

DP AIRCRAFT I LIMITED  
ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2020

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## FACT SHEET

Ticker	DPA
Company Number	56941
ISIN Number	GG00BBP6HP33
SEDOL Number	BBP6HP3
Traded	Specialist Fund Segment ('SFS') of the London Stock Exchange
SFS Admission Date	4-Oct-13
Share Price	US\$ 0.06 at 31 December 2020 US\$ 0.03 at 11 May 2021
Loss per Share	US\$ 0.74105 for the year ended 31 December 2020
Country of Incorporation	Guernsey
Current Ordinary Shares in Issue	209,333,333
Administrator and Company Secretary	Aztec Financial Services (Guernsey) Limited
Asset Manager	DS Aviation GmbH & Co. KG
Auditor	KPMG, Chartered Accountants
Corporate Broker	Investec Bank Plc
Aircraft Registration	LN-LNA LN-LNB HS-TQD HS-TQC
Aircraft Serial Number	35304 35305 35320 36110
Aircraft Type and Model	B787-8
Lessees	Norwegian Air Shuttle ASA ('Norwegian' or 'NAS') – de-facto terminated (see note 3a) Thai Airways International Public Company Limited ('Thai Airways')
Website	<a href="http://www.dpaircraft.com">www.dpaircraft.com</a>

## SUMMARY

### COMPANY OVERVIEW

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

The Company was established to invest in aircraft. The Company is a holding company, and 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 company limited by shares and a UK incorporated private limited company respectively. The Company and its subsidiaries (the Borrowers and the Lessors) comprise the Group.

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

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

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

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

### INVESTMENT OBJECTIVE & POLICY

The Company'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 and Group in accordance with the Articles of Incorporation and have overall responsibility for the Company's and Group's activities, including portfolio and risk management. The asset management activities of the Group are provided by DS Aviation GmbH & Co. KG (the 'Asset Manager').

### THE ASSET MANAGER

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

### BREXIT

The Directors do not expect that the recent United Kingdom ('UK') withdrawal from the European Union ('EU') will have a significant impact on the Company given the nature of its operations. However, they continue to monitor the airline industry for any potential impact on the Company.

## SUMMARY (CONTINUED)

### CORONAVIRUS ('COVID-19')

COVID-19 rapidly spread across the globe and continues to create widespread restrictions on the ability of people to travel, socialise and leave their homes. Global financial markets reacted sharply to the pandemic and concerns remain regarding the long-term economic impact that this may have on a global scale. COVID-19 has had a significant impact on the airline sector, and by extension the aircraft leasing sector. More information is provided below and in the Asset Manager's Report.

### NORWEGIAN AIR SHUTTLE ('NORWEGIAN' / 'NAS')

The subsidiary of NAS that is the lessee of the aircraft entered Irish examinership on 18 November 2020 and Norwegian examinership on 8 December 2020. As a result, the relevant Group subsidiaries issued demand notices to NAS on 11 December 2020. Subsequently, the relevant Group subsidiaries issued expense claims directly to the Irish Examiner at a later time on 11 December 2020 and expense claims issued to the Norwegian Examiner on 22 December 2020. The claims are ongoing.

As detailed in note 3a the lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020. Subsequent to year end, the subsidiary of NAS that is the lessee of the aircraft went into liquidation following NAS's announcement that it would be ceasing long-haul operations. Also, subsequent to year end Norddeutsche Landesbank Girozentrale have exercised their security enforcement rights and now have control of the NAS aircraft as detailed in the Norddeutsche Landesbank Girozentrale ('NordLB') loan section below.

Prior to the lease termination detailed above, earlier in the 2020 year and following negotiations with Norwegian, the Group had entered into a lease amendment completed on 28 May 2020, based on a Letter of Undertaking ('LoU') that was entered into on 4 May 2020, setting out the following terms:

- All of Norwegian's cash payment obligations until 30 June 2020 were waived to the extent that they had not already been met; and from July 2020 to March 2021 a PBH arrangement instead applied. Under this arrangement, Norwegian would only pay lease rentals in respect of the two assets which it has leased from the Company to the extent that they actually operated them;
- The PBH arrangement was to come to an end on 31 March 2021. Thereafter Norwegian was to make monthly lease payments to the Company again, at a reduced rate to that which had applied to June 2020, reflecting the downward pressure on market rates for lease rentals that was widely anticipated in the aftermath of the Covid-19 crisis; and
- In addition to monthly lease rental payments, the Company was also to receive equity in Norwegian, with the number of shares to be calculated by reference to the monies which were waived and/or forgone by the Company as a result of the waived outstanding debtor, PBH arrangement and the reduced monthly rental amount that would have applied from April 2021. The shares were to be provided to the Company in two tranches, with the first tranche already allotted in May 2020 and the second tranche was to be received in April 2021. The first tranche of 154,189,711 shares (prior to a share consolidation of 100 to 1) had lock-up dates attached allowing partial sales in August 2020 and October 2020, with the Company free to dispose of all such shares on any date falling on or after 9 December 2020.

None of the first tranche shares were sold prior to the year end. However, subsequent to year end and with consent from the lenders, 525,000 of the first tranche of shares received have been sold for proceeds of approximately US\$ 4 million. The proceeds were not up streamed to the Parent and serve as security for the NAS lenders. No further sales were made prior to the lenders enforcing their security rights over the remaining unsold shares and the proceeds from the sale of the shares detailed above. The group is uncertain as to how administration of the NAS lessee of the aircraft will affect the second allocation of shares which were due in April 2021 but have not yet been received. Due to this uncertainty and the situation as at the year end, no value has

## SUMMARY (CONTINUED)

### NORWEGIAN AIR SHUTTLE ('NORWEGIAN' / 'NAS') (CONTINUED)

been attributed to the element of the second tranche shares that would have been earned during 2020.

Whilst the High Court approved the survival plan for NAS and related companies on 22 April 2021 this is not expected to have an impact on the Group and the position in relation to the aircraft.

### NORDDEUTSCHE LANDESBANK GIROZENTRALE AND THREE OTHER CONSORTIUM MEMBERS ('NordLB')

On 24 February 2021, NordLB declared an Event of Default under the relevant loan agreements with the Company's two borrower subsidiaries which meant that NordLB was entitled to enforce rights under the relevant security documents. On 26 February 2021, the Company received notices of security enforcement and loan acceleration from NordLB; and accordingly, receivers were appointed in relation to the two NAS aircraft, the related lease and contract rights, and the shares in the Irish special purpose vehicle which holds title to the NAS aircraft. NordLB has therefore taken control of the process of disposing of the two NAS aircraft, with the proceeds of sale (along with relevant aircraft-specific cash balances, claims against Norwegian and shares in Norwegian held as security) being applied in the first instance to pay off any outstanding amounts owed to the bank, and any balance remaining thereafter being remitted to the relevant subsidiaries of the Company.

These developments impact solely upon the two NAS aircraft; they have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by NordLB to the Company itself.

During the year end 31 December 2020 and prior to the Event of Default described above, NordLB as agent of the Company's lending banks in respect of the assets leased to Norwegian, gave their approval to the lease amendment that occurred during the year as described on the previous page, and at the same time had agreed to certain adjustments to the Company's repayment obligations per Restructure Commitments entered into on 13 May 2020. Per the Restructure Commitments, repayments of principal due during the period from May 2020 to March 2021 were to be deferred, and the profile of debt service for the period starting from 1 April 2021 was to be adjusted to reflect the proposed reduction in Norwegian's monthly lease payments. All deferred amounts were to be repaid by 30 June 2025 at the latest (with prepayment permissible without charge); and interest on deferred amounts was to be payable on a floating rate base calculated as 1-Month Libor plus cost of funds plus increased margin.

The Restructure Commitments mentioned above were subject to formal loan documentation being entered into by 31 July 2020 otherwise they would not be effective. Post year end, the lender notified the Company that the agreements set out in the Restructuring Commitment had ceased to be effective given that definitive loan documentation with respect to the Restructuring Commitment had not been entered into by 31 July 2020 or subsequently even though discussion had continued. Accordingly, subsequent to the year end, the terms of the Loan Agreement prior to the Restructure Commitments continue to be effective.

Concurrently with the inception of the loan transaction the Company had entered into an ISDA Swap Agreement with NordLB. Under the terms of the swap the Company is a fixed interest rate payer and a floating interest rate payee. There was no change to the Swap Agreement due to the Restructure Commitment mentioned above. The event of default detailed above also extends to the ISDA Swap Agreement.

As at year end, the group was in default as they missed loan repayments when they were due thus the whole balance due to Norddeutsche Landesbank has been classified as a current liability as at year end.

## SUMMARY (CONTINUED)

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

The suspension of travel due to Covid-19 caused significant financial difficulties for Thai and ultimately resulted in Thai defaulting on lease payments that were due for most of the second half of the 2020 year. Due to these financial difficulties Thai Airways entered business rehabilitation under Thailand's Central Bankruptcy Court, with a view to a restructuring of the airline. The first hearing to decide whether Thai Airways may formally enter rehabilitation was held on 25 August 2020 and a second one on 14 September 2020. On the latter date, the Central Bankruptcy Court granted Thai the business reorganisation petition and appointed planners for the restructure.

In the next step, the planners worked on a business rehabilitation plan that was submitted to the official receiver on 2 March 2021. Subsequently, the official receiver will send a copy of the rehabilitation plan to the creditors for their consideration and approval in the creditors' meeting. Once the rehabilitation plan is approved by the creditors, the Court will then pass the final verdict approving the plan and appointing the plan administrator. Then Thai Airways will proceed to implement the business reorganisation plan.

In January 2021 the Company signed a Letter of Intent ('LOI') with Thai Airways under which the parties agreed to amend the existing lease terms. The new terms provide for a power by the hour ('PBH') arrangement until the end of 2022 (i.e. rent will be payable by reference to actual monthly utilisation of the Thai aircraft), with scaled back monthly lease payments thereafter, reflecting the reduced rates now seen in the market. The lease term will be extended by 3 years to December 2029, after consulting the Lenders with the Group retaining the right of early termination in 2026. The effective date for these amendments is yet to be confirmed and is dependent on the timing of the approval of the rehabilitation plan by the Central Bankruptcy Court of Thailand. Thai Airways has also undertaken to ensure that the Thai aircraft are airworthy and in flight ready condition in all respects by 30 June 2021, and on an ongoing basis. On 1 March 2021 a corresponding agreement has been reached with the bank providing finance for the aircraft leased to Thai Airways as detailed below.

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

In light of the moratorium triggered by the Thai instigation of debt proceedings on 27 May 2020, the Board and the lender, Dekabank, concluded that Thai would not make any further lease rental payments prior to the rehabilitation court hearing on 25 August 2020. Accordingly, the parties initially agreed that, for the period from 29 June 2020 to 9 September 2020, the Company would only be required to make interest payments on its borrowings relating to the assets leased to Thai, with no concomitant capital repayment obligation; and that the Company will make no dividend payments while deferrals remain outstanding under those borrowings. Subsequent to 9 September 2020, further one month extensions to the interest only period were granted by the lenders however the extensions were not to go beyond 31 January 2021 without the express consent of the lenders. The aforementioned modifications to the loan terms were not substantial. The interest payments were sourced from the security deposits received by the Company from Thai Airways in advance of the commencement of the relevant leases that the Company has reserved under Reservation of Rights letters provided to Thai.

On 6 May 2021, subsequent to the new lease arrangements entered into by the Company and Thai as described above, the Company and Dekabank have amended and restated the existing loan facility agreements in respect of the Thai aircraft to accommodate the new lease terms. Repayments of principal will be deferred until the end of the PBH arrangement; and the Company and Dekabank will enter into discussions at that time to determine how best to schedule interest payments, principal repayments and a final balloon repayment, having regard for both the income being received by the Company in respect of the Thai aircraft, and the running costs of the Company and its subsidiaries.

## SUMMARY (CONTINUED)

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

Whilst the loan agreement has been amended post year end, as at the year end, the Group did not have the contractual right to defer repayment of the Dekabank loans for at least a period of 12 months and accordingly the loans have been classified as current within the balance sheet.

### GOING CONCERN

The Directors have considered the group's cash requirements for a period of 12 months from the signing of these financial statements. This forecast shows the likely need for further equity to be raised to fund the period post 12 months and to allow for other contingencies given the companies circumstances. However, the Directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation due to:-

- The continuing support of Dekabank which made loans to the Group (with certain loan concessions);
- The ongoing viability of Thai Airways, expectation that Thailand's Central Bankruptcy Court will approve the revised lease per the LOI and, the ability of Thai Airways to satisfy the terms of the LOI for the revised lease;
- The expectation that an equity fund raise will be successful based on liaison with sufficient shareholders;
- Having regard to the limited recourse nature of the loans which means NordLB debt default impacts solely upon the two NAS aircraft and have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by NordLB to the Company itself; and
- The expectation that all operational requirements will continue to be fulfilled.

Refer to Going Concern on pages 30 to 31 for additional details regarding going concern and related uncertainties. No adjustments have been made to the financial statements in the event that the Company was unable to continue as a going concern.

### IMPAIRMENT

In line with each reporting date, but more relevant in light of the developments of COVID-19, a detailed impairment assessment of the aircraft and lease premiums have been undertaken. Following this review an impairment of US\$ 148,300,052 was booked against the aircraft and US\$ 22,017,459 against the lease premium (see note 3).

### DISTRIBUTION POLICY

Under normal circumstances, the Company aimed to provide Shareholders with an attractive total return comprising income, from distributions through the period of the Company's ownership of the Assets, and capital, upon any sale of the Assets. The Company targets a quarterly distribution in February, May, August and November of each year. The target distribution is US\$ 0.0225 per Share per quarter. One quarterly dividend has been paid during the period ended 31 December 2020 meeting the US\$ 0.0225 per Share per quarter 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.

Due to the impact of Covid-19 on the aviation industry and therefore our lessors, the Board suspended the payment of dividends from 3 April 2020 until further notice. Recent developments have not improved the situation. As mentioned before, the lending bank (NordLB) in relation to the Company's two aircraft leased to the Norwegian group have declared an Event of Default and enforced their security rights in respect of the NAS aircraft. This coupled with the fact that any lease rental payments received by the Company in respect of the Thai aircraft are expected to be applied exclusively towards the running costs of the Company and its subsidiaries, and interest payments and principal repayments to the Thai lenders (Dekabank), means that there is no realistic prospect of the Company's shareholders receiving a dividend or other distribution for the foreseeable future. The Board and its advisers will be consulting with shareholders in the future with a view to determining the best course of action to take for the future of the Company.



