The Lessees (continued)**

***Thai Airways International (continued)***

plans to offer 19 properties including residences, land and office buildings for sale. In 2016 Thai also intends to complete the transition of the A320 narrow-body operations to its subsidiary Thai Smile whose cost structure is lower and allows for a more favourable position in a highly competitive domestic and regional market. Thai Airways therefore continues to pursue its objective of returning to profitability in 2016.

DS Aviation GmbH & Co. KG  
Member of Dr. Peters Group  
Stockholmer Allee 53  
44269 Dortmund, Germany

## **DIRECTORS**

### **Jonathan (Jon) Bridel, Non- Executive Chairman (51)**

Jon is a Guernsey resident and is currently a non-Executive Director of Alcentra European Floating Rate Income Fund Limited, Starwood European Real Estate Finance Limited, The Renewables Infrastructure Group Limited, Sequoia Economic Infrastructure Income Fund Limited and Funding Circle SME Income Fund Limited which are listed on the Main Market of the London Stock Exchange. Other companies include Fair Oaks Income Fund Limited. Jon was previously Managing Director of Royal Bank of Canada's 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 and the Institute of Directors and a Chartered Fellow of the Chartered Institute for Securities and Investment.

### **Jeremy Thompson, Non- Executive Director (60)**

Jeremy Thompson is a Guernsey resident with sector experience in Finance, Telecoms, Aerospace and Oil & Gas. He acts as a consultant to a number of businesses which include independent non-executive directorships for three PE funds and to an Investment Manager serving the listed NextEnergy Solar Fund Limited. Between 2005 and 2009 he was a director of multiple businesses within a London based private equity group. This entailed board positions on both private, listed and SPV companies and highly successful exits. 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 has studied and worked in the UK, USA and Germany.

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 a graduate of Brunel (B.Sc) and Cranfield (MBA) Universities and was an invited member to 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 is currently completing an M.Sc in Corporate Governance.

### **Didier Benaroya, Non-Executive Director (65)**

Having previously worked as the founder and senior partner of the Transportation Group and the managing director of Paine Webber, Didier had extensive experience in the transportation industry. He was resident in the UK and was the founder and a director of Numera Limited and Numera Services Limited, which has advised investors, lessors, banks, operating lease companies and airlines on aircraft and airline related transactions (including leasing, financing and restructuring) since 1995. Didier held a BS in Economics, an MS in Mathematics and Applied Computer Science from the University of Paris, and an MBA from Northwestern University's Kellogg School of Management. Didier sadly passed away on 21 January 2016.

**2015**

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## **DIRECTORS' REPORT**

The Directors present their report and audited consolidated financial statements for DP Aircraft I Limited for the year ended 31 December 2015.

### **Principal Activity and Review of the Business**

The Company's principal activity is to purchase, lease and then sell Boeing 787-8 Aircraft (the 'Assets'). The Company wholly owns six subsidiaries, DP Aircraft Guernsey I Limited, DP Aircraft Guernsey II Limited, DP Aircraft Guernsey III Limited, DP Aircraft Guernsey IV Limited, DP Ireland Aircraft Limited and DP Aircraft UK Limited (together 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 admitted to trading on the Specialist Fund Market of the London Stock Exchange.

On 30 April 2015, the Board of Directors of DP Aircraft I Limited announced that the Company was undertaking a placing of Ordinary Shares to finance the acquisition of two additional aircraft. The acquisition was funded through a combination of equity and debt. The two Boeing 787-8 aircraft are leased to Thai Airways.

### **Results and Dividends**

The profit for the year ended 31 December 2015 was US\$ 15.00m (period from 5 July 2013 to 31 December 2014 US\$ 10.20m).

The Company aims 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 targets a quarterly distribution in February, May, August and November of each year. The target distribution is US\$ 0.0225 per Share per quarter. Four quarterly dividends have been paid during the year ended 31 December 2015. Subsequent to the year end a dividend has been paid on 12 February 2016. All the dividends paid to date have met the US\$ 0.0225 per share target. The target dividends are targets only and should not be treated as an assurance or guarantee of performance or a profit forecast.

The debt to equity ratio was 1.39 as at 31 December 2015 (2014: 1.38).

### **Subsequent Events**

On 20 January 2016 the Company declared a quarterly dividend in respect of the quarter ended 31 December 2015 of US\$ 0.0225 per ordinary share to holders of shares on the register at 29 January 2016. The ex-dividend date was 28 January 2016 with payment on 12 February 2016.

### **Directors**

The Directors of the Company, who served during the year and to date are as shown below:

Jonathan Bridel

Jeremy Thompson

Didier Benaroya (until 21 January 2016)

The Board note with regret the death of Didier Benaroya on 21 January 2016.

The Board expects to make an announcement on the appointment of a new non-executive Director on or around 1 May 2016.



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**DIRECTORS' REPORT (CONTINUED)**

**Directors interests**

The Directors' interests in the shares of the Company as at 31 December 2015 are set out below and there have been no changes in such interests up to the current date:

	Number of ordinary shares 31 December 2015	Number of ordinary shares 31 December 2014
Jonathan Bridel	7,500	7,500
Jeremy Thompson	15,000	15,000
Didier Benaroya	-	-

**Principal Risks and Uncertainties**

The Statement of Principal Risks and Uncertainties are as described on page 24.

**Substantial Shareholdings**

The directors note the following substantial interests in the Company's share capital as at 31 December 2015 (10% or more shareholding):

M&G Investment Management 46,849,546 - 22.38%

CCLA Investment Management 27,509,308 – 13.14%

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

**AIFM Directive**

In July 2013 the European Alternative Investment Fund Management Directive ('AIFMD') came into effect with transitional provisions until July 2014. The Company has elected 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.

**The Board**

The Board comprises non-executive directors each of whom are independent.

During the year ended 31 December 2015, the Board had a breadth of experience relevant to the Company and a balance of skills experience and age. Following the sad loss of Mr Benaroya in January 2016, the Directors embarked on a search for a suitable replacement. The Board are making excellent progress with a new appointment and expect to make an announcement on or around 1 May 2016.

The Board recognises the importance of diversity and will evaluate applicants to fill 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 properly. The Board has not stipulated a maximum term of any directorship.

As the Company is not a FTSE 350 company, Directors are currently 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. The Directors will offer themselves for re-election at each annual general meeting ('AGM').

The Directors are on a termination notice of three months.



## **DIRECTORS' REPORT (CONTINUED)**

### **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 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, 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.

The Board will also undertake 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. At each quarterly meeting the Board will table and review a risk matrix. There is nothing to highlight from the reviews of these reports as at the date of this report.

Jeremy Thompson was appointed as Senior Independent Director on 1 April 2016.

### **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 contact by email and telephone as well as meeting to consider specific matters of a transactional nature. There is regular contact with the Secretary.

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.

### **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 other similar funds.

The board reviewed the current director fee levels (inclusive of all subsidiaries) and whilst it recognised there was a trend for increased fees over the past year it was decided to maintain total annual fees as the group currently stands for the next twelve months subject to current movements if any fees are not paid in Sterling. However, it was agreed to restructure and simplify the fees to better reflect the seniority, experience and responsibilities of the board with effect from 1 April 2016. On this basis, the revised base fee for the Chairman is £35,000 (previously £27,500) with the Audit Chairman receiving £25,000 (£22,500) with a base director fee of £20,000 (£20,000). The fees for all subsidiary positions including the leasing companies would be set at £5,000 each, reducing the total fee for subsidiaries by £10,000 per annum.

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**DIRECTORS' REPORT (CONTINUED)**

**Directors Remuneration (continued)**

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

	<b>Year ended 31 December 2015</b>		<b>Period 5 July 2013 to 31 December 2014</b>	
	<b>£</b>	<b>US\$ equivalent</b>	<b>£</b>	<b>US\$ equivalent</b>
Didier Benaroya	57,000	86,368	54,438	90,032
Jonathan Bridel (Chairman)	47,424	73,328	51,850	86,692
Jeremy Thompson (Audit Committee Chairman)	42,424	65,614	44,438	74,302
	<b>£ 146,848</b>	<b>US\$ 225,310</b>	<b>£ 150,726</b>	<b>US\$ 251,026</b>

There are no executive director service contracts in issue.

Upon the requirement to issue a new prospectus at any time, the Directors will be entitled to receive an additional £5,000 each, per prospectus. The fees in respect of the prospectus issued in June 2015 are included in the table above.

**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. 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.

Administration and Secretarial duties for the Company are performed by Fidante Partners (Guernsey) Limited (formerly Dexion Capital (Guernsey) Limited).

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.

**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.

**Auditor**

KPMG, Ireland, Chartered Accountants have indicated their willingness to continue in office. Accordingly a resolution proposing their reappointment will be submitted at the Company's next annual general meeting.

