

**DP AIRCRAFT I LIMITED**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT**

**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

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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 (the 'Group').

Pursuant to the Company's Prospectus dated 27 September 2013, the Company offered 113,000,000 Ordinary Shares of no par value in the capital of the Company at an issue price of US\$ 1.00 per Share by means of a Placing. The Company's Shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 4 October 2013.

On 5 June 2015, the Company offered 96,333,333 Ordinary 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. These Shares were admitted to trading on the Specialist Fund Segment 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**

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').

## **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.

## **BREXIT**

Refer to note 21 of the financial statements for the Directors considerations of the impact of Brexit on the Company.

#### **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. Two quarterly dividends have been paid during the period ended 30 June 2018 and one has been paid subsequent to the period 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.

**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 Segment ('SFS') of the London Stock Exchange
<b>SFS Admission Date</b>	4-Oct-13
<b>Share Price</b>	US\$ 1.076 at 30 June 2018
<b>Earnings per share</b>	US\$ 0.0503 for the period ended 30 June 2018
<b>Country of Incorporation</b>	Guernsey
<b>Current Shares in Issue</b>	209,333,333
<b>Administrator and Company Secretary</b>	Aztec Financial Services (Guernsey) Limited
<b>Asset Manager</b>	DS Aviation GmbH & Co. KG
<b>Auditor</b>	KPMG, Chartered Accountants
<b>Corporate Broker</b>	Canaccord Genuity Limited
<b>Aircraft Registrations</b>	LN-LNA LN-LNB HS-TQD HS-TQC
<b>Aircraft Serial Numbers</b>	35304 35305 35320 36110
<b>Aircraft Type and Model</b>	Boeing 787-8
<b>Lessees</b>	Norwegian Air Shuttle ASA ('Norwegian' or 'NAS') Thai Airways International Public Company Limited ('Thai Airways')
<b>Website</b>	<a href="http://www.dpaircraft.com">www.dpaircraft.com</a>

**HIGHLIGHTS**

**PROFIT FOR THE PERIOD**

Profit for the period ended 30 June 2018 is US\$10,533,504 and Earnings per Share is US\$ 0.0503 per Share. The profit for the period ended 30 June 2017 was US\$9,648,349 and Earnings per Share was US\$ 0.0461.

**NET ASSET VALUE ('NAV')**

The NAV excluding swap liabilities was US\$1.01451 per Share at 30 June 2018 (31 December 2017: US\$1.00937).

Although the fair values of the derivatives will move over their terms, at maturity the derivatives fair values will reduce to nil. The NAV excluding swap instruments is therefore presented to provide what the Directors consider to be a more relevant assessment of the Group's net asset position.

	As at 30 June 2018		As at 31 December 2017	
	US\$	US\$ per share	US\$	US\$ per share
NAV per the financial statements	213,231,777	1.01862	209,669,631	1.00161
Add back:				
Derivative instruments and swap interest payable	(859,717)	-0.00411	1,623,849	0.00776
NAV excluding swap instruments	<u>212,372,060</u>	<u>1.01451</u>	<u>211,293,480</u>	<u>1.00937</u>

**INTERIM DIVIDENDS**

Dividends were declared on:

Date	Dividend reference period	Dividend per Share	Payment date
18 January 2018	Quarter ended 31 December 2017	US\$ 0.0225 per Share	15 February 2018
18 April 2018	Quarter ended 31 March 2018	US\$ 0.0225 per Share	17 May 2018
16 July 2018	Quarter ended 30 June 2018	US\$ 0.0225 per Share	16 August 2018

**OFFICIAL LISTING**

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

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## **CHAIRMAN'S STATEMENT**

I am pleased to present Shareholders with the Interim Report of the Company for the six-month period to 30 June 2018.

The Lessees have continued to meet their lease obligations. There are no incidents to bring to the attention of Shareholders concerning the operation of the aircraft, inspections have revealed no matters of concern and the Company and group continues to report a healthy performance.

The Earnings per Share for the period was US\$ 0.0503 compared to US\$ 0.0461 for the same period last year. The first interim dividend for 2018 was paid on 17 May 2018, with the second interim dividend being declared on 16 July 2018, with a payment date of 16 August 2018. The Lessees are continuing to perform as expected.

The outlook for the airline industry for 2018 remains positive. During the first half of 2018, travel demand continued to grow, and there was reported increased profitability for the first quarter compared to the same period in the previous year. It is expected that costs will continue to challenge profitability in 2018, particularly rising fuel costs, although global revenues are still anticipated to increase over the next 12 months. The Asset Manager's report that follows provides a detailed overview of the expectations for 2018.

The Company has previously noted the implementation of substantial growth plans for NAS. The Company notes that NAS now plans a phase of moderate growth in the second half of 2018, expecting to see benefits from economies of scale. During the first half, operating revenues increased by 32% to NOK 17.2 billion (USD 2.1 billion), capacity increased by 43% and demand by 42%. Operating losses decreased by 19% to NOK 2.1 billion (USD 260 million). Net profit was NOK 250 million (USD 31 million) compared to a loss in the previous half year of NOK 2.18 billion (USD 260 million) but results were influenced by a NOK 1.9 billion financial gain on investments. NAS had cash and equivalents of NOK 3.7 billion (USD 0.46 billion).

The Company also notes that Thai Airways continues to show increased operating revenues and continues to upgrade their international fleet to newer more fuel-efficient aircraft. Further, following the modifications of TQC and TQD, including the installation of a Wi – Fi antenna and a crew rest compartment, the B787 aircraft is now able to be deployed more flexibly, including on long haul destinations.

I would like to thank our Investors for their continued support of the Company and should the investors wish to contact us, I and my fellow Directors are available via our Company Secretary, whose details can be found at the end of this report.

**Jon Bridel**  
**Chairman**

## ASSET MANAGER'S REPORT

### The Aviation Market - Overview and Development

The outlook for 2018 remains solid despite the International Air Transport Association (IATA) having lowered its expectation of collective net profits from USD 38.4 billion to USD 33.8 billion because of increasing costs, mainly of fuel and labour, as well as rising interest rates. Unit costs are expected to increase by 5.2 per cent in 2018 compared to the previous year. The average jet fuel price is expected to rise by 25.9 per cent so that jet fuel costs will account for about 24 per cent of total operating costs compared to 21 per cent in 2017. The number of passengers transported by air in 2018 is expected to reach 4.36 billion; an increase of 6.5 per cent. While capacity (ASK – Available Seat Kilometres) is expected to grow by 6.7 per cent, demand for air travel (RPK – Revenue Passenger Kilometres) is forecast to increase by 7.0 per cent and the overall load factor is expected to increase slightly to 81.7 per cent. Demand therefore increased for the sixth year in a row faster than the 20-year average of 5.5 per cent annually. Passenger yield is expected to increase by 3.2 per cent after a decline of 0.8 per cent the previous year. Demand for cargo is expected to increase by 4.0 per cent benefitting from the growing global economy.

Total passenger demand in April 2018 increased by 6.2 per cent while capacity rose by 5.9 per cent compared to the same month in 2017. Therefore the load factor increased to 82.3 per cent. In the first four months of 2018, global passenger demand grew by 7.0 per cent and worldwide capacity increased by 6.0 per cent compared to the same period of the previous year. The load factor increased by 0.8 percentage points to 81.3 per cent. The Asia-Pacific region outperformed the other regions in regard to capacity and passenger demand in the first four months of 2018. While passenger demand increased by 9.5 per cent, capacity rose one per cent less and the load factor improved by 0.8 percentage points to 81.9 per cent. European carriers report the highest load factor (82.5 per cent) amongst the regions. In regard to profits, they currently benefit from extensive hedging delaying the impact of increased fuel costs to a future point in time.