## HIGHLIGHTS

### RESULTS FOR THE YEAR

Results for the year ended 31 December 2020 is a loss after tax of US\$ 155,127,051 (loss per Share US\$ 0.74105). For the year ended 31 December 2019 there was a profit after tax of US\$ 23,169,069 (earnings per Share US\$ 0.11068).

### NET ASSET VALUE ('NAV')

The NAV was US\$ 0.27808 per Share at 31 December 2020 (2019: US\$ 1.03041).

### DIVIDENDS

Dividends were declared on:

Date	Dividend reference period	Dividend per Share	Payment date
15 January 2020	Quarter ended 31 December 2019	US\$ 0.0225 per Share	14 February 2020

As a result of the Coronavirus ('Covid-19') pandemic impact on global aviation and especially its lessees, on 3 April 2020, the company suspended dividends until further notice to help preserve liquidity. Further details on the impact of the Covid-19 pandemic can be found within the Summary, the Asset Manager's Report, and the Directors' Report.

### OFFICIAL LISTING

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

## CHAIRMAN'S STATEMENT

I am pleased to present Shareholders with the Annual Report of the Company for the year to 31 December 2020.

As investors will be aware the year has presented some significant challenges to the global aviation market as it has grappled to deal with the effects of the Covid-19 virus on their operations. Airlines, irrespective of geography which serve international routes have been consequentially impacted. Our lessees, Norwegian Air Shuttle ('Norwegian') and Thai Airways ('Thai') have been no exception.

The outlook for the airline industry for the remainder of 2021 and beyond is for gradual improvement but has clearly been affected by the Covid-19 virus and its subsequent variants impacting the opening up of travel restrictions.

Regarding the two Boeing 787-8 aircraft, LN-LNA and LN-LNB (the 'Assets') leased to Torskefjorden Leasing Limited, part of Norwegian, the pressure placed upon the aviation industry by the Covid-19 crisis led to Norwegian defaulting in 2020 on its lease payments to the Company from March in respect of the Assets. Following protracted discussions, the Company agreed new terms in principle with the banks providing loan finance in respect of the Assets (the 'NAS Lenders'), and a revised set of lease terms was signed between the Company and Norwegian during 2020.

The Company, with the advice and assistance of its asset manager DS Aviation GmbH & Co. KG, had been working for a number of months on a plan to return the Assets to flight ready condition and to have the option, if the aircraft had not been sold by October 2021, to relocate the aircraft to a dryer climate in anticipation that the Assets would need to be re-marketed. As part of that process, dialogue continued with the NAS Lenders with a view to securing the necessary financial latitude to allow that plan to come to fruition.

As at the year end NAS were in full breach of the lease agreements and the board had concluded that NAS had no intention to continue the lease, with the lease termination discussions commencing. With this in mind, prior to the year end the Board had commenced a plan to have the aircraft in a ferry ready state subject to the NAS Lenders assistance with the intention to sell them prior to 31 October 2021. Accordingly, the aircraft have now been classified as held for sale on the balance sheet.

The NAS Lenders declared an Event of Default under their loan agreements with the Company's two borrower subsidiaries in February 2021.

The Company received notices of security enforcement and loan acceleration from the NAS Lenders and accordingly, receivers were appointed in relation to the Assets, the related lease and contract rights, and the shares in the Irish special purpose vehicle which holds title to the Assets. The NAS Lenders have therefore taken control of the process of disposing of the Assets, with the proceeds of sale (along with relevant aircraft-specific cash balances, claims against Norwegian and shares in Norwegian held as security) being applied in the first instance to pay off any outstanding amounts owed to the NAS Lenders, and any balance remaining thereafter being remitted to the relevant subsidiaries of the Company.

As previously noted, these developments impact solely upon the Assets; they have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by the NAS Lenders to the Company itself.

## CHAIRMAN'S STATEMENT (CONTINUED)

The aircraft are now being managed by advisors appointed by the Receiver.

In March 2021 the Company announced it had signed a LOI with Thai Airways under which the parties have agreed to amend the existing lease terms. The new terms provide for a PBH arrangement until the end of 2022 (i.e. rent will be payable by reference to actual monthly utilisation of the Thai Assets), with scaled back monthly lease payments thereafter, reflecting the reduced rates now seen in the market.

The lease term will be extended by 3 years to December 2029, after consulting the Lenders with the Group retaining a right of early termination in October 2026. Thai Airways has also undertaken to ensure that the Thai Assets are airworthy and in flight ready condition in all respects by 30 June 2021.

On 6 May 2021, the Company and the Thai Lenders also amended and restated the existing loan facility agreements in respect of the Thai Assets, to accommodate the new lease arrangements described above. Repayments of principal will be deferred until the end of the PBH arrangement; and the Company and the Thai Lenders will enter into discussions at that time to determine how best to schedule interest payments, principal repayments and a final balloon repayment, having regard for both the income being received by the Company in respect of the Thai Assets, and the running costs of the Company and its subsidiaries.

Whilst the loan agreement has been amended post year end, as at the year end, the Group did not have the contractual right to defer repayment of the Dekabank loans for at least a period of 12 months and accordingly the loans have been classified as current within the balance sheet in accordance with IFRS. On the basis the amended loan terms have been concluded and Thai meet their obligations under the new lease arrangements, the majority of these loans will be reclassified as long term.

Given the Norwegian position and the fact that any lease rental payments received by the Company in respect of the Thai Assets are expected to be applied exclusively towards the running costs of the Company and its subsidiaries, and interest payments and principal repayments to the Thai Lenders, means that there is no realistic prospect of the Company's shareholders receiving a dividend or other distribution for the foreseeable future.

The Loss per Share for the year was US\$ 0.74 per Share compared to Earnings per Share of US\$ 0.11 per Share last year. The net asset value per Share at the year end was US\$ 0.278 per Share compared to US\$ 1.03 last year. Both reductions reflect the significant write down of asset values.

The situations identified above with regard to NAS and Thai and their resolution, including certain operational matters of the Parent have been determined by the Directors to represent a material uncertainty that may cast doubt upon the Company's ability to continue as a going concern (see pages 30 and 31). In this respect, please also refer to the Viability Statement on page 32.

The focus of the Company is therefore to prioritise the preservation of the Company's long-term financial stability, although the challenges facing the Company are significant.

The Company therefore intends to undertake an equity tap issue to provide additional finance to support the business going forward. Following revised funding arrangements with the Thai Lenders and following agreements whereby key service providers will from 2021 reduce their fees and/or taking some fees by way of equity in the Company where permissible, including all Board members, the ongoing cash burn, once significant restructuring costs have ceased, will be considerably reduced on an annual basis.

### CHAIRMAN'S STATEMENT (CONTINUED)

I would like to thank the Board for their significant support over the past year with some 75 board meetings and many other management meetings taking place. Thanks also go to the team at the Asset Manager and Administrator for their considerable support and assistance.

I would like to thank our Investors for their continued support in the Company. The Board and its advisers have been consulting further with shareholders since March and will be consulting further in the coming days.

Jon Bridel  
Chairman  
12 May 2021

## ASSET MANAGER REPORT

### THE AIRLINE MARKET

#### Covid-19 Pandemic in brief

The Covid-19 outbreak turning into a global pandemic continues to have a significant impact on the airline industry. Airlines globally are facing challenging and potentially existential times, some have already collapsed. Different virus variants leading to increased infection rates have added to travel restrictions imposed by various governments. The number of stored aircraft worldwide remains high.

The industry has welcomed the vaccine roll-out assuming that this will support the market recovery and the relaxation of travel restrictions. In conclusion the existence of virus variants as well as progress in vaccination and rapid testing will largely determine the total impact on the airline and aviation industry.

#### Global

- Current Situation
  - Largest decline in demand since WW2;
  - Decrease of revenues through 2020/2021 by over a trillion US-dollars;
  - Anticipated cash burn of US\$ 61 billion in 2Q 2020;
  - Employment in the air transport sector declined by 51% in 2020; and
  - US\$ 173 billion of governmental aid during the first eleven months of 2020.
  
- Outlook
  - Cargo demand was back to 2019-levels in January 2021;
  - Passenger demand in 2021 expected to be less than 50% of 2019 level and to return to 2019-level not before 2024;
  - Domestic markets anticipated to recover first;
  - IATA considers the availability of vaccines being a potential turning point in the second half 2021; and
  - Recent travel behaviour of UK travellers shows that demand to travel remains alive, bookings to Greece and Spain have more than tripled after the announcement of easing lock-down restrictions.

	2019	2020 (Forecast published June 2020)	2020 (Forecast published November 2020)	2021 (Forecast published November 2020)
Passengers [billion]	4.5	2.2	1.8	2.8
Capacity (ASK) [% YoY]	3.4	(40.4)	(57.6)	35.5
Demand (RPK) [% YoY]	4.2	(54.7)	(66.3)	50.4
Passenger Load Factor [%]	82.5	62.7	65.5	72.7
Freight & Mail [billion tonne km]	254	211	225	254
Net Results [billion US\$]	26.4	(84.3)	(118.5)	(38.7)
CO2 [million tonnes]	914	574	488	619
Fuel efficiency [litre fuel/100 ATK*]	22.4	22.1	21.9	21.5

\* Available Tonne Kilometre

Source: IATA, June 2020 and November 2020

## ASSET MANAGER REPORT (CONTINUED)

### THE AIRLINE MARKET (CONTINUED)

#### Europe

##### *Impact of Covid-19*

- 70% decline in overall demand (RPK) in 2020;
- 62% drop in international capacity (ASK) in 2020;
- Estimated net loss of US\$ 12 billion in 2020;
- Intra-European travel was hit hard by the second wave - markets expected to open in phases; and
- Passenger demand in 2021 expected to be 35% of 2019-levels.

#### Asia

##### *Impact of Covid-19*

- 62% decline in overall demand (RPK) in 2020;
- 55% drop in international capacity (ASK) in 2020;
- Expected net loss of US\$ 32 billion in 2020;
- The domestic Chinese market already fully recovered in 2020; and
- Passenger demand in 2021 expected to be 45% of 2019-levels.

### Outlook & Conclusion

The airline business is suffering tremendously from the Covid-19 pandemic. Previous burdens on airlines caused by the worldwide Boeing 737 MAX fleet grounding and the Trent 1000 issues now seem quite trivial. Even if the level of coronavirus cases flattens and travel bans are gradually lifted resulting from a worldwide mass vaccination, it will take years until capacity and passenger numbers return to pre-Covid-19 levels.

One of the challenges for airlines is to adapt to drastic declines in demand as their cost structure shows a high percentage of fixed costs. Lease rents are part of these fixed costs and therefore more and more airlines have or are negotiating PBH rates with lessors. While such contracts are favourable for airlines as they only need to pay if they fly the respective aircraft and are consequently generating revenues, it is less of a benefit for lessors as they have significantly lower and unpredictable income. Nevertheless, most lessors have agreed to such temporary arrangements as demand for used aircraft is currently very weak and repossessing or taking redelivery of an aircraft might be a much higher financial burden over time.

The longer the pandemic continues, the more the industry will rely on governmental and creditor support. As most of the governmental support – if any – are in the form of credits, airlines' financial results will be negatively impacted for years to come, even if passenger travel returns to pre-COVID-19 levels. It would also not be unlikely to see further consolidation in the market. Looking at the chart above and comparing the 2020 forecast made in June and November last year respectively, it becomes clear that passenger travel and financial results in 2020 suffered more than expected at the beginning of the pandemic.

All outlooks shared in this report are based on historic data and assumptions made by industry experts. It can be considered as a potential guideline. However, from a historical point of view, the airline industry has proven to be resilient and has recovered from all previous crises. Clearly, this time the recovery period will take significantly longer than average to return to pre-Covid-19 levels and as long as the pandemic lasts and most of the travel restrictions remain in place, the number of airlines filing for bankruptcy and restructuring will continue to increase. As the pandemic is still continuing, it is impossible to assess the total impact of the Covid-19 pandemic at the current time.

## ASSET MANAGER REPORT (CONTINUED)

### THE LESSEES

This section focuses on the airlines' overall conditions. In regard to the aircraft LNA and LNB; the lenders enforced security and their appointed receivers Ernst & Young ('EY') took control of the assets. For more information in this regard as well as any individual agreements between Lessor, Lessee and Lenders concerning the Thai transactions, please refer to the Chairman's Statement.

#### Norwegian Air Shuttle ASA

It is now noted that with the appointment of the Receiver over the NAS assets, the Asset Manager is no longer responsible for and in control of the management of the NAS assets.

#### *Impact from Covid-19 pandemic*

- Survival dependent on the outcome of the Examinership as well as creditor and Governmental support;
- After drastic cutbacks of staff and operational aircraft in spring 2020, NAS announced in November the furlough of another 1,600 staff members and the reduction of the operational fleet down to 15 narrow-body aircraft;
- Capacity down by 96% in the fourth quarter 2020 compared to the same quarter in the previous year;
- Net loss of NOK 23 billion (about US\$ 2.7 billion) in 2020; and
- New competitors such as Flyr, Norse Atlantic and Wizz Air gain access to the Norwegian market and potentially benefit from a downsized Norwegian.