## **DIRECTORS' REPORT (CONTINUED)**

### **Going Concern**

The lease rental income has been set at an aggregate absolute income stream in excess of the Group's expenses, distributions and financing costs. The Directors are of the opinion that the affairs of the company are suitably structured to enable the Going Concern basis to be adopted in the preparation of these financial statements.

### **Viability Statement**

The Financial Reporting Council's, UK Corporate Governance Code ("FRC") requires boards to include a 'viability statement' in the strategic report to investors. The viability statement is to provide an improved and broader assessment of long-term solvency and liquidity. It is expected that the statement will look forward significantly longer than 12 months and the Board has therefore deemed a three year period of review is appropriate.

The Directors have therefore conducted a robust assessment of the viability of the Company over a three year period, taking account of the Company's current position and the potential impact of the principal risks outlined below.

In making this statement, the Directors have considered the resilience of the Company, taking into account its current position, the principal risks facing the Company in severe but reasonable scenarios and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

These factors were subjected to a review of different scenarios based on the key assumptions underlying the forecast. Where appropriate, this analysis was carried out to evaluate the potential impact of the Company's principal risks actually occurring, primarily non payment of leases or significant impairment of aircraft values. The Board of Directors have also considered the investment strategy of the Company and the disclosure made in the Prospectus issued during 2015.

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 regularly review the timeliness of receipt of the aircraft rental income. The Directors consider quarterly consolidated management accounts that include cashflow required for dividend purposes and for the purposes of establishing suitable working capital requirements.

The Directors consider that the Notes to the Financial Statements are integral to the support of the Viability Statement. Note 4 discloses the expected rental income up to and in excess of five years hence. Note 18 contains the expected liability flows and when netted off demonstrates significant net assets, prior to any future dividend declarations under normal circumstances.

From the information provided to, and questions posed by the Directors, the Directors have concluded that there is a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2018.

### **Annual General Meeting**

The Annual General Meeting of the Company will be held in Guernsey in July 2016 at 1 Le Truchot, St Peter Port Guernsey. The meeting will be held to receive the Annual Report and Financial Statements, re-elect Directors and propose the reappointment of the auditor and that the Directors be authorised to determine the auditor's remuneration.

## **DIRECTORS' REPORT (CONTINUED)**

### **Corporate Governance**

The Company is not required to comply with any particular corporate governance codes in the UK or Guernsey (since it is not authorised or regulated by the FCA or GFSC) 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 Model Code for Directors' dealings contained in the Listing Rules of the FCA (the 'Model Code'). The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Board.

### **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.

### **Alternative Investment Fund Managers Directive ("AIFMD")**

For a non-EEA AIFM that has over EUR100K (equivalent to US\$ 109k at 31 December 2015) 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 EUR100k (equivalent to US\$ 109k at 31 December 2015), with leverage, threshold.

AIFMD does not prescribe use of any one particular accounting standard however, the accounts 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 on page 63, Appendix 1 to these financial statements.

By order of the Board

Jon Bridel  
Director

Jeremy Thompson  
Director

## **REPORT OF THE AUDIT COMMITTEE**

On the following pages, we present the Audit Committee (the 'Committee') Report for 2015, 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 Messrs Bridel and Benaroya (until 21 January 2016). The Committee operates within clearly defined terms of reference.

The Committee conducts formal meetings not less than three times a year. There were five meetings during the period under review. 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 accounts, 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 accounts or, of the Group's control and audit procedures, 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, Ireland ('KPMG') to provide non-audit services. KPMG has been the independent auditor from the date of the initial listing on the Specialist Fund Market of the London Stock Exchange.

## **REPORT OF THE AUDIT COMMITTEE (CONTINUED)**

### Independent Auditor (continued)

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 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
- Lease and loan cash flows
- 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

The Company's investment in the four aircraft represents substantially all of the net assets of the Company and as such is the biggest factor in relation to the accuracy of the financial statements. The 31 December 2015 valuations of the four aircraft have been independently obtained from three independent expert valuers (all certified by the International Society of Transport Aircraft Trading 'ISTAT'). Two of the independent expert valuers included encumbered economic full-life valuations in their valuations. These were in excess of the encumbered depreciated value indicated within the Company's Statement of Financial Position. An encumbered valuation assesses the value of an aircraft with a lease attached and therefore incorporates the value of the revenue stream into the aircraft valuation. As a result of the valuations obtained, the Directors resolved to adhere to the straight-line depreciated value method as at 31 December 2015.

### Effectiveness of the Audit

The Committee had formal meetings with KPMG during the period under review:

- 1) Before the start of the audit to discuss formal planning, discuss any potential issues and agree the scope that will be covered, and
- 2) 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;
- 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.

## **REPORT OF THE AUDIT COMMITTEE (CONTINUED)**

### **Conclusion and Recommendation**

After reviewing various reports such as the operation and risk management framework and performance reports from management, liaising where necessary with KPMG, and assessing the significant areas of focus for the financial statements listed on page 22, 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).

The Committee is also satisfied that the significant assumptions used for 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 accounts 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



## **STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES**

### **Asset risk**

The Company's Assets comprise of four Boeing 787-8 aircraft.

The Boeing 787-8 is a newly developed generation of aircraft and therefore there is insufficient experience and data currently available to be able to give a complete assessment of the long-term use and operation of the aircraft. The Group is exposed to the used aircraft market of the 787-8, which at this time is untested.

### **Market risk**

The airline industry is particularly sensitive to changes in economic conditions and is highly competitive; risks affecting the airline industry generally could affect the ability of Norwegian Air Shuttle ASA ('Norwegian') or Thai Airways International Public Company Limited ('Thai Airways') to comply with its obligations under the Leases (or any subsequent lease).

There is no guarantee that, upon expiry of the leases, 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. 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.

### **Key personnel risk**

The ability of the Company to achieve its investment objective is significantly dependent upon the advice of certain key personnel at 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 Lease 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 counterparties are Norwegian and Thai Airways as lessees and providers of income and NordLB and DekaBank as provider of the loans and borrowings, cash and restricted cash (all held at NordLB and DekaBank). The lessees do not maintain a credit rating. The credit rating of NordLB is Aa3 (2014: Aa1) and the credit rating of DekaBank is Aa3.

Norwegian's stated strategy of providing low-cost long haul flights is untested and may not be successful; failure of this strategy, or of any other material part of Norwegian's business, may adversely affect Norwegian's ability to comply with its obligations under the leases.

There is no guarantee that the business model of Thai Airways will be successful. Failure of any material part of the business model may have an adverse impact on its ability to comply with its obligations under the leases.

Any failure by Norwegian or Thai Airways to pay any amounts when due would have an adverse effect on the Group's ability to comply with its obligations under the loan agreements, could ultimately have an impact on the Company's ability to pay dividends and could result in the lenders enforcing their security and selling the relevant Assets on the market potentially negatively impacting the returns to investors. In mitigation, Norwegian is the second largest airline in Scandinavia and the third largest low-cost airline in Europe and Thai Airways is an International full service carrier.



**STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

**Liquidity risk**

In order to finance the purchase of the Assets, the Group has entered into four separate loan agreements pursuant to which the Group has borrowed an initial amount of US\$ 316,600,000 in total. 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 sell the relevant Asset to repay the outstanding relevant loan. More detailed explanations of the above risks can be found within note 18 to the Audited Consolidated Financial Statements on pages 52 to 57 of this report.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 permits 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 ("IFRS") as adopted by the European Union. The financial statements are required by law to comply with the Companies (Guernsey) Law, 2008.

The Company is also responsible for ensuring its annual report and financial statements meet the requirements of the UK's FCA Disclosure and Transparency Rules.

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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements are properly prepared and comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

So far as each of the Directors is aware, there is no relevant information of which the Company's auditor is unaware, and they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Company's auditor is aware of that information.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

## **DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES**

In accordance with the UK's FCA Disclosure and Transparency Rules, the Directors, who are listed on page 14, confirm that to the best of each person's knowledge and belief:

- (a) The Directors' Report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces; and
- (b) The financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group.

Signed on behalf of the Board by

Jon Bridel  
Director

Jeremy Thompson  
Director

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

We have audited the consolidated financial statements (the "financial statements") of DP Aircraft I Limited (the "Company") and subsidiaries (together and hereinafter the "Group") for the year ended 31 December 2015 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

### **Opinion and conclusions arising from our audit**

#### **1 Our opinion on the financial statements is unmodified**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

#### **2 We have nothing to report in respect of matters on which we are required to report by exception**

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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 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.

### **Basis of our report, responsibilities and restrictions on use**

As explained more fully in the Statement of Directors' Responsibilities set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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

**Basis of our report, responsibilities and restrictions on use (continued)**

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

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.