As part of an IATA survey in early April 2018, 67 per cent of the interviewed airline CFOs and Heads of Cargo indicated an increase in profitability for the first quarter compared to the same period in the previous year. 61 per cent shared the opinion that profitability will continue to improve over the next twelve months. 42 per cent of the participants reported an increase in input costs in the first quarter 2018, mainly due to increased fuel prices. Half of the respondents anticipated employment growth over the coming year.

The latest Boeing Outlook (Current Market Outlook 2017-2036) anticipates deliveries of 41,030 commercial aircraft with a total market value of USD 6.1 trillion within the next 20 years. Both Boeing and Airbus (Global Market Forecast 2017-2036) continue to forecast that the global passenger and freighter fleet will at least double by 2036. According to Boeing, airline fleets will grow by 3.5 per cent per annum over the next 20 years. Boeing forecasts the fleet in the Asia-Pacific region will increase from 29 per cent to 37 per cent of the global fleet. European airline fleet growth is anticipated to be lower than the global average, with an average annual growth rate of 2.7 per cent. According to IATA, there will be 1,900 aircraft deliveries in 2018 with the commercial aircraft fleet increasing by 4.2 per cent compared to the previous year. The number of city pairs served in 2018 will increase to a total of 58,000.



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

**The Assets - Four Dreamliner Boeing 787-8s**

As at 30 June 2018, Boeing had delivered 708 Boeing 787 Dreamliner aircraft, of which 353 aircraft are B787-8s, 349 aircraft are B787-9s and six are B787-10s. The first B787-10 was delivered to Singapore Airlines in March 2018. The total order for the B787 family amounts to 1,377 aircraft from 69 customers. Turkish Airlines placed an order for 25 Dreamliners this March, American Airlines ordered an additional 25 B787-9s in April, Qantas ordered an additional six Dreamliners in May and the Vietnamese start-up Bamboo Airways ordered 20 B787s in June.

Norwegian has equipped its B787 fleet with a total of 291 seats, of which 32 are premium economy and 259 economy class seats. This type of aircraft is used to fly from Europe to destinations in Asia and America, amongst others, Oakland, Los Angeles, New York and Bangkok. On 14th January 2018, aircraft LNA was inspected in Birmingham (UK) at the Monarch maintenance facilities during a Base Check (every 6,000 flight hours). Our inspector considers the aircraft and its records to be in good condition with no significant defects or airworthiness related issues. Aircraft LNB is scheduled to be inspected early August, subject to airline operations. Technical records have already been collected and are considered to be in good condition with no airworthiness related issues.

Thai Airways' B787-8 offers a total of 264 seats, of which 24 are business and 240 economy class seats. The carrier operates this aircraft type to destinations such as Taipei, Nagoya, Brisbane, Auckland and Vienna. Modifications of both TQC and TQD, including the installation of a Wi-Fi antenna and a crew rest compartment, have been completed. As a result, the aircraft can be deployed more flexibly, including now long-haul destinations. The table below reporting average monthly utilisation illustrates this fact as the average stage length in May is significantly higher than the average stage length since delivery. TQC and TQD were inspected on 28 February 2018 at Bangkok International Airport. TQC was inspected during a daytime A-check and TQD during a night stop in the airport bay. Our inspector considers the aircraft and their records to be in good condition with no significant defects or airworthiness related issues.

DP Aircraft's Trent 1000 Engines are B-Pack versions (second upgraded version of originally produced engines). The latest Airworthiness Directive (AD) includes this type of engines and requires an additional precautionary one-off inspection. This can be carried out on-wing, however using existing techniques. The Asset Manager's technical advisor confirmed that at present there is no suggestion that this development will affect ETOPS certification (the level of ETOPS certification for extended range operations by twin-engine aeroplanes defines a certain amount of flying time away from the nearest suitable alternative airport at which the aircraft can land). Rolls-Royce is taking precautionary preventive measures and is redesigning the specific parts.

Since 1st July 2018, the Asset Manager DS Aviation has performed the technical asset management in-house (previously performed by DS Skytech Limited - a joint venture between Skytech-AIC and DS Aviation). This will further strengthen the relationships and reduce any response time in regard to Lessees and manufacturers. DS Aviation employs its own highly experienced technical personnel with detailed technical aircraft knowledge. Additionally, DS Aviation signed an agreement with AKKA (AeroConseil) to have any back-up services contractually guaranteed should a need arise. Such services include, amongst others, aircraft inspections or maintenance forecasting. AKKA, with its headquarters in Toulouse (France), has more than 30 years of experience in the aviation sector and more than 90 employees. It is one of the largest suppliers in terms of technical aviation consultancy services and DS Aviation has worked successfully together with them in regard to other assets under management.

The tables below give a short overview of the utilisation of airframes and engines on each of the four aircraft as at 30th June 2018.

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

**The Assets - Four Dreamliner Boeing 787-8s (continued)**

AIRFRAME STATUS (30 <sup>th</sup> June 2018)	Norwegian Air Shuttle			
	LN-LNA		LN-LNB	
	TOTAL	1 – 30 June 2018	TOTAL	1 – 30 June 2018
Flight Hours	24,396	407	25,553	416
Flight Cycles	2,866	46	3,057	46
Average Monthly Utilisation	406 hours 48 cycles	---	439 hours 53 cycles	---
Flight Hours/Flight Cycles Ratio	8.51 : 1	8.85 : 1	8.36 : 1	9.04 : 1

ENGINE DATA (30 <sup>th</sup> June 2018)	Norwegian Air Shuttle			
	LN-LNA		LN-LNB	
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]	16,940	18,570	14,960	19,771
Total Flight Cycles	2,056	2,249	1,671	2,308
Location	LN-LNE	In shop	In shop	LN-LNA

AIRFRAME STATUS (30 <sup>th</sup> June 2018)	Thai Airways International			
	HS-TQC		HS-TQD	
	TOTAL	1 – 30 June 2018	TOTAL	1 – 30 June 2018
Flight Hours	15,144	314	12,666	364
Flight Cycles	3,460	52	3,033	56
Average Monthly Utilisation	345 hours 80 cycles	---	297 hours 72 cycles	---
Flight Hours/Flight Cycles Ratio	4.38 : 1	6.04 : 1	4.18 : 1	6.50 : 1

ENGINE DATA (30 <sup>th</sup> June 2018)	Thai Airways International			
	HS-TQC		HS-TQD	
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]	12,216	10,518	11,031	11,490
Total Flight Cycles	2,840	2,583	2,674	2,708
Location	In shop	In shop	TQF	TQC

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

**The Lessees**

***Norwegian Air Shuttle ASA***

Norwegian Air Shuttle ASA operates as a low-cost carrier on short-, medium- and long-haul routes. In 2017, the airline transported more than 33 million passengers, an increase of 13 per cent on the previous year. As at 30 June 2018, the airline operated a network of more than 500 routes to over 150 destinations including more than 60 intercontinental city pairs. The fleet comprises 155 passenger aircraft, including 28 Boeing 787s. The airline will take delivery of 11 Dreamliners in 2018.

During the second quarter 2018, operating revenues increased by 32 per cent to NOK 10.23 billion (USD 1.26 billion) compared to the same quarter in 2017. EBITDAR grew by 64 per cent to 1.62 billion (USD 0.20 billion). Norwegian stated an operating profit of NOK 154 million (USD 19 million) compared to an operating loss of NOK 863 million (USD 103 million) in the same quarter the previous year. Excluding other losses and gains (including effects from currency and forward fuel contracts), the operating result turned into a loss of NOK 301 million (USD 37 million). Net profit amounted to NOK 300 million (USD 37 million) compared to a net loss of NOK 691 million (USD 82 million) in the second quarter 2017. Capacity increased by 48 per cent while demand grew by 46 per cent and therefore the load factor slightly decreased by 0.9 percentage points to 86.8 per cent. Results were affected by reduced unit costs which - including depreciation and excluding fuel - decreased by 19 per cent. Unit revenue decreased by 11 per cent which is partly a result of upon an increased average sector length of 20 per cent. Ancillary revenues per passenger grew by 19 per cent to NOK 162 (USD 20).