#### *Restructuring and Examinership since 20 May 2020*

- 21 May 2020: The Lessor received shares in NAS due to the agreed debt-to equity-swap;
- 3 November 2020: Lease Amendment Agreements signed between Torskefjorden Leasing Ltd ('TLL') - subsidiary of NAS and the Lessee of LNA and LNB, NAS and DP Aircraft Ireland based on the terms and conditions of the LoU previously signed on 4 May 2020;
- 9 November 2020: The Norway government decided to not approve further support to NAS at this stage;
- 18 November 2020: Norwegian Air International Ltd ('NAI'), Arctic Aviation Assets DAC ('AAA') and some of AAA's subsidiaries including Torskefjorden Leasing Ltd ('TLL'), the Lessee of LNA and LNB, as well as NAS as related party entered into Irish Examinership:
  - Aircraft assets cannot be repossessed by lessors and airline can continue operations;
  - NAS Shares continue to be traded at the Oslo Stock Exchange;
  - Examiner Kieran Wallace of KPMG appointed by the Court; and
  - Objective: debt reduction, fleet downsizing, securing new capital.
- 24 November 2020: As the pandemic continues, the Norwegian government extended the repayment date of state guarantee loans from two to three years;
- 8 December 2020: NAS entered into a reconstruction process under Norwegian law which will co-exist with the Irish Examinership process;
- 14 January 2021: NAS presented its business plan and announced the exit of long-haul operations;
- 15 January 2021: Order to winding up TLL which operated as lessor of wide-body aircraft within the group;
- 21 January 2021: NAS announced that the Norwegian Government will again support the airline subject to the fulfilment of certain conditions;
- 22 January 2021: Examinership extended by 30 days at High Court hearing;
- 28 January 2021: Norwegian made request to the High Court to repudiate 36 aircraft leases, including the DP Aircraft owned aircraft LNA and LNB;

## ASSET MANAGER REPORT (CONTINUED)

### THE LESSEES (CONTINUED)

Norwegian Air Shuttle ASA (continued)

*Restructuring and Examinership since 20 May 2020 (continued)*

- 19 February 2021: High Court granted another 50 days extension;
- 11 March 2021: NAS provided its restructuring plan to the Irish and Norwegian Courts; and
- 26 March 2021: High Court approved Norwegian's restructuring plan after it had been supported by majority of creditors and shareholders:
  - The same proposal will undergo a creditor voting in Norway; and
  - Capital raise scheduled for May 2021.

Opportunities post-Covid-19 pandemic - The 'New Norwegian'

- Renegotiated leases; service agreements and repayment schedules;
- Resizing of fleet, cancelled orders and focus on proven and profitable routes;
- Stronger focus on broader range of ancillaries as revenue driver;
- Strengthening of intra-Nordic network and discontinuing long-haul operations; and
- Potential increase in low-cost carriers' overall market share as passengers are historically more price-sensitive during economic downturns/recession.

Comments & conclusions

The gradually lifting of travel restriction within Europe was short-lived and Norwegian like most other European carriers is severely impacted by the decreasing passenger demand. The decision by the Norwegian Government in January 2021, to offer support again to the carrier, shows that Norway is still considering Norwegian Air Shuttle as an important player deserving of further support.

The survival of Norwegian Air Shuttle ASA remains beneficial for DP Aircraft as Group is a shareholder in NAS resulting from the debt-to-equity conversion. However, with no clear view on how and how fast travel restrictions might again be lifted and demand returning, it remains to be seen how viable the 'New Norwegian', exiting Examinership and Reconstruction protection shortly, will prove to be. As long as the Covid-19 pandemic continues, the future of almost every airline seems uncertain, particular of the ones who suffered financial difficulties before.

Thai Airways International Public Company Limited

*Impact from Covid-19 pandemic*

- 14 aircraft in operation and 82 aircraft in storage;
- Thai Airways entered business rehabilitation under the Central Bankruptcy Court of Thailand;
- Shareholders equity as at 31 December 2020 remained negative:
  - THB (128,665) million; and
  - Appr. US\$ (4,294) million.
- Potential delisting from the SET ('Stock Exchange of Thailand') after three years; and
- Sale of shares in Bangkok Aviation Fuel Services for an amount of about US\$ 90 million to generate cash.



## ASSET MANAGER REPORT (CONTINUED)

### THE LESSEES (CONTINUED)

Thai Airways International Public Company Limited (continued)

*Restructuring and Rehabilitation Process since 14<sup>th</sup> September 2020*

- 14 September 2020: The Central Bankruptcy Court approved THAI's Business Reorganization Petition and the Planners have been appointed;
- 21 October 2020: Thai presented a broad plan to lessors including fleet reductions and asked lessors for requests for proposals ('RfPs') until 4 November 2020 including rental reductions, PBH periods and other concessions;
- 2nd November 2020: Deadline for creditor's application for debt repayment; process of challenging amounts ongoing;
- 5 January 2021: The Central Bankruptcy Court approved extension of deadline regarding the business rehabilitation plan until 2 February 2021;
- 27 January 2021: The Central Bankruptcy Court approved another extension for the submission of the business rehabilitation plan until 2 March 2021;
- 2 March 2021: The planners submitted Thai Airways' business rehabilitation plan to the official receiver:
  - The plan includes both a business plan and a financial plan and it needs to be approved by the creditors;
  - Following this, the official receiver will determine the date in respect to the Creditors' Meeting; and
  - Once the plan will have been approved by the Court, the business rehabilitation plan can be implemented.
- 2 March 2021: DP Aircraft signed a LOI with Thai Airways amending existing lease terms, e.g.
  - PBH period until 31 December 2022;
  - Scaled back lease rates on a monthly basis beginning 1 January 2023;
  - Lease extension of three years with a termination right by the Lessor; and
  - DP Aircraft and Lenders agreed to amend and restate the existing loan facility accordingly.
- Scheduled on or about 12 May 2021: Voting of the creditors on the business rehabilitation plan; and
- Timeline for business rehabilitation also dependent on potential objections submitted by creditors.

*Outlook & Opportunities post-Covid-19 pandemic - The 'New Thai Airways'*

- Four strategies:
  - Network carrier with high quality services;
  - Additional revenue generation through add-on services;
  - Strict expense management including amended aircraft leases and reduction of workforce; and
  - Improved efficiency, including code sharing to extend domestic network and connectivity.
- Capital raise of about US\$ 1.65 billion over the next two years;
- Fleet of 86 aircraft and five different aircraft types in 2025 and phasing-out Boeing 747s;
- A successful restructuring and favourable contract amendments in respect of the airline could lead to a more efficient and lower cost basis;
- Even as Thai ceased to be a state enterprise, the Government considers Thai as flag carrier and is aware of its significance of continuing operations; and
- As Thailand's economy is dependent on tourism, Thai might benefit from measures initiated by the Government to stimulate tourism arrivals, such as approved re-opening map, called 'sandbox' for six Thai provinces by the Thai Government:
  - April to June 2021: Mandatory 14 days quarantine for foreign vaccinated tourists will be reduced to seven days; and
  - 1 July 2021: Province of Phuket will reopen for foreign vaccinated tourists without mandatory quarantine provided that about 70% of the local populations will have received two vaccinations.

## ASSET MANAGER REPORT (CONTINUED)

### THE LESSEES (CONTINUED)

Thai Airways International Public Company Limited (continued)

#### *Comments & conclusions*

The airline is dependent on the tourism sector, particularly on in-bound tourism which has been severely impacted by the Covid-19 pandemic. Chinese tourists count for the biggest share of foreign tourists travelling to Thailand. The carrier remains dependent on any decision made by the Government to elevate or soften travel restrictions. The Thai Government supports all Thai carriers by waiving parking fees as long as operations are suspended as well as reduced parking, landing and air navigation fees for operating carriers. Although any reduction in fees is welcome, this is only a drop in the ocean.

The process of business rehabilitation under the Central Bankruptcy Court of Thailand includes several protection measurements, including the automatic stay, significantly limiting any creditors' scope of actions but being beneficial to Thai Airways. The process also facilitates cost cutting measurements such as the lay-off of employees and aircraft redeliveries to lessors. From the stakeholders' perspective, including creditors and lessors, the final impact continues to remain unknown for the time being and undoubtedly, most stakeholders and presumably all operating lessors will suffer significant losses. Additionally, most of the documents in connection with the rehabilitation process are in Thai language which adds additional complexity and expenses to international creditors.

Thai's intention to keep the B787 in their future fleet (subject to approval of the business rehabilitation plan) is only welcomed by DP Aircraft. Having a fleet of modern aircraft, including amongst others A350s, supports Thai to compete with other carriers and to base operations on a competitive cost level, particularly if jet fuel prices increase over time.

Not all details of the rehabilitation plan and process under the bankruptcy court have been outlined in detail to the creditors yet and there is no guarantee for the airline's survival. However, it might be considered that the carrier's long-term existence is in the interest of the country and its government, whereas the specific impact on stakeholders, including employees, creditors and lessors, remains for the time being unknown. Finally, the Governmental approved plan ('sandbox') might be a first step on the long road of recovery of Thai Airways.

### THE ASSETS

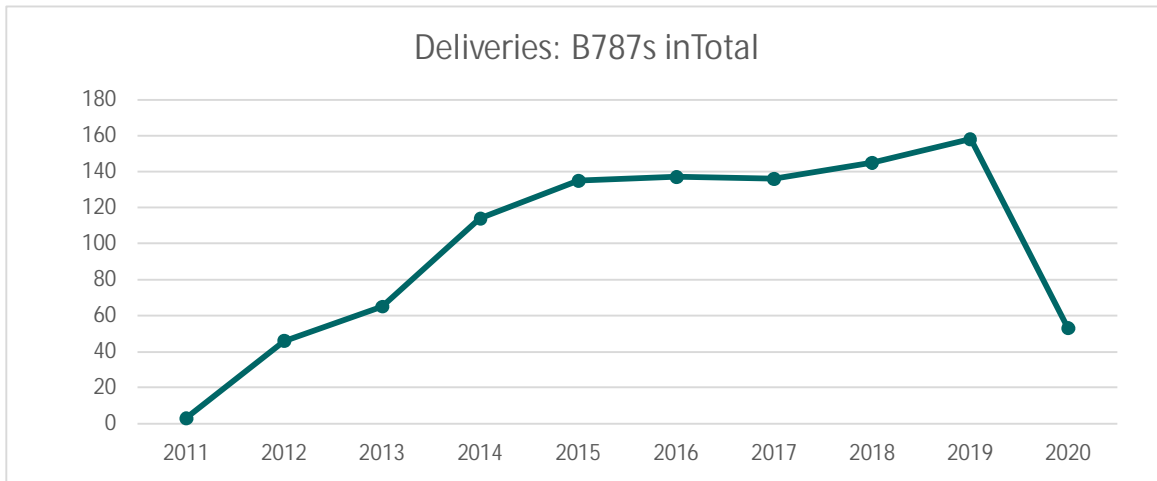
Update B787 production and supply

- Production rate to be reduced to six aircraft monthly by 2021;
- Consolidation of Boeing's two production facilities to South Carolina mid-2021; and
- Significant lower deliveries in 2020 due to Covid19 pandemic.

ASSET MANAGER REPORT (CONTINUED)

THE ASSETS (CONTINUED)

Update B787 production and supply (continued)



Source: Boeing, 26<sup>th</sup> March 2021

Assets & Operations

*Aircraft Storage*

- Aircraft TQC stored since 29 September 2019 at Bangkok Suvarnabhumi Airport (Thailand);
- Aircraft TQD stored since 6 December 2019 at Bangkok Suvarnabhumi Airport (Thailand);
- Aircraft LNA stored since 27 May 2019 at Glasgow-Prestwick Airport (United Kingdom);
- Aircraft LNB stored since 17 September 2019 at Glasgow-Prestwick Airport (United Kingdom).

Initially, the availability of Rolls-Royce Trent 1000 spare engines and the bottleneck of shop visit slots have impacted airlines' Boeing 787 fleets and had been the reason why the DP Aircraft owned four B787s entered temporarily into storage. Nowadays, the main cause is the Covid-19 pandemic which is also determining the in-service-dates of TQC and TQD.

## ASSET MANAGER REPORT (CONTINUED)

### THE ASSETS (CONTINUED)

#### Assets & Operations (continued)

##### Asset Overview

AIRCRAFT OPERATIONS	Norwegian Air Shuttle		Thai Airways	
	LN-LNA	LN-LNB	HS-TOC	HS-TOD
Cabin Layout	32 Premium Economy Class Seats 259 Economy Class Seats		24 Business Class Seats 240 Economy Class Seats	
LAST PHYSICAL INSPECTION				
Date	12 February 2021	12 February 2021	17 March 2021	17 March 2021
Place	Prestwick Airport (PIK)		Bangkok Airport (BKK)	
Type of inspection	Follow-Up Inspection incl. storage records		Follow-Up Inspection	
AIRFRAME STATUS (31 January 2021)				
Total Flight Hours	29,177	30,925	16,873	15,536
Total Flight Cycles	3,386	3,652	3,814	3,598
Hours/cycles ratio since delivery	8.62	8.47	4.42	4.32

##### Titled Engines Report

As at 26 February 2021	LN-LNA		LN-LNB	
	ESN 10118	ESN 10119	ESN 10130	ESN 10135
Total Time [Flight Hours]	23,984	26,360	21,802	24,868
Total Flight Cycles	2,818	3,102	2,422	2,864
Location	Rolls-Royce Shop Derby; UK	LNF	LNC	Spare
Remarks	<ul style="list-style-type: none"> <li>Scheduled completion date: 26 February 2021</li> </ul>	<ul style="list-style-type: none"> <li>LN-LNF stored in Shannon; Ireland</li> <li>Engine maintained by Lufthansa Technik</li> <li>Engine removal after prior notice and availability of engine stand</li> </ul>	<ul style="list-style-type: none"> <li>LN-LNC stored in Oslo; Norway</li> <li>Engine maintained by Norwegian</li> <li>Engine removal confirmed subject to availability of engine stand</li> </ul>	<ul style="list-style-type: none"> <li>GTES Engine Storage at Stansted Airport, UK</li> <li>Stored in accordance with manufacturer's requirements</li> <li>Pick-up after prior notice</li> </ul>

ASSET MANAGER REPORT (CONTINUED)

THE ASSETS (CONTINUED)

Assets & Operations (continued)  
*Titled Engines Report (continued)*

As at 28 March 2021	HS-TQC		HS-TQD	
	ESN 10239	ESN 10240	ESN 10244	ESN 10244
Total Time [Flight Hours]	15,292	10,518	11,081	16,805
Total Flight Cycles	3,433	2,583	2,681	3,690
Location	On-wing	Shop	On-wing	On-wing
Remarks	<ul style="list-style-type: none"> <li>• Maintained by Thai</li> <li>• Inducted to preservation 27 December 2020</li> <li>• Installed on TQC 22 August 2020</li> </ul>	<ul style="list-style-type: none"> <li>• ESN 10240 beyond economical repair; to be replaced by Rolls-Royce</li> <li>• ESN 10243 installed on TQC 28 March 2021</li> <li>• Final test and document review of Replacement Engine in progress</li> </ul>	<ul style="list-style-type: none"> <li>• Maintained by Thai</li> <li>• Inducted to preservation 30 December 2020</li> <li>• Installed on TQD 25 August 2020</li> </ul>	<ul style="list-style-type: none"> <li>• Maintained by Thai</li> <li>• Inducted to preservation 30 December 2020</li> <li>• Installed on TQD 29 August 2020</li> </ul>

Since the titled engine ESN 10240 was declared a total loss, the asset manager has worked together with Thai Airways to appropriately replace that engine. A potentially suitable engine was identified and the process of reviewing the respective records and physical condition is in progress. If the suggested replacement engine is acceptable, a title transfer will be performed. The complete technical process of the engine replacement, including testing, is supported and monitored closely by the asset manager's on-site team. Apart from this, a temporary replacement engine was installed on TQC in March 2021 to accommodate the ferry flight of the aircraft to the maintenance facility located at the other airport of Bangkok as well as any further commercial operations.