**Killian J. Croke**

*19 April 2016*

for and on behalf of

**KPMG**

**Chartered Accountants, Statutory Audit Firm**

*1 Harbourmaster Place*

*IFSC*

*Dublin 1*

*Ireland*

**DP AIRCRAFT I LIMITED**

**ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended 31 December 2015**

**2015**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 US\$	Period 5 July 2013 to 31 December 2014 US\$
<b>Revenue</b>			
Lease rental income	4	44,449,970	36,169,050
<b>Expenses</b>			
Asset management fees	21	(730,131)	(616,018)
Share based disposal fee	21	(349,238)	-
General and administrative expenses	5	(791,416)	(1,529,973)
Depreciation	9	(15,031,252)	(12,433,909)
Amortisation	9	(1,606,841)	(1,545,393)
		(18,508,878)	(16,125,293)
Operating profit		25,941,092	20,043,757
Finance costs	6	(10,916,726)	(9,851,107)
Finance income		5,344	3,076
<b>Net Finance Costs</b>		(10,911,382)	(9,848,031)
Profit before tax		15,029,710	10,195,726
Taxation	7	(31,138)	-
Profit for the year / period		14,998,572	10,195,726
<b>Other Comprehensive Loss</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Cash flow hedges – changes in fair value	18	(3,547,741)	(9,543,401)
Cash flow hedges – reclassified to profit or loss	18	3,296,872	4,371,788
Total Other Comprehensive Loss		(250,869)	(5,171,613)
Total Comprehensive Income for the year / period		14,747,703	5,024,113
		US\$	US\$
Earnings per Share for the year / period – basic and diluted	8	0.08990	0.09022

All the items in the above statement derive from continuing operations.

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

The notes on pages 33 to 60 form an integral part of these financial statements.

**DP AIRCRAFT I LIMITED**

**ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended 31 December 2015**

**2015**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2015

	Note	2015 US\$	2014 US\$
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment – Aircraft	9	449,286,000	225,586,091
Intangible Asset – Aircraft Lease Premium	9	43,827,559	28,035,907
Total non-current assets		493,113,559	253,621,998
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,777,349	5,046,920
Restricted cash	10	24,941,300	7,442,092
Trade and other receivables		33,000	29,933
Total current assets		32,751,649	12,518,945
<b>TOTAL ASSETS</b>		<b>525,865,208</b>	<b>266,140,943</b>
<b>EQUITY</b>			
Share Capital	14	210,556,652	110,885,220
Retained Earnings	15	519,298	25,726
Hedging Reserve	15	(5,422,482)	(5,171,613)
Total equity		205,653,468	105,739,333
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	13	263,559,583	135,629,715
Maintenance reserves		11,672,259	1,042,092
Security deposits	11	13,264,420	6,400,000
Derivative instrument liabilities	18	5,422,482	5,171,613
Share based disposal fee	21	349,238	-
Total non-current liabilities		294,267,982	148,243,420
<b>CURRENT LIABILITIES</b>			
Bank borrowings	13	22,520,131	10,533,014
Rent received in advance	4	2,598,554	1,122,764
Trade and other payables	12	825,073	502,412
Total current liabilities		25,943,758	12,158,190
<b>TOTAL LIABILITIES</b>		<b>320,211,740</b>	<b>160,401,610</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>525,865,208</b>	<b>266,140,943</b>

The financial statements on pages 29 to 60 were approved by the Board of Directors and were authorised for issue on 19 April 2016. They were signed on its behalf by:

**Jon Bridel**  
Chairman

**Jeremy Thompson**  
Director

The notes on pages 33 to 60 form an integral part of these financial statements.

**DP AIRCRAFT I LIMITED**

**ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**Year ended 31 December 2015**

**2015**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2015

	Year ended 31 December 2015 US\$	Period 5 July 2013 to 31 December 2014 US\$
Profit for the year / period	14,998,572	10,195,726
<i>Adjusted for:</i>		
Depreciation	15,031,252	12,433,909
Amortisation	1,606,841	1,545,393
Amortisation of deferred finance costs	228,530	191,604
Finance costs	10,688,196	9,659,503
Income tax expense	31,138	-
<i>Changes in:</i>		
Increase in maintenance reserve	10,630,167	1,042,092
Increase in security deposit	6,864,420	6,400,000
Increase in rent received in advance	1,475,790	1,122,764
Increase in accruals and other payables	449,690	169,345
Increase in receivables	(3,067)	(29,933)
Income taxes paid	(1,395)	-
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>62,000,134</b>	<b>42,730,403</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of Aircraft	(256,129,654)	(267,601,300)
Restricted cash	(17,499,208)	(7,442,092)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(273,628,862)</b>	<b>(275,043,392)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(14,505,000)	(10,170,000)
Share issue proceeds	102,007,365	113,000,000
Share issue costs	(2,335,933)	(2,114,781)
New bank borrowings	157,000,000	159,600,000
Bank loan principal repaid	(15,708,387)	(11,789,489)
Bank loan interest paid	(7,181,903)	(5,735,696)
Swap interest paid	(3,313,827)	(3,590,735)
Deferred finance costs paid	(1,603,158)	(1,839,390)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>214,359,157</b>	<b>237,359,909</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR / PERIOD</b>	<b>5,046,920</b>	<b>-</b>
Increase in cash and cash equivalents	2,730,429	5,046,920
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR / PERIOD</b>	<b>7,777,349</b>	<b>5,046,920</b>

The notes on pages 33 to 60 form an integral part of these financial statements.

**DP AIRCRAFT I LIMITED**

**ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**2015**

**Year ended 31 December 2015**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2015

	Note	Share capital US\$	Retained Earnings US\$	Hedging Reserve US\$	Total Equity US\$
As at 1 January 2015		110,885,220	25,726	(5,171,613)	105,739,333
<b>Total comprehensive income for the year</b>					
Profit for the year		-	14,998,572	-	14,998,572
Other comprehensive loss		-	-	(250,869)	(250,869)
Total comprehensive income		-	15,024,298	(250,869)	14,747,703
<b>Transactions with owners of the Company</b>					
Issue of ordinary shares	14	102,007,365	-	-	102,007,365
Share issue costs	14	(2,335,933)	-	-	(2,335,933)
Dividends	16	-	(14,505,000)	-	(14,505,000)
As at 31 December 2015		210,556,652	519,298	(5,422,482)	205,653,468
As at 5 July 2013		-	-	-	-
<b>Total comprehensive income for the period</b>					
Profit for the period		-	10,195,726	-	10,195,726
Other comprehensive loss		-	-	(5,171,613)	(5,171,613)
Total comprehensive income		-	10,195,726	(5,171,613)	5,024,113
<b>Transactions with owners of the Company</b>					
Issue of ordinary shares	14	113,000,001	-	-	113,000,001
Share issue costs	14	(2,114,781)	-	-	(2,114,781)
Dividends	16	-	(10,170,000)	-	(10,170,000)
As at 31 December 2014		110,885,220	25,726	(5,171,613)	105,739,333

The notes on pages 33 to 60 form an integral part of these financial statements.



**DP AIRCRAFT I LIMITED**

**ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL  
STATEMENTS**

**Year ended 31 December 2015**

**2015**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

**1) GENERAL INFORMATION**

The consolidated audited financial statements ('financial statements') incorporate the results of the Company and that of wholly owned subsidiary entities, DP Aircraft Guernsey I Limited, DP Aircraft Guernsey II Limited, 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 two intermediate lessor companies, DP Aircraft Ireland Limited and DP Aircraft UK Limited (the 'Lessors'), an Irish incorporated private limited company and a UK incorporated private limited company respectively.

DP Aircraft I Limited (the 'Company') was incorporated on 5 July 2013 with registered number 56941. The Company was listed on the Channel Islands Securities Exchange until 27 May 2015 and is admitted to trading on the Specialist Fund Market of the London Stock Exchange.

The Share Capital of the Company comprises 209,333,333 Ordinary Shares (2014: 113,000,000) of no par value and one Subordinated Administrative Share of no par value.

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 19 April 2016.

**2) SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

These financial statements are prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board ('IASB') and to the extent they have been adopted by the European Union.

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.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and designated as hedging instruments.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors believe the Group is well placed to manage its business risks successfully as the interest on the Group's loans have been fixed with the bank or via an interest rate swap and the lease rental income and supplemental rental income have been set at an aggregate absolute income stream in excess of the Group's expenses, distributions and financing costs. Accordingly, the Directors have prepared the financial statements on the going concern basis. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

New standards, interpretations and amendments effective from 1 January 2015

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2015 that impacted the Group's accounting policies.

New standards, interpretations and amendments in issue but not yet effective

There are a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2016 which have not been early adopted. Those which may have an effect on the Company's future financial statements are set out below:

*IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new Standard has not yet been adopted by the EU and will come into effect on 1 January 2018.

*IFRS 15 Revenues from Contracts with customers*

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted.