During the first half of 2018, passenger numbers increased by 14 per cent to 17.45 million compared to the same period in the previous year, while operating revenues increased by 32 per cent to NOK 17.22 billion (USD 2.11 billion). While capacity was increased by 43 per cent, demand grew by 42 per cent. The passenger load factor was 85.8 per cent. Ancillary revenues per passenger increased by 18 per cent during the first half of 2018. Operating losses decreased by 19 per cent to NOK 2.08 billion (USD 254 million). The carrier stated a net profit of NOK 0.25 billion (USD 31 million) compared to a net loss of NOK 2.18 billion (USD 260 million) in the same period in 2017. Results were influenced by a NOK 1.94 billion financial gain from reclassification of its investment in Norwegian Finans Holding, in which the airline has a 16.4 per cent shareholding. Furthermore, results were impacted by increased fuel prices, foreign currency effects and strong capacity growth. In March 2018, Norwegian raised NOK 1.30 billion (USD 168 million) through a share issue. Cash and cash equivalents as at 30 June 2018 stood at NOK 3.71 billion (USD 0.46 billion). Aircraft utilisation during the second quarter increased from 11.5 to 12.7 block hours a day compared with the same quarter in the previous year. The equity ratio as at 30 June 2018 was 7 per cent, up 3 percentage points compared to the previous year.

For 2018, Norwegian further reduced gross capex commitment from USD 1.9 billion to USD 1.75 billion. Growth in terms of capacity and fleet peaked in the first half 2018; particularly in the second quarter which marked the strongest growth in the airline's history. The second half of the year will be a phase of moderate growth and benefit from economies of scale. This year, Norwegian will launch flights to Krabi (Thailand), transatlantic routes from Madrid, Amsterdam and Milan and the carrier will add Tampa to its network. The U.S. is the strongest market for Norwegian outside of Norway. Moreover, the carrier plans to add some Canadian destinations to its transatlantic network in 2019, which were approved by the Canadian Transportation Agency this March. In July, the carrier announced it had applied for a Swedish AOC (Air Operator Certificates) as it seeks a stronger foothold in the European Union and this AOC would facilitate accessibility in Sweden and increased traffic rights throughout Scandinavia. Norwegian Air Argentina is scheduled to start commercial operations by the end of this year.

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

**The Lessees (continued)**

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

In May 2018, capacity and demand increased by 51 per cent compared to the same month in 2017. The load factors remained stable at 86.5 per cent while passenger numbers grew by 17 per cent to 3.4 million. Yield and unit revenues decreased by 6 per cent while the average flying distance increased by 24 per cent compared to the same month a year ago.

In April 2018, the International Airlines Group (IAG), parent company of British Airways, Iberia, Aer Lingus, Vueling and LEVEL, acquired a 4.61 per cent stake in Norwegian. A potential acquisition could offer IAG network synergies and access to new aircraft deliveries. Norwegian had rejected two offers made by IAG but they have set up a steering committee and they have engaged advisors to review potential offers and to safeguard all shareholders' interests as they are said to have received offers from other interested parties including Lufthansa.

***Thai Airways International PCL***

Thai Airways International Public Company Limited, full service network carrier and flag carrier of the Kingdom of Thailand, is majority-owned by the Thai Government (Ministry of Finance) (51.03 per cent). In 2017, Thai Airways International, excluding any subsidiaries, transported nearly 20 million passengers. As at 30 April 2018, the fleet of Thai Airways, including its subsidiary Thai Smile, comprised 104 active aircraft. The carrier currently operates 63 destinations in 34 countries, including 11 destinations in 13 European countries. In the first quarter 2018, Thai Airways received an award as "Top Agent Award 2017" from Japan National Tourism Organization and the airline's CFO was named "Asia's Best CFO 2017" by the Corporate Treasurer Marquee Awards. The latter award takes into consideration financial transformation and changes with results of significant impact.

Operating revenues in 2017 increased by 6.3 per cent to THB 191.95 billion (USD 5.89 billion) compared to 2016. THB 157.48 billion related to passenger and excess baggage revenue, THB 20.27 billion to freight and mail and 14.20 billion to other revenue and income. Operating profits decreased by 29.8 per cent to THB 2.86 billion (USD 88 million) and net losses amounted to THB 2.07 billion (USD 64 million) compared to net profits of THB 47 million (USD 1 million). Capacity increased by 6.4 per cent and demand by 14.7 per cent. Therefore, the load factor improved by 5.8 percentage points to 79.2 per cent. Results were impacted by impairment losses (USD 98 million), loss on changes in ownership regarding the stake hold in NOK (USD 13 million) and exchange losses (USD 48 million). The airline's results were also affected by the 24.2 per cent rise in average jet fuel prices. Liabilities have been continuously decreasing since 2015 and were recently restructured to maximise the benefit of natural hedging (revenues of foreign currencies versus expenses in foreign currencies).

During the first quarter of 2018, total operating revenues increased by 7.4 per cent to THB 53.47 billion (USD 1,716 million) compared to the same quarter in the previous year. Operating profit increased by 49.4 per cent to THB 3.84 billion (USD 123 million) while net profit decreased by 13.6 per cent to THB 2.74 billion (USD 88 million). Results were impacted by an impairment loss of assets and aircraft of THB 2.47 billion as well as a gain on foreign currency exchange of THB 583 million. Thai increased capacity by 4.9 per cent, while demand only grew by 2.2 per cent and the load factor decreased by 2.2 percentage points to 80.6 per cent. The passenger yield grew by 4.5 per cent compared to the first quarter of 2017. At the end of the quarter, cash and cash equivalents stood at THB 16.97 billion (USD 545 million) and assets amounted to THB 286.17 billion (USD 9,182 million).

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

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

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

Thai considers its restructuring efforts - summarised in its Transformation Plan - as key to a profitable future in the long run. Therefore, the airline implemented a revised 2017 - 2021 Plan with five key strategies to continually drive from the third phase of its transformation plan to ensure sustainable operating results, increasing efficiency and continuous improvement of service quality to be competitive in the global market. The five strategies are:

- Increase in revenues by improving network, yields, ancillary revenues and cost structure by implementing common fleet and adopting low-cost business models
- Seeking new business opportunities; e.g. launching of joint ventures in the MRO (Maintenance, Repair and Overhaul), cargo and logistic business at U-Tapao airport
- Creating seamless travel between pre-flight, in-flight and post-flight services
- Implementation of digital applications to generate a competitive advantage
- Human resources development with focus on organizational structure, culture and leadership

As part of the Transformation plan, the carrier successfully sold unused assets in the Mae Hong Son province and foreign property in Sydney as well as 22.5 million shares or 24 per cent of Royal Orchid Hotel (Thailand) PCL which are not considered as core business. For the second quarter 2018 it is planned to sell further shares in such subsidiaries and associated companies. Moreover, Thai Airways focuses on improving the fleet efficiency and on increasing passenger revenue. In 2018, Thai Airways already took delivery of five A350-900s as part of the renewal fleet plan. Further route expansion is planned, as codeshare agreements with NOK and Shenzhen Airlines have been signed. Frequencies to Vienna will increase to daily in autumn 2018.

In May, the carrier announced that the acting president, Usanee Sangsingkeo, will retire from the carrier in September. During a Board Meeting, Sumeth Damrongchaitham was announced to become the new president in September. He was managing director at Dhanarak Asset Development, a government-owned company set up to manage state assets and properties.