Termination of Gold Care Agreement between Norwegian and Boeing

Since the Gold Care Agreement between Norwegian Air Shuttle (Boeing's only Gold Care customer) and Boeing had been terminated, monthly Maintenance Reserves previously invoiced by Boeing are now to be invoiced by the Lessor. Outstanding reserves held by Boeing are to be transferred in cash or credited against maintenance services to the Lessor.

## ASSET MANAGER REPORT (CONTINUED)

### THE ASSETS (CONTINUED)

#### Assets & Operations (continued)

##### *Asset Managers actions to ensure asset value*

Keeping the assets under management in the best possible condition is the top priority for DS Aviation as DP Aircraft's Asset Manager. Given the unfortunate combination of the two circumstances of Trent 1000 issues and the Covid-19 pandemic, the Fund's four aircraft are stored since different dates back in 2019. This, including some findings during the inspections as well as NAS and Thai undergoing restructuring, make a closer monitoring of the assets essential. All efforts are being made to bring TQC and TOD back in flight-ready condition as soon as possible (the same applied in regard to LNA and LNB) and include, amongst others:

- On-site representative;
  - Additional physical and records inspections as well as follow-up inspections;
  - Following-up on findings' rectification;
  - Back-to Birth records review;
  - Regular calls with Lessee; and
- Negotiation of asset condition as part of restructuring agreements.

##### *Norwegian Air Shuttle*

The annual physical inspection, including additional records review, of LNA and LNB was performed 27 February 2020 at Prestwick Airport. To follow-up on findings and to closely monitor the aircraft during the extended grounding period, further three inspections had been performed at Prestwick Airport between July and August 2020. After Norwegian entered into Examinership in November 2020, the asset manager increased its on-site presence to three to four days weekly to ensure that both aircraft were kept in an appropriate condition in accordance with the manufacturer's requirements, that all necessary actions are carried out - both from a technical and economical point of view - and to support the allocation of all removed components being stored externally. Additionally, a review of the records produced during the storage was carried out. After assessing the current situation in January 2021, the on-site presence could be reduced to two days weekly. Regular weekly up-date calls between the asset manager DS Aviation and the Lessee have been taking place since June 2020.

Furthermore, DS Aviation set-up a line of action to bring back the aircraft in flight-ready condition. This included the relocation and reinstallation of the titled engines to the respective aircraft LNA and LNB. All necessary actions required, amongst others logistics, engine removal from other aircraft and organisation of engine stands, had been planned in detail. Besides, based on the above-mentioned allocation of all parts stored externally, a plan of their respective reinstallation was set-up as well.

DS Aviation was obliged to stop all these above-mentioned actions on 27 February 2021 as the lenders took over control of the assets themselves after enforcing their securities.

##### *Thai Airways*

Regarding TQC and TOD, the last annual inspection was performed during the fourth quarter of 2019. As a result of the Covid-19 pandemic and prolonged storage of the aircraft, there has been follow-up inspections performed in June and September 2020. As Thai Airways entered into business rehabilitation, the asset manager DS Aviation arranged for an on-site representation. At the beginning, bi-weekly follow-up inspections were scheduled and performed subject to Thai Airways' staff availability which was limited by Covid-19 precautionary measurements. The key objective is to ensure that both aircraft are kept in an appropriate condition in accordance with the manufacturer's requirements during the storage. Due to a close relationship between DS Aviation and Thai Airways and the level of communication, the inspection interval was reduced to monthly repetitions.

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## ASSET MANAGER REPORT (CONTINUED)

### THE ASSETS (CONTINUED)

#### Assets & Operations (continued)

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

The current roadmap is that both aircraft will be brought back to flight ready condition by Thai Airways and to be ferried to Don Muang Airport (Bangkok) to undergo a heavy maintenance check in May and June 2021 respectively. All efforts are being made to bring both aircraft back into regular commercial operations as soon as possible subject to any restrictions resulting from the Covid-19 pandemic (e.g. travel restrictions).

#### Comments and Conclusions

Covid-19 does not only impact airlines and the travel business but as consequence also the manufacturers regarding their current deliveries as well as their future order books. As some airlines even downsize their fleet, they are reluctant in placing new orders and look for opportunities to cancel orders or postpone deliveries. Boeing announced stopping production of the B747 in 2020 and further to postpone its first B777X delivery.

In the first instance, airlines mostly retired bigger and older aircraft whereas efficient and new technology aircraft such as B787s or A350s (as examples in the wide body segment) were less impacted. However, as airline failures and airline restructurings increase as a consequence of the continuing travel restrictions, even new technology aircraft have entered the secondary market. This in turn might be beneficial to speculators and new market entrants, such as Norse Atlantic Airways, Flyr or Play, which are now able to close aircraft lease deals at extremely low rates. However, such times are challenging for manufacturers and operating lessors alike. The enormous number of stored aircraft and the increasing time in storage emphasises the importance to have, not only for the airline but also lessors, a clear focus on the asset and the maintenance itself. Storage does not only mean to park an aircraft but also to follow a pre-defined storage programme by the respective manufacturer. It is essential to closely monitor the asset conditions and the storage programme, follow-up on any findings and put all efforts to keep the value of the aircraft.

## DIRECTORS

### Jonathan (Jon) Bridel, *Non-Executive Chairman (56)*

Jon is a Guernsey resident and is currently a non-executive director of The Renewables Infrastructure Group Limited (FTSE 250), Sequoia Economic Infrastructure Income Fund Limited (FTSE 250) and SME Credit Realisation Fund Limited (in wind down) which are listed on the Main Market of the London Stock Exchange. Other companies include Fair Oaks Income Fund Limited. Jon was previously Managing Director of Royal Bank of Canada's investment businesses in the Channel Islands and served as a director on other RBC companies including RBC Regent Fund Managers Limited. Prior to joining RBC, Jon served in a number of senior management positions in banking, specialising in credit and corporate finance and private businesses as Chief Financial Officer in London, Australia and Guernsey having previously worked at Price Waterhouse Corporate Finance in London.

Jon graduated from the University of Durham with a degree of Master of Business Administration, holds qualifications from the Institute of Chartered Accountants in England and Wales (1987) where he is a Fellow, the Chartered Institute of Marketing and the Australian Institute of Company Directors. Jon is a Chartered Marketer and a Member of the Chartered Institute of Marketing, 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 (65)*

Jeremy Thompson is a Guernsey resident with sector experience in Finance, Telecoms, Aerospace and Oil & Gas. He acts as a non-executive director to a number of businesses which include 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 London listed Riverstone Energy Limited. Between 2005 and 2009 he was a director of multiple businesses within a London based private equity group. This entailed board positions on both private, listed and SPV companies and highly successful exits. Prior to that he was CEO of four autonomous global businesses within Cable & Wireless PLC and earlier held CEO roles within the Dowty Group. Jeremy has studied and worked in the UK, USA and Germany.

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

### Harald Brauns, *Non-Executive Director (64)*

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



## DIRECTORS' REPORT

The Directors present their Annual Report and Audited Consolidated Financial Statements for DP Aircraft I Limited for the year ended 31 December 2020.

### Principal Activity and Review of the Business

The Company's principal activity is to purchase, lease and then sell Boeing 787-8 Aircraft (the 'Assets'). The Company wholly owns six subsidiaries, DP Aircraft Guernsey I Limited, DP Aircraft Guernsey II Limited, DP Aircraft Guernsey III Limited, DP Aircraft Guernsey IV Limited, DP Aircraft Ireland Limited and DP Aircraft UK Limited (together the 'Group').

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

The Company has made its investments in the Assets through its subsidiaries.

The Ordinary Shares of the Company are currently trading on the Specialist Fund Segment of the London Stock Exchange.

Due to the impact of Covid-19 on the airline industry, lease agreements with Norwegian were amended during the year prior to the lessee going into liquidation (further details in the Summary report on page 5) and Thai went into debt rehabilitation which triggered a moratorium on all payments due from Thai (further details in the Summary report on page 7). As at 31 December 2020, US\$ 10,111,605 (2019: US\$ Nil) was due from Thai and a lifetime expected credit loss provision of US\$ 10,111,605 (2019: US\$ Nil) has been recognised against the balance due as at year end, see note 14 for further details. There were no amounts contractually due from Norwegian as at 31 December 2020 however as documented in the Summary report on page 5, the group was due to receive a second allocation of NAS shares at the end of the PBH arrangement. The group is uncertain as to how administration of the NAS lessee of the aircraft will affect the second allocation of shares which was due in April 2021. Due to this uncertainty and the situation as at the year end, no value has been attributed to the element of the second tranche shares that would have been earned during 2020.

As noted below under 'Subsequent Events', post year end the Group has lost control of the two aircraft that were leased to Norwegian, related rights under NAS leases as well as the related NAS shares.

Notwithstanding the requirement for the aircraft to be parked during the year for Trent 1000 repairs there are no incidents to bring to the attention of Shareholders concerning the operation of the aircraft. Inspections have revealed no matters of concern. Rolls Royce are continuing to address the Trent 1000 engine warranty related issues which have not impacted on the Company's revenues. A more detailed review of the business and prospects is contained in detail in the Asset Manager's Report on pages 13 to 23.

### Results and Dividends

The loss for the year ended 31 December 2020 was US\$ 155.1 million (year ended 31 December 2019, profit of US\$ 23.17 million).

Under normal circumstances, 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. One quarterly dividend has been paid during the year ended 31 December 2020. All the dividends paid to date have met the US\$ 0.0225 per Share target. The target dividends are targets only and should not be treated as an assurance or guarantee of performance or a profit forecast.

## DIRECTORS' REPORT (CONTINUED)

### Results and Dividends (continued)

On 3 April 2020, the Company announced a suspension of dividends until further notice due to Covid-19 impact. The suspension is continuing and due to recent developments as noted in Summary report on page 8, there is no realistic prospect of the Company's shareholders receiving a dividend or other distribution for the foreseeable future.

### Subsequent Events

Refer to note 27 for further details regarding Subsequent Events.

### Directors

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

- Jonathan Bridel;
- Jeremy Thompson; and
- Harald Brauns.

### Directors' interests

The Directors interests in the shares of the Company as at 31 December 2020 are set out below and there have been no changes in such interests up to the current date:

	Number of ordinary shares 31 December 2020	Number of ordinary shares 31 December 2019
Jon Bridel and connected parties	90,000	7,500
Jeremy Thompson	15,000	15,000
Harald Brauns	-	-

### Principal Risks and Uncertainties

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

### Substantial Shareholdings

The Directors note the following substantial interests in the Company's share capital as at 31 December 2020 (10% and more shareholding):

- M&G Investment Management 52,158,421 – 24.92%

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

### The Board

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

Jeremy Thompson was appointed as Senior Independent Director (the 'SID') on 1 April 2016.

During the year ended 31 December 2020 the Board had a breadth of experience relevant to the Company and a balance of skills experience and age.

## DIRECTORS' REPORT (CONTINUED)

### The Board (continued)

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

### Directors

As the Company is not a FTSE 350 company, Directors were not subject to annual election by the shareholders nor for the requirement for the external audit contract to be put out to tender every 10 years. Historically, the Directors had offered themselves by rotation for re-election at each annual general meeting ('AGM'). Jon Bridel and Harald Brauns were re-elected at the AGM on 10 July 2020. Jeremy Thompson is offering himself for re-election at the forthcoming AGM.

The Directors are on a termination notice of three months.

### Directors' Duties and Responsibilities

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

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

The Board also undertakes an annual review of the effectiveness of the Company's system of internal controls and the safeguarding of shareholders' investments and the Company's assets. At each quarterly meeting the Board will table and review a risk matrix. There is nothing to highlight from the reviews of these reports as at the date of this report.

### Board Meetings

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

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

## DIRECTORS' REPORT (CONTINUED)

### Board Meetings (continued)

The Board considers agenda items laid out in the Notice and Agenda which are formally circulated to the Board in advance of any meeting as part of the board papers. Such items include but are not limited to; investment performance, share price performance, review of marketing and shareholder communication. The Directors may request any Agenda items to be added that they consider appropriate for Board discussion. In addition, each Director is required to inform the Board of any potential or actual conflict of interest prior to Board discussion. Board meetings are attended by representatives of the Asset Manager. The Company's corporate brokers also attend to assist the Directors in understanding the views of major shareholders about the Company.

### Board Meeting attendance

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

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

The Directors also attended 75 ad-hoc Board and Committee meetings in addition to the regular quarterly meetings as shown in the above table and the Chairman attended further meetings with various stakeholders and on management related matters. The board also attended committee meetings for the Management Engagement Committee and the Nominations Committee. The significant number of meetings reflects the additional time the Directors spent due to the significant industry developments and the resultant time spent with advisors.

### Directors' Remuneration

The remuneration of the non-executive Directors is reviewed on an annual basis and compared with the level of remuneration for directorships of funds with similar responsibilities and commitments. It was subject to an independent consultant review in 2017.

In February 2020 the board reviewed the current director fee levels (inclusive of all subsidiaries) and agreed that remuneration levels of directors were set at the correct level, however it was proposed that the Directors remuneration should be increased by annual inflation amount of 3.2% in line with the latest published independent fee survey. This increase was effective from 1 April 2020.