*IFRS 16 Leases*

The IASB recently issued IFRS 16 Leases which supersedes IAS 17 Leases. IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. The standard's approach to lessor accounting is substantially unchanged from IAS 17.

The Directors are assessing the effects of IFRS 9, IFRS 15 and IFRS 16 (neither of which have yet been endorsed by the EU) as the adoption of these standards are expected to have an impact on the Company's future financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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) Taxation**

The Company and the Guernsey subsidiaries are exempt from taxation in Guernsey and are charged an annual exemption fee of £1,200 (2014: £600.)

DP Aircraft Ireland Limited is subject to resident taxes in Ireland. DP Aircraft UK Limited is subject to income tax in the United Kingdom.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

**d) Property, plant and equipment – Aircraft**

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, with the same or similar aircraft types and considering anticipated utilisation of the aircraft.

When an aircraft is acquired with a lease attached, an evaluation of whether the lease is at fair value is undertaken. The contractual lease rate is compared to a range of current market lease rates for similar aircraft. A lease premium is recognised when it is determined that the acquired lease terms are above fair value. Lease premiums are recognised as Aircraft Lease Premium in non-current assets and are amortised to profit or loss on a straight line basis over the term of the lease. Lease discounts are recognised in other liabilities and accounted as additional rental revenue on a straight line basis over the term of the lease.

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. For the annual report, the directors determined a residual valuation at the end of the lease life based on 50 per cent of the purchase cost, supported by external valuations (2014: 50 per cent).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) *Property, plant and equipment – Aircraft (continued)***

In accordance with IAS 16 - Property, Plant and Equipment, the Group's aircraft that are to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the aircraft may not be recoverable. An impairment review involves consideration as to whether the carrying value of an aircraft is not recoverable and is in excess of its fair value. In such circumstances a loss is recognised as a write down of the carrying value of the aircraft to the higher of value in use and fair value less cost to sell. The review for recoverability has a level of subjectivity and requires the use of judgement in the assessment of estimated future cash flows associated with the use of an item of property, plant and equipment and its eventual disposition. Future cash flows are assumed to occur under the prevailing market conditions and assume adequate time for a sale between a willing buyer and a willing seller. Expected future lease rates are based upon all relevant information available, including the existing lease, current contracted rates for similar aircraft, appraisal data and industry trends.

**e) *Financial Instruments***

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations, specified in the contract, expire or are discharged or cancelled. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, are extinguished, or if the Group transfers the financial assets to a third party and transfers all the risks and rewards of ownership of the asset, or if the Group does not retain control of the asset and transfers substantially all the risk and rewards of ownership of the asset.

Derivative financial instruments

The Group has two interest rate swaps in order to provide for fixed-rate interest to be payable in respect of two of the bank loans, matching the timing of the scheduled fixed rental payments under the two Leases, interest rate swaps have been entered into to provide for surety of cash flow and elimination of volatility.

On initial designation of the derivative as a hedging instrument the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% – 125%.

Fair value movements on the derivative instruments are recorded as other comprehensive income in the consolidated statement of comprehensive income, to the extent they are effective. The fair value of the derivative instruments are recorded as "derivative liabilities" or "derivative assets" in the consolidated statement of financial position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) *Financial Instruments (continued)***

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, restricted cash, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses in the case of financial assets.

Fair values of non-derivative financial instruments, which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Financial Assets – Loans and receivables

- i. Cash and cash equivalents comprise cash balances held for the purpose of meeting short term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Where investments are categorised as cash equivalents, the related balance has a maturity of three months or less from the date of acquisition. Cash and cash equivalents are carried at amortised cost.
- ii. 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 is measured at amortised cost and includes maintenance reserves and the security deposits.
- iii. Trade and other receivables are recognised initially at fair value and are thereafter measured at amortised cost using the effective interest rate less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material. A provision for impairment of trade receivables is recognised when there is objective evidence the Group will not be able to collect all amounts due according to the original terms of the receivables.

Financial Liabilities at amortised cost

- i. Loans and Borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and Borrowings are subsequently stated 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 borrowings using the effective interest rate method. Loans and Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least one year after the reporting date.

Initial direct costs related to loans and borrowings are capitalised, presented net against the loans and borrowings in the statements of financial position and amortised to the statement of comprehensive income over the period of the related loan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) *Financial Instruments (continued)***

Financial Liabilities at amortised cost (continued)

- ii. 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 reserves 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. 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 reserves, if any, is released through profit or loss.

- iii. Security deposits are paid by the lessee in accordance with the terms of the lease contract, either in cash or in the form of a letter of credit. These deposits are refundable to the lessee upon expiration of the lease and, where such deposits are received in cash, they are recorded in the consolidated statement of financial position as a liability. The cash received related to security deposits is presented as restricted cash in the consolidated statement of financial position.
- iv. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Fair value measurement

The Group measures certain financial instruments such as derivatives at fair value at the end of each reporting period using recognised valuation techniques and following the principles of IFRS 13.

The fair value measurement of the company's financial assets and liabilities utilises market observable inputs as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on observable the inputs used in the valuation technique utilised are:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) *Share capital***

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

**g) *Share-based payments***

Cash settled share-based payment arrangements with the Asset Manager are measured at the fair value of the services acquired. The fair value of the liability is re-measured at each reporting date with changes in fair value being recognised in profit or loss in the consolidated statement of comprehensive income.

**h) *Dividends***

Dividends are recognised as a liability in the financial statements in the period in which they become obligations of the Company.

**i) *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. Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

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

**j) *Expenses***

Expenses are accounted for on an accruals basis.

**k) *Finance costs***

Interest payable is calculated using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income and 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, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability or where appropriate a shorter period.

**l) *Foreign currency translation***

Transactions denominated in foreign currencies are translated into US\$ at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into US\$ at the rate of exchange ruling at the reporting date. Foreign exchange gains or losses arising on translation are recognised through profit or loss in the consolidated statement of comprehensive income.

**m) *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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**3) SIGNIFICANT JUDGEMENTS AND ESTIMATES**

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

**a) Depreciation of aircraft**

As described in Note 2, the Group will depreciate the Assets (which are significant) on a straight line basis over the remaining lease life and taking into consideration the estimated residual value. In making a judgement regarding these estimates the Directors will consider previous sales of similar aircraft and other available aviation information. The Group have engaged three Independent Expert Valuers each year, to provide a valuation of the Assets and take into account the average of the three valuations provided. The Group expects that, in performing their valuations, the Independent Expert Valuers will have regard to factors such as the condition of the Assets, the prevailing market conditions (which may impact on the resale value of the Assets), the leases (including the scheduled rental payments and remaining scheduled term of the leases) and the creditworthiness of the lessees. Accordingly, any early termination of the leases may impact on the valuation of the Assets. The Assets residual value is based on appraised residual values. As at 31 December 2015 there was no indication of impairment in the Group's Assets (2014: nil).

**b) Derivative fair value**

The Directors estimate the fair value of derivative contracts based on valuation techniques. These techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows.



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**4) LEASE RENTAL INCOME**

	Year ended 31 December 2015 US\$	Period 5 July 2013 31 December 2014 US\$
Deferred income brought forward	1,122,754	-
Lease rental income received	45,925,770	37,291,814
Deferred income carried forward	(2,598,554)	(1,122,764)
<b>Total lease rental income</b>	<b>44,449,970</b>	<b>36,169,050</b>

All lease rental income is derived from two customers located in Norway and Thailand and all four Assets are Boeing 787-8 aircraft. During the year ended 31 December 2015 the Group received following amounts of rental income from these two customers:

	Year ended 31 December 2015 US\$	Period 5 July 2013 31 December 2014 US\$
Norway	29,796,017	36,169,050
Thailand	14,653,953	-
<b>Total lease rental income</b>	<b>44,449,970</b>	<b>36,169,050</b>

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

	Next 12 months US\$	2 to 5 years US\$	After 5 years US\$	Total US\$
<b>31 December 2015</b>				
Boeing 787-8 Serial No: 35304	14,886,012	59,544,048	66,507,847	140,937,907
Boeing 787-8 Serial No: 35305	14,947,440	59,789,760	69,075,601	143,812,801
Boeing 787-8 Serial No: 35320	13,745,640	54,982,560	81,328,370	150,056,570
Boeing 787-8 Serial No: 36110	13,712,040	54,848,160	78,844,230	147,404,430
	<b>57,291,132</b>	<b>229,164,528</b>	<b>295,756,048</b>	<b>582,211,708</b>
<b>31 December 2014</b>				
Boeing 787-8 Serial No: 35304	14,886,012	59,544,048	81,393,859	155,823,919
Boeing 787-8 Serial No: 35305	14,947,440	59,789,760	84,023,041	158,760,241
	<b>29,833,452</b>	<b>119,333,808</b>	<b>165,416,900</b>	<b>314,584,160</b>

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**5) GENERAL AND ADMINISTRATIVE EXPENSES**

	Year ended 31 December 2015 US\$	Period 5 July 2013 31 December 2014 US\$
Legal and professional fees	200,870	198,884
Directors fees and expenses	203,060	174,827
Administration fees	151,197	101,096
Insurance	164,006	146,808
Audit fees	54,427	36,748
Other fees and expenses	17,856	871,610
<b>Total general and administrative expenses</b>	<b>791,416</b>	<b>1,529,973</b>

In the period 5 July 2013 to 31 December 2014 an amount of US\$ 682,507 was included in other fees and expenses in respect of the arrangement fee paid to DS Aviation GmbH & Co. KG on the transfer of the title to the Group of the first two aircraft.