Thai Airways and Airbus are moving ahead with their MRO joint venture. It is planned to offer heavy maintenance and line services for wide-body aircraft. Thai and Airbus have scheduled to incorporate the MRO joint venture early in 2020 and to launch services in 2022 at U-Tapao airport which is 140 kilometres south of Bangkok. This new MRO facility is planned to become one of the most modern and extensive in the Asia-Pacific region.

In June it was announced that Thai Airways and Rolls-Royce had signed an agreement to explore how to expand the Trent CareNetwork by building on Thai's existing MRO capabilities. Thai becoming an Authorised Maintenance Centre (AMC) for Rolls-Royce will enable the carrier to support its own growing fleet of Rolls-Royce engines and to generate additional capacity within the Rolls-Royce CareNetwork. The maintenance centre is also expected to start servicing Trent 1000 engines in the fourth quarter 2018 or early 2019. While in the first year it is assumed that up to 30 engines can be serviced, from the second year on it could be 70 to 80 annually.

In 2017, the number of foreign tourists arriving in Thailand increased by 8.9 per cent to 35 million, mainly from China, Russia, India, Laos, Cambodia and South Korea. In the first quarter of 2018, the number of foreign tourists increased by 15.2 per cent compared to the first quarter of last year. Additionally, the economy of Thailand and private consumption is improving steadily.

## **DIRECTORS**

### **Jonathan (Jon) Bridel, *Non- Executive Chairman (53)***

Jon is a Guernsey resident and is currently a non-Executive Director of The Renewables Infrastructure Group Limited (FTSE 250), Alcentra European Floating Rate Income Fund Limited, Starwood European Real Estate Finance Limited, Sequoia Economic Infrastructure Income Fund Limited (FTSE 250) 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 and Phaunos Timber Fund Limited which is in the process of asset realisation. 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, a Chartered Director and Fellow of the Institute of Directors and a Chartered Fellow of the Chartered Institute for Securities and Investment.

### **Jeremy Thompson, *Non- Executive Director (63)***

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 private equity funds and to an Investment Manager serving the listed NextEnergy Solar Fund Limited. In addition Jeremy is also a non-executive director of Riverstone Energy Limited (FTSE 250). 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 completed an M.Sc in Corporate Governance in 2016 and qualified as a Chartered Company Secretary in 2017.

### **Angela Behrend-Görnemann, *Non-Executive Director (61)***

Angela started her career with Hapag-Lloyd AG and was, from 1984 until 2015, employed with HSH Nordbank AG, Hamburg, Germany as the Global Head of Aviation Finance and Global Head of Transportation Finance. In this function she was responsible for Aviation, Rail and Infrastructure Finance with more than 100 employees in teams in New York, London, Hamburg, Kiel, Singapore and Shanghai. She initiated the foundation of the Dublin based Aviation Asset Manager Amentum Capital. Between 2007 and 2011 she was Class B Manager and member of the Investment Committee of HSH Global Aircraft I S.a.r.l, Luxembourg, a closed ended Aircraft Fund. She has extensive experience in the transportation and banking industries with more than 20 years experience in aviation. Angela is resident in Germany.



## **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 Boeing 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 or 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 Norddeutsche Landesbank Girozentrale ('NordLB') and DekaBank Deutsche Girozentrale ('DekaBank') as holder of the Group's cash and restricted cash. The lessees do not maintain individual corporate credit ratings. The credit rating of NordLB is Baa2 (2017: Baa1) and the credit rating of DekaBank is Aa2 (2017: Aa3).

Norwegian's stated strategy of providing low-cost long haul flights may not be successful; failure of this strategy, or of any other material part of Norwegian's business including its financing strategy combined with ambitious growth objectives, 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.

Maintenance reserves are being paid by the lessees to the manufacturers The Boeing Company ('Boeing') and Rolls Royce plc ('Rolls Royce') under Gold and Total Care Agreements. Failure of the manufacturers to fulfil their respective obligations might adversely affect the lessees' compliance under the leases. The credit rating of Boeing is A2 (2017: A2) and the credit rating of Rolls Royce is A3 (2017: A3).

**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.



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### For the half year ended 30 June 2018

The Directors are responsible for preparing this interim management report in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

In preparing the interim financial information, the directors are required to:

- prepare and present the interim financial information in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and the DTR of the UK FCA;
- ensure the interim financial information has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.

The directors are responsible for designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of the interim financial information that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

- (1) the condensed set of financial statements in the half-yearly financial report of DP Aircraft I Limited ("the Company") for the six months ended 30 June 2018 ("the interim financial information") which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Cash Flows, Condensed Consolidated Statement of Changes in Equity and the related explanatory notes, have been presented and prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.
- (2) The interim financial information presented, as required by the DTR of the UK FCA, includes:
  - a. an indication of important events that have occurred during the first 6 months of the financial year, and their impact on the condensed set of financial statements;
  - b. a description of the principal risks and uncertainties for the remaining 6 months of the financial year
  - c. related parties' transactions that have taken place in the first 6 months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
  - d. any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first 6 months of the current financial year.

On behalf of the board

Director

Director

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**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF DP AIRCRAFT I LIMITED**

**Introduction**

We have been engaged by the company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Cash Flows, Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. Our review was conducted in accordance with the Financial Reporting Council's ("FRCs") International Standard on Review Engagements ("ISRE") 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU, and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

**Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. The annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

**Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

**Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF DP AIRCRAFT I LIMITED (CONTINUED)**

**Scope of review (continued)**

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of [consolidated] 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 review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**The purpose of our review work and to whom we owe our responsibilities**

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

KPMG  
*Chartered Accountants*  
1 Harbourmaster Place  
IFSC  
Dublin 1

20 August 2018

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

For the six month period ended 30 June 2018

	Note	30 June 2018 (unaudited) US\$	30 June 2017 (unaudited) US\$
<b>Revenue</b>			
Lease rental income	4	28,688,669	28,730,567
Amortisation	10	(2,181,009)	(2,181,009)
		26,507,660	26,549,558
<b>Expenses</b>			
Asset management fees	19	(487,816)	(475,629)
Asset Manager's disposal fee	19	(159,308)	(157,254)
General and administrative expenses	5	(491,792)	(394,608)
Depreciation	10	(9,481,279)	(9,811,456)
		(10,620,195)	(10,838,947)
Operating profit		15,887,465	15,710,611
Finance costs	6	(5,587,252)	(6,138,486)
Finance income	7	254,251	101,739
<b>Net Finance Costs</b>		(5,333,001)	(6,036,747)
Profit before tax		10,554,464	9,673,864
Taxation	8	(20,960)	(25,515)
Profit for the period		10,533,504	9,648,349
<b>Other Comprehensive Income / (Expense)</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Cash flow hedges – changes in fair value	17	2,049,291	(752,931)
Cash flow hedges – reclassified to profit or loss	17	399,351	972,441
Total Other Comprehensive Income		2,448,642	219,510
Total Comprehensive Income for the period		12,982,146	9,867,859
		US\$	US\$
Earnings per Share for the period - basic and diluted	8	0.0503	0.0461

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

The notes on pages 24 to 41 form an integral part of these financial statements.