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

	Year ended 31 December 2020		Year ended 31 December 2019	
	£	US\$ equivalent	£/€	US\$ equivalent
Jonathan Bridel (Chairman)	96,000	124,994	£62,475	80,035
Jeremy Thompson (Audit Committee Chairman)	78,100	101,665	£50,825	65,112
Angela Behrend-Görnemann - resigned 31 October 2019)		-	€60,300	67,283
Harald Brauns (Management Engagement Committee Chairman)	85,500	111,346	£9,500	12,591
		US\$ 338,005		US\$ 225,021

## DIRECTORS' REPORT (CONTINUED)

### Directors' Remuneration (continued)

Included in the table on the previous page is US\$ 110,710 (£81,100) in relation to fees for extra services performed by the Directors and the significant increase of committed time during 2020.

Although this is not finalised, it is currently the board's intention where permissible to take the additional fees in respect of 2020 together with 10% of the base fee from 2021 by way of equity in the company.

There are no executive director service contracts in issue.

### Remuneration Policy

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

### Internal Controls and Risk Management Review

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

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

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

### Dialogue with Shareholders

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

## DIRECTORS' REPORT (CONTINUED)

### Board Policy on Tenure and Independence

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

### Auditor

KPMG, Ireland, Chartered Accountants have indicated their willingness to continue in office.

### Going Concern – Material Uncertainty

The Directors have prepared the financial statements for the year ended 31 December 2020 on the going concern basis. However, the Directors have identified the matters referred to below, in addition to Company operational requirements that may not be within the control of the Company, which indicate the existence of a material uncertainty that may cast doubt on the entity's ability to continue as a going concern and that the company may, as a consequence, be unable to realise its assets and discharge its liabilities in the normal course of business.

Covid-19 has resulted in widespread restrictions on the ability of people to travel, socialise and leave their homes and has had a material negative effect on the airline sector, and by extension the aircraft leasing sector. The Company leased four (4) Boeing 787 aircraft (the 'Aircraft'), two each to Norwegian Air Shuttle ASA ('NAS') and Thai Airways International ('Thai'). The NAS lease terminations are currently being finalised.

The application of the going concern basis of preparation is dependent upon the Company's aircraft leasing and the related financing activities as described below.

### *Thai - Leases and related Loans*

#### *The Thai Leases*

Thai Airways rehabilitation process is currently ongoing, on 2 March 2021 a business rehabilitation plan was submitted for Thai Airways and is being considered by the creditors for approval. On that same date, the Company signed a LOI with Thai Airways under which the parties agreed to amend the existing lease terms. The new terms provide for a PBH arrangement until the end of next year (i.e. rent will be payable by reference to actual monthly utilisation of the Thai aircraft), with scaled back monthly lease payments thereafter, reflecting the reduced rates now seen in the market. The lease term will be extended by 3 years to December 2029, after consulting the Lenders retaining a right of early termination in 2026. Thai Airways has also undertaken to ensure that the Thai aircraft are airworthy and in flight ready condition in all respects by 30 June 2021, and on an ongoing basis. A corresponding agreement has been reached with the bank providing finance for the aircraft leased to Thai airways, see below.

#### *The Thai Loans*

On 6 May 2021, following the new lease arrangements entered into by the Company and Thai as described above, the Company and Dekabank have amended and restructured the existing loan facility agreements in respect of the Thai aircraft to accommodate the new lease terms. Repayments of principal will be deferred until the end of the PBH arrangement; and the Company and Dekabank will enter into discussions at that time to determine how best to schedule interest payments, principal repayments and a final balloon repayment, having regard for both the income being received by the Company in respect of the Thai aircraft, and the running costs of the Company and its subsidiaries. The loan is secured by charges over the two Thai aircraft and the underlying leases.

The Directors expect that the Thai rehabilitation plan will succeed and, under the terms of the new lease to be entered into with Thai based on the LOI signed on 2 March 2021 and the corresponding agreement reached with the bank providing finance for the aircraft leased to Thai airways (Dekabank), the Company will have sufficient liquidity from (i) the lease payments from Thai and (ii) utilising certain of its own funds to continue to meet all of its obligations under the Thai Loans as well as operating costs for the Group.

## DIRECTORS' REPORT (CONTINUED)

### Going Concern – Material Uncertainty (continued)

#### *Norwegian Leases and related Loans*

##### *The NAS leases*

The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a. The Group has taken back control of the two aircraft that were leased to Norwegian. The Group has submitted claims against NAS for lease rentals due and other losses suffered but do not expect to receive any compensation. See below for further information in relation to the bank taking over rights under lease contracts.

##### *The NAS Loans*

As detailed under 'Subsequent Events', on 24 February 2021, NordLB declared an Event of Default under the relevant loan agreements with the Company's two borrower subsidiaries, enforced rights under the relevant security documents and took control of the process of disposing of the two NAS aircraft, with the proceeds of sale (along with relevant aircraft-specific cash balances, claims against Norwegian and shares in Norwegian held as security) being applied in the first instance to pay off any outstanding amounts owed to the bank, and any balance remaining thereafter being remitted to the relevant subsidiaries of the Company. The Directors consider it highly unlikely that Company will receive any benefit from NordLB as a result of the aforementioned process as it is expected that the bank will sell the aircraft at an amount required to cover the loan.

These developments impact solely upon the two NAS aircraft; they have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by NordLB to the Company itself.

##### *Conclusion*

The Directors have considered the Group's cash requirements for a period of 12 months from the signing of these financial statements. This forecast shows the likely need for further equity to be raised to fund the period post 12 months and to allow for other contingencies given the companies circumstances. However, the Directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation due to:

- The continuing support of Dekabank which made loans to the Group (with certain loan concessions);
- The ongoing viability of Thai Airways, expectation that Thailand's Central Bankruptcy Court will approve the revised lease per the LOI and, the ability of Thai Airways to satisfy the terms of the LOI for the revised lease;
- The expectation that an equity fund raise will be successful based on liaison with sufficient shareholders;
- Having regard to the limited recourse nature of the loans which means NordLB debt default impacts solely upon the two NAS aircraft and have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by NordLB to the Company itself; and
- The expectation that all operational requirements will continue to be fulfilled.

No adjustments have been made to the financial statements in the event that the Company was unable to continue as a going concern.

## DIRECTORS' REPORT (CONTINUED)

### Viability Statement

As with previous reports the Directors regularly assess the viability of the Company with respect to the impacts of the potential, and in the case of this year some crystallised risks, it faces.

The Company has been in extensive negotiations with both its lenders and its lessees during the year and subsequent to the year end. With both NAS and Thai entering restructuring arrangements the Company has had no lease rental income from April 2020 (NAS aircraft) and June 2020 (Thai aircraft) and in the case of NAS has been faced with the lenders placing those assets into receivership. There is no guarantee that any realised proceeds will allow any repayment to the Company.

Whilst the Company has visibility of a (long) term lease with Thai Airways stretching through a period to 2029 with an early termination option in 2026 the Company still faces known events which need to be overcome before the Directors can confidently provide an assessment of viability beyond 12 months and even this period is subject to material uncertainties including Company operational requirements that may not be within the control of the Company.

Foremost amongst the near term risks is the successful emergence from restructuring of Thai and the recovery from Covid related restrictions to their tourist economy and having the aircraft in an operational state at the end of June 2021 (as requested by the Thai Lenders). The Company has negotiated via its Asset Manager an interim power by the hour (PBH) arrangement up to the end of 2022. There is no guarantee at what level the Company's aircraft will be utilised during this period and therefore no guaranteed income to the Company until the commencement of the agreed conventional monthly lease rentals from January 2023.

The Company will require continuing support from its shareholders to ensure that it maintains sufficient funding to allow it to face what still remains an uncertain future.

The respective Thai LOI's have been concluded and it is important that both LOI's are converted to execution agreements within the month of May.

The Directors regularly consider and assess the viability of the Company and takes into account the Company's current position and the potential impact of the principal risks outlined below.

Given the unprecedented circumstances caused by Covid-19, the Directors have reviewed additional scenarios but it must be stressed there are certain scenarios which will likely require additional support of shareholders.

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

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



## DIRECTORS' REPORT (CONTINUED)

### Annual General Meeting

The AGM of the Company will be held in Guernsey on 1 July 2021 at East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey. The meeting will be held to, inter alia; receive the Annual Report and Audited Consolidated Financial Statements; elect and re-elect Directors; propose the reappointment of the auditor; authorise the Directors to determine the auditor's remuneration; approve the Directors' remuneration policy; authorise the Company to issue and allot new shares and approve a partial disapplication of the pre-emption rights to allow the Company to issue new shares by way of tap issues. Given the ongoing challenges regarding Covid-19, it is likely the AGM will be restricted to two shareholders and shareholders are encouraged to vote in advance by proxy. The formal notice of AGM will be issued to shareholders in due course.

The Board continues to welcome engagement with its shareholders and those who have questions relating directly to the business of the AGM can forward their questions to the Company Secretary by email to [DPA@aztecgroupp.com](mailto:DPA@aztecgroupp.com) by no later than one week before the AGM, being 24 June 2021.

A Q&A reflecting the questions received and responses provided will be made available on the Company's website at [www.dpaircraft.com](http://www.dpaircraft.com) as soon as practicable following the AGM.

### Corporate Governance

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

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

### Directors' Share Dealings

The Board has agreed to adopt and implement the Model Code for Directors' dealings contained in the Listing Rules. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code.

### Board Committees

The Board of Directors has established an audit committee, which operates under detailed terms of reference, copies of which are available on request from the Company Secretary. Details of the Company Secretary are included within the Company information on pages 98 and 99.

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

### Alternative Investment Fund Managers Directive ('AIFMD')

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

For a non-EU AIFM that has over EUR 100 million (equivalent to US\$ 123 million at 31 December 2020) of net assets under management and also utilises leverage, certain Annual Investor Disclosures are required.

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DIRECTORS' REPORT (CONTINUED)

Alternative Investment Fund Managers Directive ('AIFMD') (continued)

For the purpose of AIFMD, the Company is a Self-Managed Alternative Investment Fund Manager with assets above the EUR 100 million (equivalent to US\$ 123 million at 31 December 2020), with leverage, threshold.

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

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

Brexit

The Directors do not expect that the recent UK withdrawal from the EU will have a significant impact on the Company given the nature of its operations. However, they continue to monitor the airline industry for any potential impact on the Company.

By order of the Board

Jonathan Bridel  
Director

Jeremy Thompson  
Director

## REPORT OF THE AUDIT COMMITTEE

On the following pages, we present the Audit Committee (the 'Committee') Report for 2020, setting out the Committee's structure and composition, principal duties and key activities during the year. The Committee has reviewed the Company's financial reporting, the independence and effectiveness of the independent auditor (the 'auditor') and the internal control and risk management systems of service providers.

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

### Structure and Composition

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

### Principal Duties

The role of the Committee includes:

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

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

### Independent Auditor

The Committee is also the forum through which the auditor reports to the Board of Directors. The Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to the terms under which it is appointed to perform non-audit services including fees. The Committee has established pre-approval policies and procedures for the engagement of KPMG, Ireland ('KPMG') to provide non-audit services. KPMG has been the independent auditor from the date of the initial listing on the Specialist Fund Segment of the London Stock Exchange.

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

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## REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Evaluations or Assessments made during the year

The following sections discuss the assessments made by the Committee during the year:

### *Significant Areas of Focus for the Financial Statements*

The Committee's review of the interim and annual financial statements focused on:

- Valuation of the Company's Assets (more detail in relation to the approach is in note 3);
- Lease and loan cash flows;
- The financial statements giving a true and fair view and being prepared in accordance with International Financial Reporting Standards and the Companies (Guernsey) Law, 2008; and
- Going concern and the viability statement including the creation of scenario planning and review.

### *Effectiveness of the Audit*

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

- Before the start of the audit to discuss formal planning, discuss any potential issues and agree the scope that will be covered; and
- After the audit work was concluded to discuss any significant matters such as those stated above.

The Board considered the effectiveness and independence of KPMG by using a number of measures, including but not limited to:

- The audit plan presented to them before the start of the audit;
- The audit results report;
- Changes to audit personnel;
- The auditor's own internal procedures to identify threats to independence; and
- Feedback from both the Asset Manager and Administrator.

### *Internal Audit*

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

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REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Conclusion and Recommendation

After reviewing various reports such as the operation and risk management framework and performance reports from the Directors and the Asset Manager, and assessing the significant areas of focus for the financial statements listed on pages 47 to 50, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures).

The Committee is also satisfied that the significant assumptions used for assessing going concern and, determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The independent auditor reported to the Committee that no material misstatements were found in the course of its work. Furthermore, the Administrator confirmed to the Committee that they were not aware of any material misstatements including matters relating to presentation.

The Committee confirms that it is satisfied that the independent auditor has fulfilled its responsibilities with diligence and professional scepticism. Following the completion of the financial statements review process on the effectiveness of the independent audit and the review of audit services, the Committee will recommend that KPMG be reappointed at the next Annual General Meeting.

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

By order of the Audit Committee

Jeremy Thompson  
Audit Committee Chairman

## STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

### Geopolitical and economic risks

The Company leases aircraft to customers in multiple jurisdictions exposing it to (i) many and varying economic, social, legal and geopolitical risks, (ii) instability in key markets and (iii) global health pandemics. The Directors continue to monitor the development of Covid-19 and are continuing to assess the impact on the Company. Exposure to multiple jurisdictions may adversely affect the Company's future performance, position and growth potential. The adequacy and timeliness of the Company's response to emerging risks in these jurisdictions are of critical importance to the mitigation of their potential impact on the Company.

### Exposure to the commercial airline industry

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

### NAS

The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a. The group has submitted claims against NAS for losses suffered but do not expect to receive any compensation into the Group due to the related lending bank enforcing their security rights over the lease contracts after declaring an Event of Default post year end.

### Thai Airways

Thai went into debt rehabilitation during the year and the process is still ongoing at the time of issue of these financial statements. There is risk that the results of the rehabilitation process will be unfavourable to the Group. Rental due up to 14 September 2020 are to be resolved as part of the rehabilitation and there is no guarantee that the group will recover partially or in full the amounts due. Furthermore, the terms agreed with Thai per the LOI entered into post year end on 2 March 2021 are subject to approval as part of the rehabilitation process as well. There is a risk that these terms may not be approved as they are.

Some of Thai's 787's are grounded, including both the Company's aircraft, in one case awaiting a replacement engine. The timing of the replacement engine is under current negotiation and likely to be tested and installed during Q2 2021. The storage conditions of our aircraft are monitored to ensure the aircraft are protected to industry standards.