**6) FINANCE COSTS**

	Year ended 31 December 2015 US\$	Period 5 July 2013 to 31 December 2014 US\$
Loan interest paid and payable	7,391,324	5,287,715
Amortisation of deferred finance costs	228,530	191,604
Total finance costs at effective interest rate	7,619,854	5,479,319
Cash flow hedges reclassified from other comprehensive income	3,296,872	4,371,788
<b>Total finance costs</b>	<b>10,916,726</b>	<b>9,851,107</b>

**7) TAXATION**

With the exception of DP Aircraft Ireland Limited and DP Aircraft UK Limited, all companies within the Group are exempt from taxation in Guernsey and are charged an annual exemption fee of £1,200 each (2014: £600).

DP Aircraft Ireland Limited and DP Aircraft UK Limited are subject to taxation at the applicable rate in Ireland and the United Kingdom respectively. The amount of taxation paid during the year ended 31 December 2015 was US\$ 1,395 (Period 5 July 2013 to 31 December 2014: nil). The Directors do not expect the taxation payable to be material to the Group.

A taxation reconciliation has not been presented in these financial statements as the effective tax rate is 0%.

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**8) EARNINGS PER SHARE**

	Year ended 31 December 2015 US\$	Period 5 July 2013 31 December 2014 US\$
Profit for the year / period	15,029,710	10,195,726
Weighted average number of shares	166,841,097	113,000,000
<b>Earnings per share</b>	<b>0.08990</b>	<b>0.09022</b>

There are no instruments in issue that could potentially dilute earnings per Ordinary Share in future years.

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**9) PROPERTY, PLANT, EQUIPMENT & INTANGIBLE ASSETS**

**AIRCRAFT**

	<b>Total US\$</b>
<b>COST</b>	
As at 1 January 2015	238,020,000
Additions – Aircraft	238,731,161
<b>As at 31 December 2015</b>	<b>476,751,161</b>

**ACCUMULATED DEPRECIATION**

As at 1 January 2015	12,433,909
Charge for the year – Aircraft	15,031,252
<b>As at 31 December 2015</b>	<b>27,465,161</b>

**CARRYING AMOUNT**

Aircraft	449,286,000
<b>As at 31 December 2015</b>	<b>449,286,000</b>

**COST**

As at 10 July 2013	-
Additions – Aircraft	238,020,000
<b>As at 31 December 2014</b>	<b>238,020,000</b>

**ACCUMULATED DEPRECIATION**

As at 10 July 2013	-
Charge for the period – Aircraft	12,433,909
<b>As at 31 December 2014</b>	<b>12,433,909</b>

**CARRYING AMOUNT**

Aircraft	225,586,091
<b>As at 31 December 2014</b>	<b>225,586,091</b>

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**9) PROPERTY, PLANT, EQUIPMENT & INTANGIBLE ASSETS (CONTINUED)**

**LEASE PREMIUM**

	<b>Total US\$</b>
<b>COST</b>	
As at 1 January 2015	29,581,300
Additions – Lease Premium	17,398,493
<b>As at 31 December 2015</b>	<b>46,979,793</b>

**ACCUMULATED AMORTISATION**

As at 1 January 2015	1,545,393
Charge for the year – Lease Premium	1,606,841
<b>As at 31 December 2015</b>	<b>3,152,234</b>

**CARRYING AMOUNT**

Lease Premium	43,827,559
<b>As at 31 December 2015</b>	<b>43,827,559</b>

**COST**

As at 10 July 2013	-
Additions – Lease Premium	29,581,300
<b>As at 31 December 2014</b>	<b>29,581,300</b>

**ACCUMULATED AMORTISATION**

As at 10 July 2013	-
Charge for the period – Lease Premium	1,545,393
<b>As at 31 December 2014</b>	<b>1,545,393</b>

**CARRYING AMOUNT**

Lease Premium	28,035,907
<b>As at 31 December 2014</b>	<b>28,035,907</b>

The Boeing 787-8 is a newly developed generation of aircraft and the Company is exposed to the used aircraft market of the 787-8 which is untested. Due to the new type of design, in particular in respect of innovative materials and technology, there is currently insufficient experience and data available to be able to give a complete assessment of the long-term use and operation of the aircraft. There is a risk that the newly developed materials may be found to be less efficient or durable than expected and thereby may lead to higher maintenance and repair costs. Under the terms of the Leases, the cost of repair and maintenance of the Assets will be borne by Norwegian Air Shuttle ASA ('Norwegian') and Thai Airways International Public Company Limited ('Thai Airways'). However, upon expiry or termination of the leases, the cost of repair and maintenance will fall upon the Group. Therefore upon expiry of the leases, the Group may bear higher costs and the terms of any subsequent leasing arrangement (including terms for repair, maintenance and insurance costs relative to those agreed under the leases) may be adversely affected, which could reduce the overall distributions paid to the Shareholders.

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**9) PROPERTY, PLANT, EQUIPMENT & INTANGIBLE ASSETS (CONTINUED)**

The estimated residual value of the Boeing 787-8 Assets as at the end of their respective leases in 2025 and 2026 have been re-evaluated by independent experts on 31 December 2015. The residual value will depend upon a variety of factors including actual or anticipated fluctuations in the results of the airline industry, market perception of the airline industry, general economic and social and political development, changes in industry conditions, fuel prices or rates of inflation. For the annual report, the directors determined a residual valuation at the end of the lease life based on 50 per cent of the purchase cost, supported by external valuations.

The future cash in-flows for the Assets (excluding the assets residual value in the event of a sale) have been fixed at a set rate as agreed between the Group, loan providers and the lessees.

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

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

**10) RESTRICTED CASH**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Security Deposits	13,266,651	6,400,000
Maintenance reserves	11,674,649	1,042,092
<b>Total restricted cash</b>	<b>24,941,300</b>	<b>7,442,092</b>

**11) SECURITY DEPOSITS**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Security deposits:		
Refundable to Norwegian	6,400,000	6,400,000
Refundable to Thai Airways	6,864,420	-
<b>Total security deposits</b>	<b>13,264,420</b>	<b>6,400,000</b>

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**12) TRADE AND OTHER PAYABLES**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Bank borrowings interest payable	390,788	181,367
Swap interest payable	134,745	151,700
Accruals and other payables	269,797	169,345
Taxation payable	29,743	-
<b>Total trade and other payables</b>	<b>825,073</b>	<b>502,412</b>

**13) BANK BORROWINGS**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Current liabilities: bank borrowing	22,520,131	10,533,014
Non-current liabilities: bank borrowing	263,559,583	135,629,715
<b>Total liabilities</b>	<b>286,079,714</b>	<b>146,162,729</b>

**The borrowings are repayable as follows:**

Within one year	22,520,131	10,533,014
In two to five years	101,291,401	48,637,505
After five years	162,268,182	86,992,210
<b>Total bank borrowings</b>	<b>286,079,714</b>	<b>146,162,729</b>

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

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Opening balance	146,162,729	-
Loans advanced	157,000,000	159,600,000
Deferred finance costs	(1,603,158)	(1,839,390)
Repayment of loan	(15,708,387)	(11,789,485)
Amortisation of deferred finance costs	228,530	191,604
<b>Total bank borrowings</b>	<b>286,079,714</b>	<b>146,162,729</b>

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**13) BANK BORROWINGS (CONTINUED)**

**Loans**

During the year ended 31 December 2015 the Company utilised the proceeds from the placing and the proceeds of two separate loans from DekaBank Deutsche Girozentrale ('DekaBank') of US\$ 78,500,000 each to fund the purchase of two Boeing 787-8 aircraft. The balance on the loans at 31 December 2015 was US\$ 151,977,783.

During the period ended 31 December 2014 the Company utilised the proceeds from the initial public offering and the proceeds of two separate loans from Norddeutsche Landesbank Girozentrale ('NordLB') of US\$ 79,800,000 each to fund the purchase of two Boeing 787-8 aircraft. The balance on the loans at 31 December 2015 was US\$ 137,124,345 (2014: US\$ 147,810,513).