**DP AIRCRAFT I LIMITED**  
**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Six month period ended 30 June 2018**

2018

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

As at 30 June 2018

	Note	30 June 2018 (unaudited) US\$	31 December 2017 (audited) US\$
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment – Aircraft	10	401,497,671	410,978,950
Intangible Asset – Aircraft Lease Premium	10	32,922,510	35,103,519
<b>Total non-current assets</b>		<b>434,420,181</b>	<b>446,082,469</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		9,611,461	9,442,220
Restricted cash	11	47,025,597	43,484,175
Trade and other receivables	13	1,199,921	1,178,711
Derivate instrument assets	17	885,585	-
<b>Total current assets</b>		<b>58,722,564</b>	<b>54,105,106</b>
<b>TOTAL ASSETS</b>		<b>493,142,745</b>	<b>500,187,575</b>
<b>EQUITY</b>			
Share Capital	15	210,556,652	210,556,652
Retained Earnings		1,789,538	676,034
Hedging Reserve		885,587	(1,563,055)
<b>Total equity</b>		<b>213,231,777</b>	<b>209,669,631</b>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	14	203,471,824	216,136,376
Maintenance reserves		33,189,701	30,242,119
Security deposits		13,264,420	13,264,420
Derivative instrument liabilities	17	-	1,563,058
Asset Manager's disposal fee	19	1,592,944	1,433,636
<b>Total non-current liabilities</b>		<b>251,518,889</b>	<b>262,639,609</b>
<b>CURRENT LIABILITIES</b>			
Bank borrowings	14	25,355,117	24,780,594
Deferred income	4	2,598,555	2,641,658
Trade and other payables	12	438,407	456,083
<b>Total current liabilities</b>		<b>28,392,079</b>	<b>27,878,335</b>
<b>TOTAL LIABILITIES</b>		<b>279,910,968</b>	<b>290,517,944</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>493,142,745</b>	<b>500,187,575</b>

The financial statements on pages 20 to 41 were approved by the Board of Directors and were authorised for issue on 20 August 2018. They were signed on its behalf by:

**Jon Bridel**  
**Chairman**

**Jeremy Thompson**  
**Director**

The notes on pages 24 to 41 form an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the six month period ended 30 June 2018

	<b>30 June 2018</b> <b>(unaudited)</b> <b>US\$</b>	<b>30 June 2017</b> <b>(unaudited)</b> <b>US\$</b>
Profit for the period	10,533,504	9,648,349
<i>Adjusted for:</i>		
Depreciation	9,481,279	9,811,456
Amortisation	2,181,009	2,181,009
Amortisation of deferred finance costs	146,033	146,821
Finance costs	5,441,219	5,991,665
Income tax expense	20,960	25,515
<i>Changes in:</i>		
Increase in maintenance reserve	2,947,582	4,479,970
Decrease in deferred income	(43,103)	(82,871)
Increase in Asset Manager's disposal fee	159,308	157,254
(Decrease)/ Increase in accruals and other payables	(3,710)	23,450
(Increase)/ Decrease in receivables	(21,210)	24,636
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>30,842,871</b>	<b>32,407,254</b>
<b>INVESTING ACTIVITIES</b>		
Restricted cash	(3,541,422)	(4,581,708)
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>	<b>(3,541,422)</b>	<b>(4,581,708)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(9,420,000)	(9,420,000)
Bank loan principal repaid	(12,233,704)	(11,686,890)
Bank loan interest paid	(5,044,227)	(5,022,495)
Swap interest paid	(434,277)	(1,009,455)
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES</b>	<b>(27,132,208)</b>	<b>(27,138,840)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>9,442,220</b>	<b>9,011,045</b>
Increase in cash and cash equivalents	169,241	686,706
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>9,611,461</b>	<b>9,697,751</b>

The notes on pages 24 to 41 form an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

For the six month period ended 30 June 2018

	Note	Share capital US\$	Retained Earnings US\$	Hedging Reserve US\$	Total Equity US\$
As at 1 January 2017		210,556,652	616,483	(3,394,282)	207,778,853
<b>Total comprehensive income for the period</b>					
Profit for the period		-	9,648,349	-	9,648,349
Other comprehensive income		-	-	219,510	219,510
<b>Total comprehensive income</b>		-	9,648,349	219,510	9,867,859
<b>Transactions with owners of the Company</b>					
Dividends	16	-	(9,420,000)	-	(9,420,000)
<b>As at 30 June 2017 (unaudited)</b>		210,556,652	844,832	(3,174,772)	208,226,712
As at 1 January 2018		210,556,652	676,034	(1,563,055)	209,669,631
<b>Total comprehensive income for the period</b>					
Profit for the period		-	10,533,504	-	10,533,504
Other comprehensive income		-	-	2,448,642	2,448,642
<b>Total comprehensive income</b>		-	10,533,504	2,448,642	12,982,146
<b>Transactions with owners of the Company</b>					
Dividends	16	-	(9,420,000)	-	(9,420,000)
<b>As at 30 June 2018 (unaudited)</b>		210,556,652	1,789,538	885,587	213,231,777

The notes on pages 24 to 41 form an integral part of these financial statements.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six month period ended 30 June 2018

**1) GENERAL INFORMATION**

The unaudited condensed consolidated 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. The Company and its subsidiaries (the Borrowers and the Lessors) comprise the Group.

DP Aircraft I Limited (the 'Company') was incorporated on 5 July 2013 with registered number 56941. The Company is admitted to trading on the Specialist Fund Segment of the London Stock Exchange.

The Share Capital of the Company comprises 209,333,333 Ordinary Shares 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.

**2) SIGNIFICANT ACCOUNTING POLICIES**

**a) Basis of preparation**

The financial statements for the period 1 January 2018 to 30 June 2018 have been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting' as adopted by the European Union and the Disclosure and Transparency Rules ('DTR's') of the UK's Financial Conduct Authority ('FCA').

The financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual report and consolidated financial statements for the year ended 31 December 2017. The Group's annual financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and are available on the Company's website or from the Company Secretary.

The financial statements have been prepared on the basis of the accounting policies set out in the Group's annual consolidated financial statements for the year ended 31 December 2017 but also taking into account any new policies that will be applied in the Group's annual consolidated financial statements for the year ending 31 December 2018.

The Directors considered all new standards, amendments and interpretations to existing standards effective for the financial statements for the six month period ended 30 June 2018. The major new standards and their impact on the financial statements are detailed below:-

**IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.



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

For the six month period ended 30 June 2018

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

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

**IFRS 9 Financial Instruments (continued)**

Although the application of IFRS 9 has resulted in changes to the classification of financial assets and liabilities, there has been no impact on the carrying values of such financial instruments. The following table summarises the financial assets and liabilities held by the Group, the treatment under IAS 39, the new treatment under IFRS 9 and the impact on the financial statements at 1 January 2018

	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39 at 1 Jan 2018</b>	<b>New carrying amount under IFRS 9 at 1 Jan 2018</b>
<b>Financial Assets</b>				
Trade and other receivables	Loans and receivables	Amortised cost	1,178,711	1,178,711
Cash and cash equivalents	Loans and receivables	Amortised cost	9,442,220	9,442,220
Restricted cash	Loans and receivables	Amortised cost	43,484,175	43,484,175
<b>Financial Liabilities</b>				
Interest rate swaps used for hedging	Fair value – hedge instrument	Fair value – hedge instrument	1,563,058	1,563,058
Bank borrowings	Amortised cost	Amortised cost	228,826,941	228,826,941
Maintenance reserves	Amortised cost	Amortised cost	30,242,119	30,242,119
Security deposits	Amortised cost	Amortised cost	13,264,420	13,264,420
Trade and other payables	Amortised cost	Amortised cost	1,433,636	1,433,636

Details of new significant accounting policies and the nature and effect of the changes to the previous accounting policies are discussed below.

**a) Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

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

For the period ended 30 June 2018

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

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

**a) Classification and measurement of financial assets and financial liabilities (continued)**

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see (c) below). The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- amortised cost;
- Fair value through other comprehensive income ("FVOCI") – debt investment;
- FVOCI – equity investment; or
- Fair value through profit or loss ("FVTPL").

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The company only has financial assets that are classified as amortised cost or FVTPL.

**i. Financial assets held at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially measured fair value plus transaction costs that are directly attributed to its acquisition, unless it is a trade receivable without a significant financing component which is initially measured at its transaction price.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses as detailed in (b) below.