The impact of the Covid-19 is likely to impact passenger numbers for Thai given the reduced Chinese and regional demand.

### Covid-19 Impact

COVID-19 has spread across the globe, with major outbreaks across China, the Middle East, Europe and America, resulting in widespread restrictions on the ability of people to travel, socialise and leave their homes. COVID-19 has had a significant for the airline sector, and by extension the aircraft leasing sector. During the year both Lessee's have requested lease payment relief, one has entered into restructuring and one going into liquidation post year end. Given the continuing evolution of the significant impact of, and the uncertainties created by COVID-19, this has meant that this risk has now become the most significant.

## STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

### Asset risk

The Company's Assets comprise of four Boeing 787-8 aircraft. However, two aircraft that were leased to NAS have subsequent to year end, been taken over by NordLB following NordLB declared an Event of Default on its loan agreements and enforced its security rights to the aircraft.

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

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

### Key personnel risk

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

### Credit risk & Counterparty risk

Credit risk is the risk that a significant counterparty will default on its contractual obligations. The Group's most significant 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 a credit rating. Subsequent to the year end the lessee of the NAS aircraft has gone into liquidation and the lease terminations are in the process being finalised. Thai Airways is currently undergoing a restructuring review. The credit rating of NordLB is A3 (2019: A3) and the credit rating of DekaBank is Aa2 (2019: Aa2). NordLB has, post year end, declared an Event of Default on its loan agreements and enforced its security rights, see note 27 for further details.

There is no guarantee that the business rehabilitation process of Thai Airways will be successful. Failure of any material part of the business rehabilitation plan may have an adverse impact on its ability to comply with its obligations under the leases or the LOI entered into post year end.

Any failure by 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 Dekabank loan agreements and could result in the lenders enforcing their security and selling the relevant Assets on the market potentially negatively impacting the returns to investors. In mitigation, Thai Airways is an International full-service carrier and is important to Thai's economy and as such it is unlikely that the Government will not provide it with the necessary support to see it through its restructure. However, there is no guarantee and hence a significant risk remains.

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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 remarket the relevant Asset (either sell or enter into a subsequent lease) to repay the outstanding relevant loan and/or re-negotiate the loan terms with the relevant lender.

More detailed explanations of the above risks can be found within note 23 to the Audited Consolidated Financial Statements on pages 72 to 78 of this report. Also, please see Summary report page 5 for details regarding NordLB loan default and the resulting actions taken by the lending bank.

Boeing

Company exposure to Boeing in terms of ongoing guarantees and commitments could be negatively impacted with any ongoing 737-Max problems and as yet the financial impact upon Boeing in terms of financial compensation and potential loss of orders is not known although it is expected these matters will be resolved in time.

Rolls Royce

Company exposure to Rolls Royce in terms of ongoing guarantees and commitments could be negatively impacted with the Trent 1000 engine issues and as yet the financial impact upon Rolls Royce in terms of financial compensation, loss of capacity and loss of orders is not known. The Company believes that its engines will actually benefit from the current maintenance and refurbishments under way. Announcements by RR have implied that the LPT and other issues are now under control.



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with the applicable financial reporting framework. They have decided to prepare the financial statements in accordance with International Financial Reporting Framework ('IFRS'). The financial statements are required by law to comply with the Companies (Guernsey) Law, 2008.

The Directors are also responsible for ensuring its Annual Report and Audited Consolidated Financial Statement meet the requirements of the UK's FCA Disclosure and Transparency Rules.

In preparing these financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether they have been prepared in accordance with IFRS;
- Assessed the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Used the going concern basis of accounting unless they either intend to liquidate the Company or cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that these financial statements comply with IFRS and the Companies (Guernsey) Law, 2008. They are also responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Signed on behalf of the Board by

Jonathan Bridel  
Director

Jeremy Thompson  
Director

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

### 1. Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of DP Aircraft I Limited ("the Company") and its subsidiaries (together and hereinafter the "Group") which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements

- give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended;
- have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey together with the Financial Reporting Council (FRC)'s Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 2-a ('Significant Accounting Policies – Basis of Preparation – Going Concern') in the financial statements, which outlines the Group's dependencies on the ongoing viability of Thai Airways and their ability to satisfy the letter of intent entered into on 2 March 2021 which amended the existing lease terms and the related agreement of the Group's lenders (Dekabank) which amended the existing loan facility agreement to accommodate the revised lease terms. The amended lease is subject to the approval of the Thai courts and this approval alongside the continuing support of Dekabank are key uncertainties in the coming 12 months. Furthermore, the directors consider that there is an expectation that the Group will require further equity to be raised in the period post 12 months from the date of approval of these financial statements. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### *Going Concern*

Please see paragraph above "Material Uncertainty Related to Going Concern".

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

1. Report on the Audit of the Financial Statements (continued)

*Valuation of PPE – Aircraft & related components \$126.6 million (2019: \$400.6 million) / Assets held for sale \$82.0 million (2019: \$nil)*

*Refer to page 51 (accounting policy) and page 70 (financial disclosures)*

The key audit matter

*At 31 December 2020, the carrying value of the Group's aircraft portfolio, including related components amounted to \$208.6 million or 80% of total assets.*

*The Group applies the requirements of IAS-36 Impairment of Assets ('IAS-36') in order to determine whether it is necessary to recognise an impairment loss on any aircraft and related assets.*

*In relation to the assets classified as held for sale the Group applies IFRS 5 and carries the assets at the lower of their carrying amount and fair value less costs to sell.*

*There is significant risk relating to the valuation of aircraft given the judgemental nature of the assumptions, and inputs to the impairment model, including any adjustments made to the market values in the independent valuations obtained, that require consideration by the Board of Directors.*

How the matter was addressed in our audit

*In relation to the audit of the impairment assessment of aircraft and related components, the procedures we undertook included, amongst others:*

*We obtained an understanding of and documented the key control around the impairment assessment of aircraft and related components, testing the effectiveness of the design and implementation of the control, including consideration of approval by the Board of Directors.*

*We inquired of the Board of Directors about plans for aircraft disposals or other actions that may negatively impact on aircraft recoverable amounts.*

*We evaluated the (i) competence, capabilities and objectivity of experts employed by the Group to provide aircraft current market values and (ii) the appropriateness of their work as audit evidence. We obtained the current market value reports from the independent valuers to validate these inputs to the impairment model and compared to internal data sources to determine they were reasonable. Furthermore, we obtained evidence of recent market transactions to support any adjustments made to these values*

*We evaluated the Board of Directors identification of impairment indicators, and assessed the methodology adopted in its impairment model with reference to our understanding of the Group's business and the requirements of IAS-36. We assessed the calculations underlying the impairment model by checking that the data and assumptions input into the model were in agreement with those that we had evaluated.*

*We also evaluated the classification of aircraft as held for sale. We assessed for aircraft classified as Held for Sale in accordance with IFRS 5 that they were carried at the lower of their carrying value and fair value less costs to sell with reference to the market values in the independent valuers reports.*

*We assessed the adequacy of the disclosures made by the Group regarding the impairment assessment of aircraft and related components in the financial statements for compliance with the relevant accounting standards. We assessed that the events disclosed that occurred post year end were non-adjusting events in accordance with IAS 10*

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

1. Report on the Audit of the Financial Statements (continued)

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

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

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

*Other information*

The Directors are responsible for the other information. The other information comprises the information included in the Highlights, Chairman's Statement, Asset Managers Report, Report of the Audit Committee, Statement of Principal Risks and Uncertainties, and Company Information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

2. Respective responsibilities and restrictions on use

*Responsibilities of the Directors and Those Charged with Governance for the Financial Statements*

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the

Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

2. Respective responsibilities and restrictions on use (continued)

*Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

Further details relating to our work as auditor is set out in the Scope of Responsibilities Statement contained in the appendix to this report, which is to be read as an integral part of our report.

Our report is made solely to the Company's Shareholders, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's Shareholders those matters we are required to state to them in an auditors' 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's Shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

*Niall Naughton*  
for and on behalf of  
KPMG  
Chartered Accountants, Statutory Audit Firm  
1 Harbourmaster Place  
IFSC  
Dublin 1

12 May 2021

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

Appendix to the Independent Auditors' Report

*Further information regarding the scope of our responsibilities as auditor*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However future events or conditions may cause the Group's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the (consolidated) financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

DP AIRCRAFT I LIMITED  
ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL  
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2020

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
<b>Income</b>			
Lease rental income	4	47,285,233	57,383,604
Lease related income	5	41,334,854	-
		<u>88,620,087</u>	<u>57,383,604</u>
<b>Expenses</b>			
Asset management fees	26	(1,032,327)	(1,007,149)
Asset manager's disposal fee	26	2,479,634	(622,990)
General and administrative expenses	6	(2,472,196)	(987,816)
Expected credit loss on receivables	14	(11,416,244)	-
Depreciation and amortisation	10	(21,714,435)	(22,227,528)
Impairment loss on aircraft and related components	10	(170,317,511)	-
		<u>(204,473,079)</u>	<u>(24,845,483)</u>
Operating (loss)/profit		(115,852,992)	32,538,121
<b>Finance costs</b>			
Finance costs	7	(15,724,086)	(9,758,815)
Loss on financial assets at fair value	12	(24,859,692)	-
Gain on derivatives at fair value	24	1,242,805	-
Finance income		107,930	446,665
Net Finance Costs		<u>(39,233,043)</u>	<u>(9,312,150)</u>
(Loss)/Profit before tax		(155,086,035)	23,225,971
Taxation	8	(41,016)	(56,902)
(Loss)/Profit for the year		<u>(155,127,051)</u>	<u>23,169,069</u>
<b>Other Comprehensive (Loss)/Income</b>			
Items that are or may be reclassified to profit or loss			
Cash flow hedges – changes in fair value		(3,462,554)	(2,691,368)
Cash flow hedges – reclassified to profit or loss		5,811,395	188,730
Cash flow hedge loss	24	2,348,841	(2,502,638)
Total Other Comprehensive Income/(Loss)		<u>2,348,841</u>	<u>(2,502,638)</u>
Total Comprehensive (Loss)/Income for the year		<u>(152,778,210)</u>	<u>20,666,431</u>
(Loss)/Earnings per Share for the year – basic and diluted	9	(0.74105)	0.11068

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

The notes on pages 51 to 97 form an integral part of these financial statements.

DP AIRCRAFT I LIMITED  
ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL  
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2020

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020

	Note	2020 US\$	2019 US\$
<b>NON-CURRENT ASSETS</b>			
PPE – Aircraft & Related Components	10	126,600,000	400,631,946
Total non-current assets		126,600,000	400,631,946
<b>CURRENT ASSETS</b>			
Assets held for sale	11	82,000,000	-
Investment held at fair value	12	15,630,526	-
Cash and cash equivalents		6,949,167	12,216,093
Restricted cash	13	27,438,332	34,563,671
Trade and other receivables	14	45,930	363,576
Total current assets		132,063,955	47,143,340
<b>TOTAL ASSETS</b>		<b>258,663,955</b>	<b>447,775,286</b>
<b>EQUITY</b>			
Share Capital	19	210,556,652	210,556,652
Retained Earnings	20	(152,345,457)	7,491,594
Hedging Reserve	20	-	(2,348,841)
Total equity		58,211,195	215,699,405
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	18	-	163,739,430
Maintenance reserves	15	14,460,682	20,207,622
Security deposits	15	-	13,264,420
Derivative instrument liabilities	24	-	2,348,843
Asset Manager disposal fee	26	-	2,479,634
Total non-current liabilities		14,460,682	202,039,949
<b>CURRENT LIABILITIES</b>			
Bank borrowings	18	180,915,582	27,107,311
Derivative instrument liabilities	24	4,183,715	-
Deferred income	16	-	2,487,409
Trade and other payables	17	892,781	441,212
Total current liabilities		185,992,078	30,035,932
<b>TOTAL LIABILITIES</b>		<b>200,452,760</b>	<b>232,075,881</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>258,663,955</b>	<b>447,775,286</b>

The financial statements on pages 47 to 97 were approved by the Board of Directors and were authorised for issue on 12 May 2021. They were signed on its behalf by:

Jonathan Bridel  
Chairman

Jeremy Thompson  
Director

The notes on pages 51 to 97 form an integral part of these financial statements.



DP AIRCRAFT I LIMITED  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
(Loss)/profit for the year	(155,127,051)	23,169,069
<i>Adjusted for:</i>		
Depreciation and amortisation	21,714,435	22,227,528
Finance costs	15,724,086	9,758,815
Gain on derivatives at fair value	(1,242,805)	-
Loss on financial assets at fair value	24,859,692	-
Impairment loss on aircraft and related components	170,317,511	-
Taxation	41,016	56,902
Expected credit loss on receivables	11,416,244	-
<i>Changes in:</i>		
Decrease in security deposit	(13,264,420)	-
(Decrease)/increase in maintenance provision	(5,746,940)	3,451,055
Decrease in deferred income	(42,771,405)	(92,472)
(Decrease)/increase in Asset Manager's performance fee provision	(2,479,634)	622,990
Increase in accruals and other payables	374,821	105,783
Increase in receivables	(11,304,821)	(9,449)
Income taxes paid	(9,681)	(42,774)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>12,501,048</b>	<b>59,247,448</b>
<b>INVESTING ACTIVITIES</b>		
Restricted cash	7,125,339	(3,906,147)
<b>NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>7,125,339</b>	<b>(3,906,147)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(4,710,000)	(18,840,000)
Bank loan principal repaid	(11,700,921)	(25,899,084)
Bank loan interest paid	(6,981,540)	(9,339,935)
Swap interest paid	(1,500,852)	(168,371)
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES</b>	<b>(24,893,313)</b>	<b>(54,247,390)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,216,093	11,122,182
(Decrease)/increase in cash and cash equivalents	(5,266,926)	1,093,911
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>6,949,167</b>	<b>12,216,093</b>

The notes on pages 51 to 97 form an integral part of these financial statements.