All of the loans will be fully amortised with monthly repayments in arrears over the term until the scheduled expiry of each respective lease. There have been no defaults or breaches under the loan agreements (2014: none).

**Structure and term**

The committed term of each loan is from the drawdown date until the date falling twelve years from the Delivery Date of the relevant Asset. Each Loan will be amortised with repayments every month in arrears over the term in amounts as set out in a schedule agreed by the Company and the Lenders. Amortisation will be on an annuity-style (i.e. mortgage-style) basis.

**Interest**

Interest on each DekaBank loan is payable in arrears on the last day of each interest period, which is one month long. Interest on the loan accrues at a fixed rate of 4.10 per cent including a margin of 1.95 per cent per annum. If any amount is not paid by the Borrower when due under the loan agreements, interest will accrue on such amount at the then current rate applicable to the loan plus 2.0 per cent per annum.

Interest on each NordLB loan is payable in arrears on the last day of each interest period, which is one month long (the 'Interest Period'). Interest on each Loan accrues at a floating rate of interest which is calculated using LIBOR for the length of the Interest Period and a margin of 2.6 per cent per annum (the 'Loan Margin') ('Loan Floating Rate'). For the purposes of calculating the Loan Floating Rate, if on the date when LIBOR is set prior to the beginning of an Interest Period it is not possible for LIBOR to be determined by reference to a screen rate at the time that LIBOR is to be set for that Interest Period (a 'Market Disruption Event'), the amount of interest payable to each affected Loan Lender during the Interest Period will be the aggregate of each Lender's cost of funds during that monthly period and the Loan Margin. If any amount is not paid by the Borrower when due under the Loan Transaction Documents, interest will accrue on such amount at the then current rate applicable to the Loan plus 2.0 per cent per annum. The Group has entered into ISDA-standard hedging arrangement with NordLB as hedging provider in connection with the Loans, in order to provide for a fixed interest rate of 5.06% and 5.08% to be payable in respect of the loans throughout the whole term.



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**13) BANK BORROWINGS (CONTINUED)**

**Cross Collateralisation**

The DekaBank loans entered into by the Group to complete the purchase of the third and fourth Assets are cross collateralised. Each of the third and fourth loan is secured by way of security taken over the third and fourth Assets and enforce security over both Assets. This means that a default on one loan places both of the Assets at risk.

Similarly the NordLB loans entered into by the Group to complete the purchase of the first two Assets are cross collateralised. Each of the first and second loan is secured by way of security taken over the first and second Assets and enforce security over both Assets. This means that a default on one loan places both of the Assets at risk.

Following the enforcement of security and sale of the aircraft, the remaining proceeds, if any, may be substantially lower than investors' initial investment in the Company.

**14) SHARE CAPITAL**

**Authorised share capital**

The Company's authorised share capital is unlimited

**Year ended 31 December 2015**

	<b>Subordinated Administrative Share</b>	<b>Ordinary Shares</b>	<b>Total</b>
Issued and fully paid:	Number	Number	Number
Shares as at 1 January 2015	1	113,000,000	113,000,000
Shares issued during the year	-	96,333,333	96,333,333
<b>Shares as at 31 December 2015</b>	<b>1</b>	<b>209,333,333</b>	<b>209,333,334</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Share capital as at 1 January 2015	1	110,885,219	110,885,220
Movement for the year:			
Proceeds from the issue of shares	-	102,007,365	102,007,365
Issue costs paid	-	(2,335,933)	(2,335,933)
<b>Share capital as at 31 December 2015</b>	<b>1</b>	<b>210,556,651</b>	<b>210,556,652</b>

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**14) SHARE CAPITAL (CONTINUED)**

**Period ended 31 December 2014**

	<b>Subordinated Administrative Share</b>	<b>Ordinary Shares</b>	<b>Total</b>
Issued and fully paid:	Number	Number	Number
Shares as at 5 July 2013	-	-	-
Shares issued during the period	1	113,000,000	113,000,001
<b>Shares as at 31 December 2014</b>	<b>1</b>	<b>113,000,000</b>	<b>113,000,001</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Share capital as at 5 July 2013	-	-	-
Movement for the period:			
Proceeds from the issue of shares	1	113,000,000	113,000,001
Issue costs paid	-	(2,114,781)	(2,114,781)
<b>Share capital as at 31 December 2014</b>	<b>1</b>	<b>110,885,219</b>	<b>110,885,220</b>

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.

On 12 June 2015 a total of 96,333,333 shares were issued under the placing at an issue price of US\$ 1.0589 per share raising gross proceeds of US\$ 102 million. Total issue costs were US\$ 2.3 million which included the 1.5% placing commission paid to Canaccord Genuity as placing agent.

On 10 June 2013 a total of 113,000,000 shares were issued under the initial public offering placing at an issue price of US\$ 1 per share raising gross proceeds of US\$ 113 million. Total issue costs were US\$ 2.1 million which included the 1% placing commission paid to Canaccord Genuity as placing agent.

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.

Without prejudice to the provisions of the applicable company law and without prejudice to any rights attached to any existing shares or class of shares, or the provisions of the Articles of Incorporation, any share may be issued with such preferred, deferred or other rights or restrictions, as the Company may be ordinary resolution director, subject to or in default of any such direction, as the Directors may determine.

The Directors are entitled to issue and allot C Shares. No C Shares have been issued since the Company was incorporated.

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**15) RESERVES**

The movements in the Group's reserves are shown on page 32.

Retained earnings comprises any surplus arising from the profit for the year or period and is taken to this reserve which may be utilised for the payment of dividends.

The hedging reserve comprises the cumulative net change in the value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

**16) DIVIDENDS**

During the year ended 31 December 2015 the Company declared and paid the following dividends:

<b>Dividend reference period</b>	<b>Shares</b>	<b>Dividend per share US\$</b>	<b>Paid US\$</b>	<b>Payment date</b>
Quarter ended 31 December 2014	113,000,000	0.0225	2,542,500	13 February 2015
Quarter ended 31 March 2015	113,000,000	0.0225	2,542,500	18 May 2015
Quarter ended 30 June 2015	209,333,333	0.0225	4,710,000	14 August 2015
Quarter ended 30 September 2015	209,333,333	0.0225	4,710,000	13 November 2015
			<b>14,505,000</b>	

A quarterly dividend of US\$ 4,710,000 (US\$ 0.0225 per share) for the quarter ended 31 December 2015 was paid on 12 February 2016. In accordance with IAS 10, this dividend has not been recognised in these financial statements.

During the period 5 July 2013 to 31 December 2014 the Company declared and paid the following dividends:

<b>Dividend reference period</b>	<b>Shares</b>	<b>Dividend per share US\$</b>	<b>Paid US\$</b>	<b>Payment date</b>
Period ended 31 December 2013	113,000,000	0.0225	2,542,500	3 February 2014
Quarter ended 31 March 2014	113,000,000	0.0225	2,542,500	16 May 2014
Quarter ended 30 June 2014	113,000,000	0.0225	2,542,500	15 August 2014
Quarter ended 30 September 2014	113,000,000	0.0225	2,542,500	14 November 2014
			<b>10,170,000</b>	

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**17) INVESTMENT IN SUBSIDIARY UNDERTAKINGS**

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

<b>Name</b>	<b>Date of Incorporation</b>	<b>Country of Incorporation</b>	<b>Proportion of ownership interest at 31 December 2015</b>
DP Aircraft Guernsey I Limited	10 July 2013	Guernsey	100%
DP Aircraft Guernsey II Limited	10 July 2013	Guernsey	100%
DP Aircraft Guernsey III Limited	21 May 2015	Guernsey	100%
DP Aircraft Guernsey IV Limited	21 May 2015	Guernsey	100%
DP Aircraft Ireland Limited	27 June 2013	Republic of Ireland	100%
DP Aircraft UK Limited	14 April 2015	United Kingdom	100%

**18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	7,777,349	5,046,920
Restricted cash	24,941,300	7,442,092
Trade and other receivables (excluding prepayments)	-	-
<b>Loans and receivables at amortised cost</b>	<b>32,718,649</b>	<b>12,489,012</b>
<b>Financial liabilities</b>		
Bank borrowings	286,079,714	146,162,729
Maintenance reserves	11,672,259	1,042,092
Security deposit	13,264,420	6,400,000
Trade and other payables (excluding accruals)	567,962	502,412
<b>Financial liabilities measured at amortised cost</b>	<b>311,584,355</b>	<b>154,107,233</b>
Interest rate swaps	5,422,482	5,171,613
<b>Financial liabilities designated as hedging instruments</b>	<b>5,422,482</b>	<b>5,171,613</b>

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 comprise two separate loan agreements and interest rate swaps.

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**18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**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.