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

**ii. FVTPL**

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL which includes derivative financial assets.

Financial assets at FVTPL are initially and subsequently measured at fair value. The company has designated its derivative financial instruments as hedging instruments as detailed in (c) below.

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

For the period ended 30 June 2018

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

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

**b) Impairment of financial assets**

IFRS 9 has introduced the expected credit loss (“ECL”) model which brings forward the timing of impairments. Under IFRS 9 for trade receivables, including lease receivables, the Company has elected to apply the simplified model as the trade receivables all have a maturity of less than one year and do not contain a significant financing component. Under the simplified approach the requirement is to always recognise lifetime ECL. Under the simplified approach practical expedients are available to measure lifetime ECL but forward looking information must still be incorporated. Under the simplified approach there is no need to monitor significant increases in credit risk and entities will be required to measure lifetime expected credit losses at all times. The board consider that a significant movement would be required to the credit quality of the lessees, oil prices and inflation to increase the ECL.

The directors have concluded that any ECL on the lease receivables would be highly immaterial to the financial statements following consideration of:

- the historical payment history of the lessees which have always been met in accordance with the lease agreement terms,
- the ability of the lessees to pay the current amounts due based on forward looking information and expectations over items such as oil prices and inflation.
- collateral being held in the form of a security deposit for each lease which can be utilised should there be any payment defaults.
- The credit risk of the lessees.

Accordingly, there has been no change in the allowance for impairment over these receivables in opening retained earnings at 1 January 2018 on transition to IFRS 9.

Other receivables are immaterial to the financial statements and therefore no assessment of the ECL has been completed.

**c) Hedge accounting**

Hedge accounting under IFRS 9 adopts a more principle based approach than that under IAS 39. The quantitative effectiveness test under IAS 39 has been removed and replaced with a number of other effectiveness requirements which must all be met. IFRS 9 requires the company to ensure that the hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward looking approach to assessing hedge effectiveness.

The company has two interest rate swaps in order to provide for fixed rate interest to be payable in respect of two of the bank loans. The interest rate swaps have been entered into to provide certainty of cash flows and elimination of volatility.

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

For the period ended 30 June 2018

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

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

**c) Hedge accounting (continued)**

The directors have considered the requirements of IFRS 9 and given that the critical terms of the hedged item matches that of the hedging instrument in terms of risk, timing and quantity, have concluded that it meets all the hedging requirements. Accordingly, the company has elected to adopt the new general hedge accounting model in IFRS 9.

The hedges under IAS 39 were accounted for at fair value with the fair value movements being recorded as other comprehensive income and the swap interest being reclassified from other comprehensive income and recognised in profit or loss. Under IFRS 9 there is no change to this accounting treatment.

As the hedging relationship designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 it is regarded as a continuing hedge relationship.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The standard replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

As the Company's revenue is solely derived from leases which are outside the scope of IFRS 15 this standard has had no impact on the company's consolidated financial statements.

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 2019 which will be adopted from their effective date. The most significant of these is IFRS 16 Leases.

IFRS 16 Leases is the IASB's replacement of IAS 17 Leases which 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 and as such is not expected to have a significant impact on the Group. The standard is effective for annual periods beginning on or after 1 January 2019.

**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 finance costs.

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

For the period ended 30 June 2018

**3) SIGNIFICANT JUDGEMENTS AND ESTIMATES**

The preparation of unaudited condensed consolidated financial statements in compliance with IAS 34 requires management to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from their sources.

The adoption of IFRS 9 has resulted in management considering the impact of ECL. As detailed in the annual financial statements for the year ended 31 December no material changes to judgements and estimates were expected. There have been no other material revisions to the significant judgements made by management or the nature and amount of changes in estimates of amounts reported in the annual financial statements for the year ended 31 December 2017.

**4) LEASE RENTAL INCOME**

	<b>30 June 2018</b> <b>(unaudited)</b> <b>US\$</b>	<b>30 June 2017</b> <b>(unaudited)</b> <b>US\$</b>
Deferred income brought forward	2,641,658	2,681,426
Lease rental income received	28,645,566	28,647,696
Deferred income carried forward	(2,598,555)	(2,598,555)
<b>Total lease rental income</b>	<b>28,688,669</b>	<b>28,730,567</b>

**5) GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>30 June 2018</b> <b>(unaudited)</b> <b>US\$</b>	<b>30 June 2017</b> <b>(unaudited)</b> <b>US\$</b>
Legal and professional fees	141,166	111,343
Directors fees and expenses	117,581	104,466
Administration fees	155,315	95,767
Insurance	17,993	31,677
Audit fees	34,044	30,260
Other fees and expenses	25,693	21,095
<b>Total general and administrative expenses</b>	<b>491,792</b>	<b>394,608</b>

**6) FINANCE COSTS**

	<b>30 June 2018</b> <b>(unaudited)</b> <b>US\$</b>	<b>30 June 2017</b> <b>(unaudited)</b> <b>US\$</b>
Loan interest paid and payable	5,041,868	5,019,224
Amortisation of deferred finance costs	146,033	146,821
<b>Total finance costs at effective interest rate</b>	<b>5,187,901</b>	<b>5,166,045</b>
Cash flow hedges reclassified from other comprehensive income	399,351	972,441
<b>Total finance costs</b>	<b>5,587,252</b>	<b>6,138,486</b>

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

For the period ended 30 June 2018

**7) FINANCE INCOME**

	<b>30 June 2018</b> <b>(unaudited)</b> <b>US\$</b>	<b>30 June 2017</b> <b>(unaudited)</b> <b>US\$</b>
Bank interest received	254,251	101,739
<b>Total finance income</b>	<b>254,251</b>	<b>101,739</b>

**8) 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 (2017: £1,200).

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 charged during the period ended 30 June 2018 was US\$ 20,960 (period 1 January 2017 to 30 June 2017: US\$ 25,515). 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 0.5%.

**9) EARNINGS PER SHARE**

	<b>30 June 2018</b> <b>(unaudited)</b> <b>US\$</b>	<b>30 June 2017</b> <b>(unaudited)</b> <b>US\$</b>
Profit for the period	10,533,504	9,648,349
Weighted average number of shares	209,333,333	209,333,333
<b>Earnings per share</b>	<b>0.0503</b>	<b>0.0461</b>

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

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

For the period ended 30 June 2018

**10) PROPERTY, PLANT, EQUIPMENT & INTANGIBLE ASSETS – AIRCRAFT & LEASE PREMIUM**

	Aircraft (unaudited) US\$	Lease Premium (unaudited) US\$	Total (unaudited) US\$
<b>COST</b>			
<b>As at 1 January and 30 June 2018</b>	<b>476,751,161</b>	<b>46,979,793</b>	<b>523,730,954</b>
<b>ACCUMULATED DEPRECIATION</b>			
As at 1 January 2018	65,772,211	11,876,274	77,648,485
Charge for the period	9,481,279	2,181,009	11,662,288
<b>As at 30 June 2018</b>	<b>75,253,490</b>	<b>14,057,283</b>	<b>89,310,773</b>
<b>CARRYING AMOUNT</b>			
<b>As at 30 June 2018</b>	<b>401,497,671</b>	<b>32,922,510</b>	<b>434,420,181</b>
<b>COST</b>			
<b>As at 1 January and 31 December 2017</b>	<b>476,751,161</b>	<b>46,979,793</b>	<b>523,730,954</b>
<b>ACCUMULATED DEPRECIATION</b>			
As at 1 January 2017	46,248,187	7,514,254	53,762,441
Charge for the period	19,524,024	4,362,020	23,886,044
<b>As at 31 December 2017</b>	<b>65,772,211</b>	<b>11,876,274</b>	<b>77,648,485</b>
<b>CARRYING AMOUNT</b>			
<b>As at 31 December 2017</b>	<b>410,978,950</b>	<b>35,103,519</b>	<b>446,082,469</b>

The Boeing 787-8 is a new generation of aircraft. 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 and 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.