DP AIRCRAFT I LIMITED  
ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2020

	Note	Share capital US\$	Retained Earnings US\$	Hedging Reserve US\$	Total Equity US\$
As at 1 January 2020		210,556,652	7,491,594	(2,348,841)	215,699,405
Total comprehensive income for the year					
Loss for the year		-	(155,127,051)	-	(155,127,051)
Other comprehensive income		-	-	2,348,841	2,348,841
Total comprehensive loss		-	(155,127,051)	2,348,841	(152,778,210)
Transactions with owners of the Company					
Dividends	21	-	(4,710,000)	-	(4,710,000)
As at 31 December 2020		210,556,652	(152,345,457)	-	58,211,195
As at 1 January 2019		210,556,652	3,162,525	153,797	213,872,974
Total comprehensive income for the year					
Profit for the year		-	23,169,069	-	23,169,069
Other comprehensive income		-	-	(2,502,638)	(2,502,638)
Total comprehensive income		-	23,169,069	(2,502,638)	20,666,431
Transactions with owners of the Company					
Dividends	21	-	(18,840,000)	-	(18,840,000)
As at 31 December 2019		210,556,652	7,491,594	(2,348,841)	215,699,405

The notes on pages 51 to 97 form an integral part of these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 1) GENERAL INFORMATION

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

DP Aircraft I Limited (the 'Company') was incorporated on 5 July 2013 with registered number 56941. The Company 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 (2018: 209,333,333) of no par value and one Subordinated Administrative Share of no par value.

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

The financial statements were approved by the Board of Directors and authorised for issue on 12 May 2021.

### 2) SIGNIFICANT ACCOUNTING POLICIES

#### a) *Basis of preparation*

These financial statements are prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations ('IFRS') issued by the International Accounting Standards Board ('IASB').

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

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

#### Going Concern

The Directors have prepared the financial statements for the year ended 31 December 2020 on the going concern basis of preparations. However, the Directors have identified the matters referred to below, in addition to Company operational requirements that may not be within the control of the Company, which indicate the existence of a material uncertainty that may cast doubt on the entity's ability to continue as a going concern and that the company may, as a consequence, be unable to realise its assets and discharge its liabilities in the normal course of business.

Covid-19 has resulted in widespread restrictions on the ability of people to travel, socialise and leave their homes and has had a material negative effect on the airline sector, and by extension the aircraft leasing sector. The Company leased four (4) Boeing 787 aircraft (the 'Aircraft'), two each to Norwegian Air Shuttle ASA ('NAS') and Thai Airways International ('Thai'). Post year end the NordLB have enforced their security rights over the 2 NAS aircraft and have taken control of them.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### *Going Concern (continued)*

The application of the going concern basis of preparation is dependent upon the Company's aircraft leasing and the related financing activities as described below.

##### *Thai - Leases and related Loans*

###### *The Thai Leases*

Thai Airways rehabilitation process is currently ongoing, on 2 March 2021 a business rehabilitation plan was submitted for Thai Airways and is being considered by the creditors for approval. On that same date, the Company signed a LOI with Thai Airways under which the parties agreed to amend the existing lease terms. The new terms provide for a PBH arrangement until the end of next year (i.e., rent will be payable by reference to actual monthly utilisation of the Thai aircraft), with scaled back monthly lease payments thereafter, reflecting the reduced rates now seen in the market. The lease term will be extended by 3 years to December 2029, after consulting the Lenders retaining a right of early termination in 2026. Thai Airways has also undertaken to ensure that the Thai aircraft are airworthy and in flight ready condition in all respects by 30 June 2021, and on an ongoing basis. A corresponding agreement has been reached with the bank providing finance for the aircraft leased to Thai airways, see below.

###### *The Thai Loans*

On 6 May 2021, following the new lease arrangements entered into by the Company and Thai as described above, the Company and Dekabank have amended and restated the existing loan facility agreements in respect of the Thai aircraft to accommodate the new lease terms. Repayments of principal will be deferred until the end of the PBH arrangement; and the Company and Dekabank will enter into discussions at that time to determine how best to schedule interest payments, principal repayments and a final balloon repayment, having regard for both the income being received by the Company in respect of the Thai aircraft, and the running costs of the Company and its subsidiaries. The loan is secured by charges over the two Thai aircraft and the underlying leases.

The Directors expect that the Thai rehabilitation plan will succeed and, under the terms of the new lease to be entered into with Thai based on the LOI signed on 2 March 2021 and the corresponding agreement reached with the bank providing finance for the aircraft leased to Thai airways (Dekabank), the Company will have sufficient liquidity from (i) the lease payments from Thai and (ii) utilising certain of its own funds to continue to meet all of its obligations under the Thai Loans as well as operating costs for the group.

##### *Norwegian Leases and related Loans*

###### *The NAS leases*

The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a. The Group has submitted claims against NAS for losses suffered but do not expect to receive any compensation, see below with regards NordLB bank taking over the rights under lease contracts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### Going Concern (continued)

##### Norwegian Leases and related Loans (continued)

##### The NAS Loans

As detailed under 'Subsequent Events', NordLB declared an Event of Default under the relevant loan agreements with the Company's two borrower subsidiaries, enforced rights under the relevant security documents and took control of the process of disposing of the two NAS aircraft, with the proceeds of sale (along with relevant aircraft-specific cash balances, claims against Norwegian and shares in Norwegian held as security) being applied in the first instance to pay off any outstanding amounts owed to the bank, and any balance remaining thereafter being remitted to the relevant subsidiaries of the Company. The Directors consider it highly unlikely that Company will receive any benefit from NordLB as a result of the aforementioned process as the bank will likely sale for the minimal amount required to cover its loan.

These developments impact solely upon the two NAS aircraft; they have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by NordLB to the Company itself.

##### Conclusion

The Directors have considered the group's cash requirements for a period of 12 months from the signing of these financial statements. This forecast shows the likely need for further equity to be raised to fund the period post 12 months and to allow for other contingencies given the companies circumstances. However, the Directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation due to:

- The continuing support of Dekabank which made loans to the Group (with certain loan concessions);
- The ongoing viability of Thai Airways, expectation that Thailand's Central Bankruptcy Court will approve the revised lease per the LOI and, the ability of Thai Airways to satisfy the terms of the LOI for the revised lease;
- The expectation that an equity fund raise will be successful based on liaison with sufficient shareholders;
- Having regard to the limited recourse nature of the loans which means NordLB debt default impacts solely upon the two NAS aircraft and have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by NordLB to the Company itself; and
- The expectation that all operational requirements will continue to be fulfilled.

No adjustments have been made to the financial statements in the event that the Company was unable to continue as a going concern.

##### *New standards, interpretations and amendments effective from 1 January 2020*

There are no new standards, amendments to standards and interpretations that are effective for annual periods beginning on 1 January 2020 which have a material impact on the financial statements.

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

There are no new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2021 which are expected to have a material impact on the financial statements in future reporting periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### b) *Basis of consolidation*

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

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### c) *Taxation*

The Company and the Guernsey subsidiaries are exempt from taxation in Guernsey and are charged an annual exemption fee of £1,200 (2019: £1,200). This is treated as an operating expense.

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

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

#### d) *Property, Plant and Equipment – Aircraft and Related Components*

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

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

The two aircraft leased to Norwegian Air Shuttle ASA were acquired in 2013 and had a useful economic lease life of 12 years at acquisition. The two aircraft leased to Thai Airways International were acquired in 2015 and had a useful economic lease life of 12 years at acquisition.

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

For the year ended 31 December 2020

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) *Property, Plant and Equipment – Aircraft and Related Components (continued)*

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

In accordance with IAS 16 - Property, Plant and Equipment, the Group's aircraft that are to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the aircraft may not be recoverable. An impairment review involves consideration as to whether the carrying value of an aircraft including related assets is in excess of the higher of its value in use and its fair value less costs to sell. In such circumstances a loss is recognised as a write down of the carrying value of the aircraft to the higher of value in use and fair value less cost to sell. The review for recoverability has a level of subjectivity and requires the use of judgement in the assessment of estimated future cash flows associated with the use of an item of property, plant and equipment and its eventual disposition. See note 3 for further details regarding impairment assessment.

e) *Non-current assets held for sale*

In line with IFRS 5 non-current assets are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active programme to locate a buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets are not depreciated.

f) *Financial Instruments*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### f) *Financial Instruments (continued)*

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.

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 below.

#### Financial assets 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.

Trade and other receivables excluding shares in NAS receivable are classified at amortised cost (see financial assets at FVTPL for policy for shares in NAS receivable).

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

Cash and cash equivalents comprise cash balances held for the purpose of meeting short term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### f) *Financial Instruments (continued)*

##### Impairment of financial assets held at amortised cost

The Company has elected to apply the simplified model for trade receivables, including lease receivables and maintenance reserve receivables, 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.

##### Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL which includes derivative financial assets, shares in NAS receivable and investments held.

Financial assets at FVTPL are initially and subsequently measured at fair value. The Company had originally designated its derivative financial instruments as hedging instruments as detailed below.

##### Hedge accounting

Hedge accounting is applied to certain risks in financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge; and
- The hedge relationship meets all of the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate the value changes, and the hedge ratio is designated based on actual quantities of the hedged item and hedging instrument.

The Directors have previously concluded, given that the critical terms of the hedged item matched those of the hedging instrument in terms of risk, timing and quantity, that the requirements of hedge accounting are met for the Group's floating to fixed interest rate swaps.

##### Cash flow hedges - interest rate swaps

The Company has two floating to fixed interest rate swaps in order to provide for fixed rate interest to be payable in respect of two of the bank loans. The effective portion of gains and losses on the floating to fixed interest rate swaps are recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The ineffective portion of gains and losses on the floating to fixed interest rate swaps used to manage cash flow interest rate risk are recognised in profit or loss within finance expense or finance income. However, the cumulative gains and losses recognised in other comprehensive income are reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. From date of discontinuation, movements in the fair value of the hedge instrument are accounted for in profit or loss.

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

For the year ended 31 December 2020

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) *Financial Instruments (continued)*

Hedge accounting is discontinued when:

- The risk management objective of an entity for the hedging relationship has changed - i.e., continuing to apply hedge accounting would no longer reflect its risk management objective;
- The hedging instrument expires or is sold, terminated or exercised; this excludes scenarios in which the expiry or termination is a replacement or rollover of a hedging instrument into another that is part of, and consistent with, the entity's documented risk management objective - discontinuation would not be required in these scenarios;
- There is no longer an economic relationship between the hedged item and hedging instrument; or
- The effect of credit risk starts dominating the value changes that result from the economic relationship.

If the hedge no longer meets the criteria for hedge accounting, then the hedge accounting is discontinued prospectively. When hedge accounting is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

*Financial liabilities at amortised cost*

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

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

Where loans are modified, the modification is assessed in line with IFRS 9 to determine whether the modification is substantial. Where the modification is substantial, the existing loan is derecognised and the new loan is recognised at fair value. Any difference is recognised as a gain or loss within the statement of comprehensive income.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### f) *Financial Instruments (continued)*

##### *Financial liabilities at amortised cost (continued)*

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

Security deposits are paid by the lessee in accordance with the terms of the lease contract, either in cash or in the form of a letter of credit. These deposits are refundable to the lessee upon expiration of the lease and, where such deposits are received in cash, they are recorded in the consolidated statement of financial position as a liability. The cash received related to security deposits is presented as restricted cash in the consolidated statement of financial position.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### *Fair value measurement*

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

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

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

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

#### g) *Share capital*

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

#### h) *Asset Manager's disposal fee provision*

The disposal fee provision is measured at the present value of the expenditure expected to be required to settle the obligation. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss in the statement of comprehensive income when the changes arise.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### i) *Dividends*

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

#### j) *Lease rental income*

Leases relating to the Aircraft are classified as operating leases where the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee. Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

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

Rentals received in advance are accounted for a deferred income and are released to Profit or Loss on a straight-line basis. Where the lease is terminated prior to the lease term, any remaining deferred income is released to the Statement of Comprehensive Income.

#### k) *Expenses*

Expenses are accounted for on an accrual basis.

#### l) *Finance costs and finance income*

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

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

#### m) *Foreign currency translation*

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

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

#### n) *Segmental reporting*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3) SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

Information about assumptions and estimation uncertainty at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are:

a) *Significant judgements*

Going Concern

The Directors have considered the group's cash requirements for a period of 12 months from the signing of these financial statements. This forecast shows the likely need for further equity to be raised to fund the period post 12 months and to allow for other contingencies given the companies circumstances. However, the Directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation due to:

- The continuing support of Dekabank which made loans to the Group (with certain loan concessions);
- The ongoing viability of Thai Airways, expectation that Thailand's Central Bankruptcy Court will approve the revised lease per the LOI and, the ability of Thai Airways to satisfy the terms of the LOI for the revised lease;
- The expectation that an equity fund raise will be successful based on liaison with sufficient shareholders;
- Having regard to the limited recourse nature of the loans which means NordLB debt default impacts solely upon the two NAS aircraft and have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by NordLB to the Company itself; and
- The expectation that all operational requirements will continue to be fulfilled.

The ongoing difficult and uncertain situations of the aircraft industry and hence the impact on the lessees has resulted in significant reliance on the ongoing support of the lending banks. No adjustments have been made to the financial statements in the event that the group was unable to continue as a going concern.

NAS lease termination

As at the year end the board have concluded that the lease was 'de-facto' terminated as at the year end. This is on the basis that prior to the year end, NAS had suspended all lease payments (since May 2020) on both aircrafts, the lessee had filed for Examinership in Ireland in November 2020 and had also not fulfilled certain other obligations of the aircraft including safe storage. The board considered that as at the year end, due to the above, NAS were in full breach of the lease agreement and that NAS had no intention to continue the leases. Whilst the lease was not formally terminated, the board were in negotiations regarding the lease termination pre year end. As a result, the board concluded that in substance a 'de-facto' lease termination has occurred and have therefore accounted for a lease termination in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3) SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

a) *Significant judgements (continued)*

NAS lease termination (continued)

Therefore, as at 31 December 2020 the group has released the associated lease liabilities such as deferred income (notes 4, 5 and 16) and the maintenance reserves (notes 5 and 15) in full to the Consolidated Statement of Comprehensive Income as at the year-end.

Modification of borrowings

During the period there was a restructure of the loan advanced by NordLB, the Directors have, in line with IFRS 9, assessed whether the modification was substantial. If deemed substantial, then the original loan liability would have been derecognised and a new loan liability recognised. The assessment was done on a quantitative basis and compared the net present value of the modified cash flows including any fees payable or receivable against the net present value of the remaining cash flows of the loan prior to the modification, both discounted at the original effective interest rate. A difference of 10% or more would have been considered substantial as is advised in IFRS 9. Future cash flows on the modified loan have been estimated with reference to 1- month USD Libor forward curves and concluded that modification was not substantial.

b) *Significant estimates*

Impairment of property, plant and equipment / fair value of held for sale aircraft

As with each reporting date, but more relevant in light of the developments of COVID-19, a detailed impairment assessment of the aircraft and lease premiums have been undertaken.