Income distributions are made quarterly, subject to compliance with Applicable Law and regulations, in February, May, August and November of each year. The Company aims to make a distribution to investors of US\$ 0.0225 per Share per quarter. There can be no guarantee that dividends will be paid to Shareholders and, if dividends are paid, as to the timing and amount of any such dividend. Any distribution of dividend to Shareholders will be subject always to compliance with the Companies (Guernsey) Law, 2008.

Before recommending any dividend, the Board will consider the financial position of the Company and the impact on such position of paying the proposed dividend. Dividends are declared and paid in US Dollars.

**Credit Risk**

Credit risk is the risk that a significant counterparty will default on its contractual obligations. The Group's most significant counterparties are Norwegian and Thai Airways as lessees and providers of income and NordLB and DekaBank as provider of the loans and borrowings, cash and restricted cash (all held at NordLB and DekaBank). The lessees do not maintain a credit rating. The credit rating of NordLB is Aa3 (2014: Aa1) and the credit rating of DekaBank is Aa3.

During the term of the leases, the returns on an investment in the Shares will depend in large part on the lease rentals received from Norwegian and Thai Airways under the leases. A failure by Norwegian or Thai Airways to comply with their payment obligations under the leases may lead to a reduction in distributions paid on the shares and/or in the value of the shares and have an adverse effect on the Group.

In advance of the commencement of the lease terms under the leases, both Norwegian and Thai have paid to the Group a security deposit in respect of each Asset. However, the security deposits do not cover the full value of the Group's obligations pursuant to the loan agreements in the event of termination of the leases or default by Norwegian or Thai Airways.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

**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. In respect of the floating rate loans advanced by NordLB for the purchase of the first two Assets, the Directors have sought to mitigate this risk by swapping the interest on each loan from a floating rate of interest to a fixed rate of interest. The floating rate of interest is calculated using LIBOR for the length of the interest period and a margin of 2.6 per cent per annum and has been swapped for a fixed rate of 5.06 per cent and 5.08 per cent for the duration of the loans. The Group has entered into ISDA-standard hedging arrangements with NordLB as hedging provider in order to provide for fixed-rate interest for 12 years to be payable in respect of the loan, funded by the fixed rental payments under the corresponding lease. As at 31 December 2015 the fair value of the interest rate swaps was a loss of US\$ 5,422,482 (2014: US\$ 5,171,613).

A 1% increase or decrease in interest rates would not have a material impact on the Group.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Market risk – interest rate risk (continued)**

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

<b>31 December 2015</b>	<b>Fixed rate instruments US\$</b>	<b>Variable rate instruments US\$</b>	<b>Non-interest bearing instruments US\$</b>	<b>Total US\$</b>
Restricted cash	-	16,689,282	8,252,018	24,941,300
Cash and cash equivalents	-	5,916,033	1,861,316	7,777,349
<b>Total financial assets</b>	<b>-</b>	<b>22,605,315</b>	<b>10,113,334</b>	<b>32,718,649</b>
Trade and other payables (excluding accruals)	-	-	(567,962)	(567,962)
Maintenance reserves	-	-	(11,672,259)	(11,672,259)
Security deposits	-	-	(13,264,420)	(13,264,420)
Notional interest rate swap	(137,376,978)	137,376,978	-	-
NordLB loans	-	(135,629,839)	-	(135,629,839)
DekaBank loans	(150,449,875)	-	-	(150,449,875)
<b>Total financial liabilities</b>	<b>(287,826,853)</b>	<b>1,747,139</b>	<b>(25,504,641)</b>	<b>(311,584,355)</b>
<b>Total interest rate sensitivity gap</b>	<b>(287,826,853)</b>	<b>24,352,454</b>		

<b>31 December 2014</b>	<b>Fixed rate instruments US\$</b>	<b>Variable rate instruments US\$</b>	<b>Non-interest bearing instruments US\$</b>	<b>Total US\$</b>
Restricted cash	-		7,442,092	7,442,092
Cash and cash equivalents	-	5,046,920	-	5,046,920
<b>Total financial assets</b>	<b>-</b>	<b>5,046,920</b>	<b>7,442,092</b>	<b>12,489,012</b>
Trade and other payables (excluding accruals)	-	-	(502,412)	(502,412)
Maintenance reserves	-	-	(1,042,092)	(1,042,092)
Security deposits	-	-	(6,400,000)	(6,400,000)
Notional interest rate swap	(147,540,515)	147,540,515	-	-
NordLB loans	-	(146,162,729)	-	(146,162,729)
<b>Total financial liabilities</b>	<b>(147,540,515)</b>	<b>1,377,786</b>	<b>(7,944,504)</b>	<b>(154,107,233)</b>
<b>Total interest rate sensitivity gap</b>	<b>(147,540,515)</b>	<b>4,930,202</b>		

**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 parent and subsidiaries, and presentation currency of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**18) 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 NordLB and 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 Norwegian or Thai Airways, there is a risk that the Group will not be able to remarket the Assets successfully within the remarketing period specified in the loan agreements and that (after using the security deposits and the Liquidity Reserve) the Group will not have sufficient liquidity to comply with its obligations under the Loan Agreements. This may lead to a 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 lenders 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 as favourable as the existing leases, which may have an adverse effect on the Group and its ability to meet its investment objective and its dividend target. The price paid by the Group for the Assets partly reflects the terms of the leases to which the Assets are subject. Accordingly, were any or all of the Assets to be re-leased on less favourable terms, this may have an adverse effect on the value of the Assets and therefore the share price.

No right of redemption or repurchase

Shareholders will 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 may 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 Reserve

In accordance with the Group's financial model, in addition to paying the proposed dividends to shareholders, the Company intends to establish and to build up a liquidity reserve (the "Liquidity Reserve"). The Liquidity Reserve will be accumulated from surplus cash flow from the leases after payment of the Group's costs and after allowing for proposed dividends. The Liquidity Reserve is intended to fund contingencies and to be available to the Group, in addition to the security deposits paid by Norwegian and Thai Airways under the leases, to aid the Group in meeting its Loan Repayments in the event of a default by Norwegian or Thai Airways and/or to meet costs incurred in connection with a subsequent remarketing of the Assets. In the event of a default on the bank borrowings the accumulation of surplus lease rental by the Group in the Liquidity Reserve will be suspended. In the event of a re-lease of the Assets, the Group may maintain and/or accumulate a Liquidity Reserve in an amount which is considered appropriate by the Directors, having regard to the available security deposits and the other circumstances applicable at such time. Any unused Liquidity Reserve ultimately will be available for distribution to shareholders following the disposal of the Assets and after all loan obligations have been satisfied.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

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.

The following table details the contractual maturity analysis of the Group's financial liabilities. The amounts are contractual undiscounted cash flows and therefore will not agree directly to the balances in the statement of financial position. Operating lease income is not a financial instrument, however, has been included in the tables below to illustrate the Group's excess liquidity.

<b>31 December 2015</b>	<b>Next 12 months US\$</b>	<b>2-5 years US\$</b>	<b>After 5 years US\$</b>	<b>Total US\$</b>
Bank borrowings and interest	(35,448,174)	(141,656,725)	(186,520,315)	(363,625,214)
Interest rate swaps	(3,064,467)	(9,421,348)	(4,268,899)	(16,754,714)
Maintenance reserves	-	-	(11,672,259)	(11,672,259)
Security deposit	-	-	(13,264,420)	(13,264,420)
Trade and other payables	(567,962)	-	-	(567,962)
<b>Total financial liabilities</b>	<b>(39,080,603)</b>	<b>(151,078,073)</b>	<b>(215,725,893)</b>	<b>(405,884,569)</b>
Operating lease income (note 4)	57,291,132	229,164,528	295,756,048	582,211,708
<b>Liquidity excess prior to ongoing expenses and distributions</b>	<b>18,210,529</b>	<b>78,086,455</b>	<b>80,030,155</b>	<b>176,327,139</b>

<b>31 December 2014</b>	<b>Next 12 months US\$</b>	<b>2-5 years US\$</b>	<b>After 5 years US\$</b>	<b>Total US\$</b>
Bank borrowings and interest	(18,035,521)	(72,142,084)	(102,205,986)	(192,383,591)
Interest rate swaps	(3,347,370)	(10,705,549)	(6,240,160)	(20,293,079)
Maintenance reserves	-	-	(1,042,092)	(1,042,092)
Security deposit	-	-	(6,400,000)	(6,400,000)
Trade and other payables	(502,412)	-	-	(502,412)
<b>Total financial liabilities</b>	<b>(21,885,303)</b>	<b>(82,847,633)</b>	<b>(115,888,238)</b>	<b>(220,621,174)</b>
Operating lease income (note 4)	29,833,452	119,333,808	165,416,900	314,584,160
<b>Liquidity excess prior to ongoing expenses and distributions</b>	<b>7,948,149</b>	<b>36,486,175</b>	<b>49,528,662</b>	<b>93,962,986</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

Liquidity Proposal

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 per cent. of the net asset value of the Group at the time of drawdown. 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 the 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 for structural investment purposes.