The first aircraft was acquired in June 2013, the second aircraft acquired in August 2013 and the third and fourth aircraft were acquired in June 2015. All four of the aircraft are used as collateral for the loans as detailed in note 13.

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

For the period ended 30 June 2018

**10) PROPERTY, PLANT, EQUIPMENT & INTANGIBLE ASSETS – AIRCRAFT & LEASE PREMIUM (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 supported by independent experts as at 31 December 2017. 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.

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 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.

**11) RESTRICTED CASH**

	<b>30 June 2018</b> <b>(unaudited)</b> <b>US\$</b>	<b>31 December 2017</b> <b>(audited)</b> <b>US\$</b>
Security Deposits	13,396,948	13,355,045
Maintenance reserves	33,628,649	30,129,130
<b>Total restricted cash</b>	<b>47,025,597</b>	<b>43,484,175</b>

The security deposits held have been provided by the two lessees in accordance with the lease agreements, Norwegian Air Shuttle ASA has provided security deposit of US\$ 6,400,000 and Thai Airways International PCL has provided a security deposit of US\$ 6,864,420.

**12) TRADE AND OTHER PAYABLES**

	<b>30 June 2018</b> <b>(unaudited)</b> <b>US\$</b>	<b>31 December 2017</b> <b>(audited)</b> <b>US\$</b>
Swap interest payable	25,865	60,791
Accruals and other payables	338,516	342,226
Taxation payable	74,026	53,066
<b>Total trade and other payables</b>	<b>438,407</b>	<b>456,083</b>



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

For the period ended 30 June 2018

**13) TRADE AND OTHER RECEIVABLES**

	30 June 2018 (unaudited) US\$	31 December 2017 (audited) US\$
Lease income receivable	1,142,672	1,142,672
Bank interest receivable	48,375	-
Prepayments	8,874	36,039
<b>Total trade and other receivables</b>	<b>1,199,921</b>	<b>1,178,711</b>

**14) BANK BORROWINGS**

	30 June 2018 (unaudited) US\$	31 December 2017 (audited) US\$
Current liabilities: bank interest payable and bank borrowings	25,355,117	24,780,594
Non-current liabilities: bank borrowing	203,471,824	216,136,376
<b>Total liabilities</b>	<b>228,826,941</b>	<b>240,916,970</b>
<b>The borrowings are repayable as follows:</b>		
Interest payable	380,416	382,774
Within one year	24,974,701	24,397,820
In two to five years	112,469,696	109,886,121
After five years	91,002,128	106,250,255
<b>Total bank borrowings</b>	<b>228,826,941</b>	<b>240,916,970</b>

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

	30 June 2018 (unaudited) US\$	31 December 2017 (audited) US\$
Opening balance	240,534,196	263,852,408
Repayment of loan	(12,233,704)	(23,612,667)
Amortisation of deferred finance costs	146,033	294,455
<b>Total bank borrowings</b>	<b>228,446,525</b>	<b>240,534,196</b>

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

For the period ended 30 June 2018

**14) BANK BORROWINGS (CONTINUED)**

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

	<b>30 June 2018</b> <b>(unaudited)</b> <b>US\$</b>	<b>31 December 2017</b> <b>(audited)</b> <b>US\$</b>
Opening balance	240,534,196	263,852,408
Repayment of loan	(12,233,704)	(23,612,667)
Amortisation of deferred finance costs	146,033	294,455
<b>Principal bank borrowings</b>	<b>228,446,525</b>	<b>240,534,196</b>
Interest payable	380,416	382,774
<b>Total bank borrowings</b>	<b>228,826,941</b>	<b>240,916,970</b>

The table below sets out an analysis of net debt and the movements in net debt for the period ended 30 June 2018:

	<b>Cash and cash equivalents</b>	<b>Principal</b>	<b>Interest</b>	<b>Derivative Instrument*</b>	<b>Net Debt</b>
<b>At 1 January 2018</b>	9,442,220	(240,534,196)	(382,775)	(1,623,845)	(233,098,596)
Cash flows	169,241	12,233,704	5,044,227	434,274	17,881,446
Non cash:-					
Fair value movement	-	-	-	2,448,642	2,448,642
Amortisation of deferred finance costs	-	(146,033)	-	-	(146,033)
Interest charge	-	-	(5,041,868)	(399,351)	(5,441,219)
<b>At 30 June 2018</b>	<b>9,611,461</b>	<b>(228,446,525)</b>	<b>(380,416)</b>	<b>859,720</b>	<b>(218,355,760)</b>

The balance of unamortised deferred finance costs at 30 June 2018 was US\$ 2,289,101 (31 December 2017: US\$ 2,435,134).

\*Including interest payable of US\$25,865 (2017: US\$60,793)

**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 30 June 2018 was US\$ 121,661,598 (31 December 2017: US\$ 127,666,181).

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 30 June 2018 was US\$ 106,784,925 (31 December 2017: US\$ 112,868,015).

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

For the period ended 30 June 2018

**14) BANK BORROWINGS (CONTINUED)**

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 (2017: 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.

**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.

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

For the period ended 30 June 2018

**15) SHARE CAPITAL**

<b>Period ended 30 June 2018 (unaudited)</b>	<b>Subordinated Administrative Share Number</b>	<b>Ordinary Shares Number</b>	<b>Total Number</b>
Issued and fully paid:			
<b>Shares as at 1 January and 30 June 2018</b>	<b>1</b>	<b>209,333,333</b>	<b>209,333,334</b>
Share capital:	US\$	US\$	US\$
<b>Share capital as at 1 January and 30 June 2018</b>	<b>1</b>	<b>210,556,651</b>	<b>210,556,652</b>
<b>Period ended 30 June 2017 (unaudited)</b>			
Issued and fully paid:			
<b>Shares as at 1 January and 31 December 2017</b>	<b>1</b>	<b>209,333,333</b>	<b>209,333,334</b>
Share capital:	US\$	US\$	US\$
<b>Share capital as at 1 January and 31 December 2017</b>	<b>1</b>	<b>210,556,651</b>	<b>210,556,652</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 1.5% 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.

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

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

For the period ended 30 June 2018

**16) DIVIDENDS**

During the period ended 30 June 2018 the Company declared and paid the following dividends:

Dividend reference period	Shares	Dividend		Paid	Declaration date	Payment date
		per share	US\$			
Quarter ended 31 December 2017	209,333,333	0.0225	4,710,000	18 January 2018	15 February 2018	
Quarter ended 31 March 2018	209,333,333	0.0225	4,710,000	18 April 2018	17 May 2018	
			<b>9,420,000</b>			

A quarterly dividend of US\$ 4,710,000 (US\$ 0.0225 per share) for the quarter ended 30 June 2018 was paid on 16 August 2018. In accordance with IAS 10, this dividend has not been recognised in these financial statements.

During the period ended 30 June 2017 the Company declared and paid the following dividends:

Dividend reference period	Shares	Dividend		Paid	Declaration date	Payment date
		per share	US\$			
Quarter ended 31 December 2016	209,333,333	0.0225	4,710,000	18 January 2017	13 February 2017	
Quarter ended 31 March 2017	209,333,333	0.0225	4,710,000	20 April 2017	19 May 2017	
			<b>9,420,000</b>			

**17) FAIR VALUE MEASUREMENT**

**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 of the loans is US\$ 113,370,928 (31 December 2017: US\$ 121,610,356) and the carrying value of the loans is US\$ 121,661,598 (31 December 2017: US\$ 127,666,181).

The fixed rate loans have been categorised within level 3 of the fair value hierarchy. The fair value of the fixed rate loans for disclosure purposes have been determined by discounting future cash flows at a rate of 6.21% (31 December 2017: 5.57%). An increase in the discount rate would decrease the fair value of the fixed rate loans.

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

For the period ended 30 June 2018

**17) FAIR VALUE MEASUREMENT (continued)**

**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 have been categorised within level 2 of the fair value hierarchy required by IFRS 13.

The following table details the contractual undiscounted cash flows of the interest rate swaps:

<b>As at 30 June 2018</b>	<b>Next 12 months US\$</b>	<b>2 to 5 years US\$</b>	<b>After 5 years US\$</b>	<b>Total US\$</b>
Floating rate receivable	2,900,973	7,638,891	1,197,775	11,737,639
Fixed rate payable	(5,276,824)	(13,895,232)	(2,179,007)	(21,351,063)
<b>Interest rate swaps</b>	<b>(2,375,851)</b>	<b>(6,256,341)</b>	<b>(981,232)</b>	<b>(9,613,424)</b>

  

<b>As at 30 June 2017</b>	<b>Next 12 months US\$</b>	<b>2 to 5 years US\$</b>	<b>After 5 years US\$</b>	<b>Total US\$</b>
Floating rate receivable	3,237,543	9,254,064	2,483,575	14,975,182
Fixed rate payable	(5,889,021)	(16,833,121)	(4,517,942)	(27,240,084)
<b>Interest rate swaps</b>	<b>(2,651,478)</b>	<b>(7,579,057)</b>	<b>(2,034,367)</b>	<b>(12,264,902)</b>

As at 30 June 2018, the aggregate gain on the fair value of the interest rate swaps was US\$ 885,585 (31 December 2017: aggregate loss of US\$ 1,563,058).

**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 six month period ended 30 June 2018 or in the year ended 31 December 2017.

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

For the period ended 30 June 2018

**18) RELATED PARTY TRANSACTIONS**

The Directors of the Company received total fees from the Group as follows:

	<b>30 June 2018</b> <b>(unaudited)</b>	<b>30 June 2017</b> <b>(unaudited)</b>
	<b>US\$</b>	<b>US\$</b>
Jon Bridel (Chairman)	39,054	36,006
Jeremy Thompson (Audit Committee Chairman)	31,921	29,459
Angela Behrend-Görnemann	39,641	36,797
<b>Total</b>	<b>110,616</b>	<b>102,262</b>

Between 1 April 2017 until 31 March 2018 the Directors received the following fees:

- Jon Bridel, Chairman –£56,400 per annum;
- Jeremy Thompson, Chairman of the Audit Committee and Senior Independent Director –£46,100 per annum; and
- Angela Behrend-Görnemann, Chairman of the Management Engagement Committee – €66,600 per annum.

Following the Directors annual review of the Directors' fees and subsequent approval at the Company's AGM on 16 July 2018, with effect from 1 April 2018 the Directors receive the following fees:

- Jon Bridel, Chairman –£57,900 per annum;
- Jeremy Thompson, Chairman of the Audit Committee and Senior Independent Director –£47,300 per annum; and
- Angela Behrend-Görnemann, Chairman of the Management Engagement Committee – €68,300 per annum.

The Directors' interests in the shares of the Company are detailed below:

	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>Number of</b>	<b>Number of</b>
	<b>ordinary shares</b>	<b>ordinary shares</b>
Jonathan Bridel	7,500	7,500
Jeremy Thompson	15,000	15,000
Angela Behrend-Görnemann	-	-

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

For the period ended 30 June 2018

**19) 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 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
- (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 payment to the Asset Manager. In determining the provision for the financial statements, the Directors have estimated the fee that will be payable on disposal of the assets. This is then being discounted and is then recognised straight line over the period until the estimated payment date. The provision for the disposal fee at 30 June 2018 was US\$ 1,592,944 (31 December 2017: US\$ 1,433,636) and the discount rate used was 2.85% (31 December 2017: 2.34%).

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 six month period ended 30 June 2018 Asset Management fees totalled US\$ 487,816 (Six month period ended 30 June 2017 US\$ 475,629) of which US\$ 81,886 were due at 30 June 2018 (31 December 2017: US\$ 81,011).

Pursuant to the agreement, the Asset Manager received an arrangement fee of US\$ 2.72 million in respect of the acquisition of the first two assets in the period ended 31 December 2014, and an arrangement fee of US\$ 2.07 million in respect of the acquisition of the third and fourth assets in the year ended 31 December 2015.



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

For the period ended 30 June 2018

**20) SEGMENTAL INFORMATION**

The Group is engaged in one operating segment, being acquiring, leasing and subsequent selling of Aircraft. The geographical location of the Assets of the Group is Norway and Thailand, where the Assets are registered. The income arising from the lease of the Assets originates from two lessees, one in Norway and one in Thailand.

**21) BREXIT**

On 29 March 2019 the United Kingdom ('UK') will leave the European Union ('EU') – 'Brexit'. The terms of the withdrawal agreement between the UK and EU have not yet been finalised and consequently the impact, if any on the Company and/or its lessees cannot, at this time, be determined with any certainty. The Company has not identified any likely material effect of Brexit, and no actions to-date have been identified as being required to be taken in this regard. The impact, if any, of Brexit on the Company remain subject to review and oversight by the Board as the Brexit negotiations develop and the form of a withdrawal agreement is determined. Set out below are some observations on Brexit as it relates to the Company:

- DPA is an internally managed, non-EU AIF
- DPA has not relied on EU regulations to market the shares in the Company to EU investors, rather all shares have been promoted and sold under the UK private placement exemption only.
- All placements of shares to-date have been to UK institutional investors, not to EU institutional or retail investors, although some EU investors have subsequently purchased shares independently in the Company
- No commitment or obligation was provided in any Prospectus issued by the Company to attain non-UK EU authorisation
- The UK's exit from the EU is at this stage not expected to impact the Company's operations, its capital structure or its regulatory status

The Company has also identified some potential risks that may result from Brexit although it is not possible to quantify any outcome or plan of action at this stage:

- Impact upon airline, maintenance, components and safety regulations as the UK leaves the EU regulatory framework in these regards – in particular the possible impact on one of the lessees given the significant number of flights that it operates from the UK.
- Possible changes to tax treatment as it relates to the UK no longer being part of the EU.

**22) SUBSEQUENT EVENTS**

On 16 July 2018 the Company declared a dividend in respect of the quarter ended 30 June 2018 of US\$ 0.0225 per ordinary share to holders of shares on the register at 27 July 2018. The ex-dividend date was 26 July 2018 with payment on 16 August 2018.

The company changed the advocates to the Company (Guernsey law) from Ogier to Mourant Ozannes with effect from 23 July 2018.

**COMPANY INFORMATION**

<b>Directors</b>	Jonathan Bridel Jeremy Thompson Angela Behrend-Görnemann
<b>Registered Office</b>	East Wing Trafalgar Court Les Banques St Peter Port Guernsey GY1 3PP 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 to 23 July 2018 (as to Guernsey law)</b>	Ogier Ogier House St Julian's Avenue St Peter Port Guernsey GY1 1WA Channel Islands
<b>Advocates to the Company from 23 July 2018 (as to Guernsey law)</b>	Mourant Ozannes Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 4HP Channel Islands
<b>Auditor</b>	KPMG, Chartered Accountants 1 Harbourmaster Place IFSC Dublin 1 Ireland

**Administrator and Company Secretary**

Aztec Financial Services (Guernsey) Limited  
East Wing  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 3PP  
Channel Islands

**Corporate Broker**

Canaccord Genuity Limited  
88 Wood Street  
London  
EC2V 7QR  
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