**19) 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, restricted cash and interest payable approximate their carrying amounts due to the short term maturities of these instruments.

The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt of similar returns and remaining maturities and therefore the carrying value approximates fair value.

The fair value of fixed rate borrowings is estimated by discounting future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value approximates the carrying value gross of unamortised transaction costs.

**Financial liabilities designed as hedging instruments**

The fair value of the Group's derivative interest rate swaps are determined by reference to the mid-point on the yield curves prevailing on the reporting date and represent the net present value of the differences between the contracted and the valuation rate when applied to the projected balances to the period from the reporting date to the contracted expiry date.

The interest rate swaps are valued on a recurring basis and has been categorised within level 2 of the fair value hierarchy required by IFRS 13. The contractual undiscounted cash flows of the swaps are disclosed in note 18.

**Transfers between levels**

The Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the year ended 31 December 2015 or in the period 10 July 2013 to 31 December 2014.

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**20) RELATED PARTY TRANSACTIONS**

The Directors are remunerated for their services at a fee for each Director of £20,000 per annum. Jon Bridel as Chairman receives £25,000 per annum. With effect from 1 July 2015 these fees increased to £22,500 per annum for Jeremy Thompson (as Chairman of the Audit Committee) and £27,500 for Jon Bridel (as Chairman) and Didier Benaroya continued to receive £20,000 per annum.

The Directors receive fees of £5,000 each per annum for acting as Director of each of the Company's Guernsey subsidiaries (DP Aircraft Guernsey I Limited, DP Aircraft Guernsey II Limited, DP Aircraft Guernsey III Limited and DP Aircraft Guernsey IV Limited) (total of £20,000 each per annum).

The two Directors of DP Aircraft Ireland Limited who are based in Ireland receive fees of €6,000 per annum in aggregate and Didier Benaroya received fees of £10,000 per annum. The two Directors of DP Aircraft UK Limited who are based in the United Kingdom receive fees of £5,000 per annum in aggregate and Didier Benaroya received fees of £10,000 per annum.

During the year ended 31 December 2015 Directors' remuneration totalled US\$ 225,310 including fees of £5,000 for each director in respect of the prospectus issued during the year (Period from 5 July 2013 to 31 December 2014: US\$ 251,026) with US\$ 55,834 due at the year end (2014: US\$ 41,100).

Director's shareholdings in the Company are detailed on page 16.

As described in the Directors' Report on page 17 and subsequent to the year end, the Directors have conducted their annual review of the Directors fees with the changes taking effect from 1 April 2016.

**21) MATERIAL CONTRACTS**

**Asset Management Agreement**

The Asset Management Agreement, dated 19 September 2013, between the Company and DS Aviation was amended on 5 June 2015 to reflect the acquisition of the two new aircraft.

The amended agreement provides a new calculation methodology for the disposal fee which will only become payable when all four of the Assets have been sold after the expiry of the fourth 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%.

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

- (i) 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**21) MATERIAL CONTRACTS (CONTINUED)**

**Asset Management Agreement (continued)**

- (ii) 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.

The disposal fee is a cash-settled share-based payment under IFRS 2 Share Based Payments. In determining the provision for the financial statements, the Directors have estimated the fee that will be payable on disposal of the assets. This has then been discounted using the group's weighted average cost of capital and is then recognised in line with the revenue generated by those assets over the period until the estimated payment date. The provision for the disposal fee at 31 December 2015 was US\$ 349,238 (2014: nil) and the discount rate used was 7.59%.

The Asset Manager is paid a base fee which is US\$ 21,354 per month in respect of the first two Assets increasing by 2.5% per annum and US\$ 16,666 per month in respect of the second two Assets increasing by 2.5% per annum from May 2016. In the year ended 31 December 2015 Asset Management fees totalled US\$ 730,131 (period from 5 July 2013 to 31 December 2014: US\$ 616,018) of which US\$ 77,107 were due at 31 December 2015 (2014: US\$ 42,707).

In accordance with the prospectus for the share placing issued in June 2015, the Asset Manager was paid an arrangement fee of US\$ 777,000 in respect of the acquisition of the third and fourth Assets. During the period 5 July 2013 to 31 December 2014 the Asset Manager was paid an arrangement fee of US\$ 339,000 in respect of the acquisition of the first and second Assets in accordance with the prospectus for the initial public offering in June 2013.

**Administration Agreement**

In accordance with the Administration Agreement dated 19 September 2013 between the Company and Fidante Partners (Guernsey) Limited (formerly Dexion Capital (Guernsey) Limited), the administrator receives a secretarial fee of £25,000 per annum. The Administrator will also receive an additional £1,640 for each ad hoc board meeting of the Company that is held in addition to the quarterly board meetings and £1,640 for each board meeting of each wholly owned Guernsey subsidiary.

The Company pays the Administrator a fee of £16,000 per annum in respect of the preparation and approval of annual and half year financial statements. In addition the Administrator is also entitled to a minimum administration fee of £1,250 per month and such other remuneration as shall be agreed between the Company and the Administrator from time to time.

In the year ended 31 December 2015 total fees paid to the administrator were US\$ 82,360 (period 5 July 2013 to 31 December 2014 US\$ 71,813) of which US\$ 33,524 were due at 31 December 2015 (2014: US\$ 28,871).

**Directors' fees**

Details of the fees paid to the Directors are included in note 20.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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**22) SUBSEQUENT EVENTS**

On 20 January 2016 the Company declared a quarterly dividend in respect of the quarter ended 31 December 2015 of US\$ 0.0225 per ordinary share to holders of shares on the register at 29 January 2016. The ex-dividend date was 28 January 2016 with payment on 12 February 2016.

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**COMPANY INFORMATION**

<b>Registered Office</b>	1 Le Truchot St Peter Port Guernsey GY1 1WD Channel Islands
<b>Asset Manager</b>	DS Aviation GmbH & Co. KG Stockholmer Allee 53 44269 Dortmund Germany
<b>Solicitors to the Company (as to English law)</b>	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ United Kingdom
<b>Advocates to the Company (as to Guernsey law)</b>	Ogier Ogier House St Julian's Avenue St Peter Port Guernsey GY1 1WA Channel Islands
<b>Auditor</b>	KPMG, Chartered Accountants 1 Harbourmaster Place IFSC Dublin 1
<b>Administrator and Company Secretary</b>	Fidante Partners (Guernsey) Limited (formerly Dexion Capital (Guernsey) Limited) 1 Le Truchot St Peter Port Guernsey GY1 1WD Channel Islands
<b>Corporate Broker</b>	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR

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

**APPENDIX 1 – ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE**

REGULATORY REFERENCE	DOCUMENT NAME, PAGE AND REFERENCE
<b>AIFMD Article 23(1)</b>	
(a) a description of the investment strategy and objectives of the AIF;	Prospectus, page 38, 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 38, 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 38, Information on the Company. Prospectus, pages 18-31, disclosure of risk factors.
any applicable investment restrictions;	Prospectus, page 8.
the circumstances in which the AIF may use leverage;	Prospectus, page 20, Risk of Debt Financing.
the types and sources of leverage permitted and the associated risks;	Prospectus, page 20, Risk of Debt Financing.
any restrictions on the use of leverage and any collateral and asset reuse arrangements; and	Prospectus, page 20, Risk of Debt Financing.
the maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF;	Prospectus, page 20, 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 38, 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 80, Part IX, Loans and Loan Agreements. Prospectus, page 142, 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 36, Directors and Advisers. Prospectus, page 152 (h).
(e) a description of how the AIFM complies with the AIFMD's requirements relating to professional liability risk;	Prospectus, page 151 (g)

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

REGULATORY REFERENCE	DOCUMENT NAME, PAGE AND REFERENCE
<b>AIFMD Article 23(1)</b>	
(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 152 (i).
(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 152 (j).
(i) a description of all fees, charges and expenses, and the maximum amounts directly or indirectly borne by investors;	Prospectus, pages 48-50, Fees and Expenses.
(j) a description of how the AIFM ensures a fair treatment of investors;	Prospectus, page 152 (l).
whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of:	
that preferential treatment;	Prospectus, page 152 (l).
the type of investors who obtain such preferential treatment; and	Prospectus, page 152 (l).
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 44, Further Issue of Shares.
(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 <a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a> .



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

REGULATORY REFERENCE	DOCUMENT NAME, PAGE AND REFERENCE
<b>AIFMD Article 23(1)</b>	
(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 ( <a href="http://www.dpaircraft.com">http://www.dpaircraft.com</a> ) or by the Company issuing an announcement via a Regulatory Information Service.
<b>AIFMD Article 23(5)</b>	
(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 total leverage employed at 31 December 2015 is US\$ 289,102,124.