IFRS requires an assessment of the aircraft carrying value versus the higher of the value in use and fair value less cost to sell. The lease encumbered value is the value of the aircraft on lease, given a specified lease payment stream (rents and terms), and estimated future base value adjusted for return condition at lease termination, and an appropriate discount rate i.e., value in use. Lease encumbered values have not been used for NAS aircraft given leases were de-facto terminated in December 2020. For Thai aircraft, the lease encumbered values based on expected revised lease terms, are less than the market values and as such the recoverable amount has been determined with reference to the market value (fair value).

The board have considered the unencumbered aircraft valuations provided by independent valuers which reflect the valuation should the aircraft need to be re-let in the marketplace.

NAS Aircraft

The board have considered a range of potential outcomes for the aircraft which included:

- Current market value – current market values based on independent valuations less adjustments to reflect the specific situation of these two aircraft which include defaulting lessee, de-facto lease terminations, aircraft parked without engines on and parts to be returned, along with the distressed nature of the aircraft creating a required time for sale that is not factored into the independent valuations.
- Soft market values – the board utilised the professional valuations to establish the discounts between market values and soft market values. Soft market values are those which reflect the impact that of some imbalance in the supply / demand equation may have on the specific aircraft. Such discount was then applied to the average market value from the professional values as at 31 December 2020.

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

For the year ended 31 December 2020

3) SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

b) *Significant estimates (continued)*

Impairment of property, plant and equipment / fair value of held for sale aircraft (continued)  
NAS Aircraft (continued)

The board considered all possible ranges and concluded that in the group's present circumstances that it was most appropriate to value the aircraft at US\$ 41 million each. This resulted in an impairment of US\$ 89,460,355 (2019: US\$ Nil) in total for the two NAS aircraft.

This impairment was undertaken prior to the aircraft being transferred from property, plant and equipment to that of held for sale. Due to this transfer occurring just before the year end the board consider that there was no further adjustment required to the carrying value as at the year end.

Thai Aircraft

In consideration the impairment of the Thai aircraft the board considered both the value in use and the fair value less costs to sell. The value in use is based on independent valuations with the key estimation uncertainty is Thai's ability to pay the future rental income. The fair value less costs to sell is based on the current market values based on independent valuations without adjustments. The board considered it appropriate not to apply any discounts and adjustments for these aircraft given the specific circumstances of these aircraft.

The board considered all possible ranges and concluded that in the group's present circumstances that it was most appropriate to value the aircraft at US\$ 63.3 million each.

This resulted in an impairment of US\$ 58,839,697 (2019: US\$ Nil) in total for the two Thai aircraft.

The total impairment loss recognised during the year ended 31 December 2020 for both Thai and Norwegian aircraft is US\$ 148,300,052 (2019: US\$ Nil).

In line with IFRS, the lease premium has also been assessed for impairment. The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a and as a result the remaining NAS lease premium has been impaired in full.

Thai lease terms were revised post year end, the Company signed a LOI with Thai Airways under which the parties agreed to amend the existing lease terms. The new terms provide for a PBH arrangement until the end of next year (i.e., rent will be payable by reference to actual monthly utilisation of the Thai aircraft), with scaled back monthly lease payments thereafter, reflecting the reduced rates now seen in the market. Negotiations to revise the Thai lease were ongoing as at year end and there was a strong expectation that lease would be revised given Thai failing to pay lease payments due under old lease. As the new lease was expected to included PBH and reduced monthly payments to reflect market going forward, the related Thai lease premium was no longer considered recoverable and was written off in full as at the year end.

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

For the year ended 31 December 2020

3) SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

b) *Significant estimates (continued)*

*Impairment of Property, Plant and Equipment – Lease premium – estimate (continued)*

The result is in an impairment of US\$ 12,819,013 (2019: US\$ Nil) for Norwegian and US\$ 9,198,446 (2019: US\$ Nil) for Thai being a total of US\$ 22,017,459 (2019: US\$ Nil).

*Depreciation of aircraft*

As described in note 2, the Group depreciates the Assets on a straight-line basis over the remaining lease life and taking into consideration the estimated residual value at the end of the lease term. The Group engage Independent Expert Valuers each year to provide a valuation of the Assets and take into account the average of the valuations provided.

Residual value estimates of the Aircraft were determined by the full life inflated base values at the end of the leases from external valuations and discounted by the inflation rate incorporated into those valuations and the lease premium was determined to have a US\$ Nil residual value at the end of the leases.

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

The residual value estimates at the end of each year are used to determine the aircraft depreciation of future periods. The residual value estimates of the leases for the aircraft not held for sale as at 31 December 2020 was US\$ 125,572,493 (31 December 2019: US\$ 132,158,208). As a result, the year ending 31 December 2021 and future aircraft depreciation charges for aircraft note held for sale, with all other inputs staying constant, will be US\$ 175,160 (2019: US\$ 10,635,167). The actual aircraft depreciation charge for 2022 onwards will vary based on the residual value estimates as at 31 December 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3) SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

b) *Significant estimates (continued)*

Expected credit losses

The Directors have concluded that there has been a significant decline in the credit quality of both lessees based on the factors below.

Thai

- As a result of the suspension of travel due to Covid-19 the lessee defaulted on lease payments that were due during the period and remained in default as at year end;
- Thai Airways entered into debt rehabilitation during the year and the rehabilitation proceedings are still ongoing.
- As at the year end the lease agreement was being renegotiated with Thai Airways. It was expected that lease rentals due up to 14 September 2020 would be settled as part of rehabilitation. An immaterial amount, if anything, is expected to be recovered from this in light of the ongoing impact of Covid-19 on the airline sector;
- During the negotiations, it was clear that Thai Airways was not expecting to be required to pay lease rentals due for period between 15 September 2020 and the new lease effective date; and
- The security deposits paid by Thai were applied against outstanding receivables during the year and not replenished due to a lack of cash on the part of the lessee.

NAS

- The security deposits paid by NAS were applied against outstanding receivables during the year and not replenished due to a cash shortfall on the part of the lessee;
- The subsidiary of NAS that is lessee of the two aircraft entered Irish examinership on 18 November 2020 and Norwegian examinership on 8 December 2020 and subsequent to year end entered into liquidation; and
- The formal NAS lease termination process is currently being finalised. Even though claims have been submitted to NAS for rental due and other losses suffered the board considered it highly unlikely that anything will be recovered given continuing impact of Covid-19 on airline sector and NAS not currently have the support of its Government.

As a result of the significant decline in the credit quality of both lessees as set out above, the Directors have concluded that there is a nil to minimal probability of lease receivables due as at year end being recovered. Therefore, a full provision for expected credit losses on lease rentals receivable as at year end has been recognised in respect of both Thai and NAS (see note 14).

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

For the year ended 31 December 2020

4) LEASE RENTAL INCOME

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Total lease rental income	47,285,233	57,383,604

All lease rental income was derived from two customers located in Norway and Thailand and all four Assets are Boeing 787-8 aircraft. During the year ended 31 December 2020 the Group earned the following amounts of rental income from these two customers:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Norway	19,790,602	29,852,203
Thailand	27,494,631	27,531,401
Total lease rental income	47,285,233	57,383,604

The contracted cash lease rental payments to be received under non-cancellable operating leases at the reporting date excluding receivables already recognised at year end are:

	Next 12 months US\$	2 to 5 years* US\$	After 5 years US\$	Total US\$
31 December 2020				
Boeing 787-8 Serial No: 35304**	-	-	-	-
Boeing 787-8 Serial No: 35305**	-	-	-	-
Boeing 787-8 Serial No: 35320***	13,745,640	54,982,560	12,600,170	81,328,370
Boeing 787-8 Serial No: 36110***	13,712,040	54,848,160	10,284,030	78,844,230
	27,457,680	109,830,720	22,884,200	160,172,600
31 December 2019				
Boeing 787-8 Serial No: 35304	14,886,012	59,544,048	6,963,799	81,393,859
Boeing 787-8 Serial No: 35305	14,947,440	59,789,760	9,285,841	84,023,041
Boeing 787-8 Serial No: 35320	13,745,640	54,982,560	26,345,810	95,074,010
Boeing 787-8 Serial No: 36110	13,712,040	54,848,160	23,996,070	92,556,270
	57,291,132	229,164,528	66,591,520	353,047,180

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

For the year ended 31 December 2020

4) LEASE RENTAL INCOME (CONTINUED)

\*Years 2 to 5 have been aggregated in the above table as the annual lease rental income contracted during this period is the same as the annual lease rental income contract within the next 12 months.

\*\*Due to the de-facto lease termination of the NAS aircraft no future lease receipts have been included above.

\*\*\*The numbers presented are based on the original lease agreement that was effective as at 31 December 2020. As detailed below, subsequent to the year end, a letter of intent has been entered into which will modify the contractual cash flows. These are not included in the table above.

The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a and hence there will be no rentals received post year end in relation to the Boeing 35304 and 35305 aircraft. Also, see note 18 for details regarding lending bank NordLB assuming contractual rights under the lease with NAS due to an Event of Default being declared post year end.

On 2 March 2021, the Company signed a LOI with Thai Airways under which the parties agreed to amend the existing lease terms. The new terms provide for a PBH arrangement until the end of next year (i.e., rent will be payable by reference to actual monthly utilisation of the Thai aircraft), with scaled back monthly lease payments thereafter, reflecting the reduced rates now seen in the market. The lease term will be extended by 3 years to December 2029, after consulting the Lenders retaining a right of early termination in 2026. Therefore, future contractual rentals receivable will not be as shown in the table above which represents the year end position.

5) LEASE RELATED INCOME

Lease related income is made up as follows:

	2020	2019
	US\$	US\$
Maintenance reserves liability released to Profit or Loss	7,041,816	-
Deferred income released to Profit or Loss (note 16)	34,293,038	-
	41,334,854	-

As detailed in note 3a, there has been a termination of the NAS leases as at 31 December 2020. As a consequence, there is no longer an obligation in relation to the NAS maintenance reserves and so the NAS maintenance reserve liability has been released to the Consolidated Statement of Comprehensive Income as lease related income as at year end. The released maintenance reserve liability of US\$ 7,041,816 comprises of prior year reserves and current year additions to the reserves (see note 15).

The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a and as a result the deferred income in relation to the NAS leases as at 31 December 2020 has been released in full to the profit or loss account as lease related income.

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

For the year ended 31 December 2020

6) GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Legal and professional fees	363,656	328,006
Restructuring fees	1,240,689	-
Directors' fees and expenses (note 25)	339,023	236,475
Administration fees (note 26)	340,036	253,998
Insurance	47,956	50,185
Audit fees	97,694	53,371
Foreign exchange loss	21,295	20,693
Travel expenses	5,282	4,068
Other fees and expenses	16,565	41,020
<b>Total general and administrative expenses</b>	<b>2,472,196</b>	<b>987,816</b>

The restructuring fees include professional fees in relation to the renegotiation of the aircraft leases and associated bank loans.

7) FINANCE COSTS

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Loan interest paid and payable	6,903,447	9,276,444
Amortisation of deferred finance costs	1,847,855	293,641
<b>Total finance costs at effective interest rate*</b>	<b>8,751,302</b>	<b>9,570,085</b>
Cash flow hedge – discontinuation (P/L)	1,161,389	-
Cash flow hedges reclassified from OCI while hedge accounting was applied	384,877	188,730
	10,297,568	9,758,815
Reserve reclassification on hedge discontinuation	5,426,518	-
<b>Total finance costs</b>	<b>15,724,086</b>	<b>9,758,815</b>

\*On liabilities measured at amortised cost.

The realised element of the cash flow hedge continued to be reclassified from Other Comprehensive Income to Profit or Loss up to the point that the hedge accounting was discontinued being US\$ 384,877 up to 13 May 2020. Post that date, the fair value movement of the cash flow hedge, including the interest paid or payable element, has been accounted for directly in the Consolidated Statement of Comprehensive Income. Also, the cumulative other comprehensive income cash flow hedge reserve recognised up to the date hedge accounting was discontinued has been reclassified in full to the Consolidated Statement of Comprehensive Income as at year end.

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

For the year ended 31 December 2020

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 (2019: £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 paid during the year ended 31 December 2020 was US\$ 41,016 (2019: US\$ 42,774). 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 tax expense is not material. The effective tax rate based on tax charge for the year is (0.027%) (2019: 0.27%).

9) EARNINGS PER SHARE

	Year ended 31 December 2020	Year ended 31 December 2019
	US\$	US\$
(Loss)/Profit for the year	(155,127,051)	23,169,069
Weighted average number of shares	209,333,333	209,333,333
(Loss)/Earnings per Share	(0.74105)	0.11068

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

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

For the year ended 31 December 2020

10) PROPERTY, PLANT AND EQUIPMENT– AIRCRAFT & RELATED COMPONENTS

	Aircraft US\$	Lease Premium US\$	Total US\$
<b>COST</b>			
As at 1 January 2020	476,751,161	46,979,793	523,730,954
Reclassified as held for sale	(238,020,000)	(29,581,300)	(267,601,300)
<b>As at 31 December 2020</b>	<b>238,731,161</b>	<b>17,398,493</b>	<b>256,129,654</b>
<b>ACCUMULATED DEPRECIATION / AMORTISATION</b>			
As at 1 January 2020	102,498,694	20,600,314	123,099,008
Charge for the year	17,352,415	4,362,020	21,714,435
Reclassified as held for sale	(66,559,645)	(16,762,287)	(83,321,932)
<b>As at 31 December 2020</b>	<b>53,291,464</b>	<b>8,200,047</b>	<b>61,491,511</b>
<b>IMPAIRMENT</b>			
As at 1 January 2020	-	-	-
Charge for the year	148,300,052	22,017,459	170,317,511
Reclassified as held for sale	(89,460,355)	(12,819,013)	(102,279,368)
<b>As at 31 December 2020</b>	<b>58,839,697</b>	<b>9,198,446</b>	<b>68,038,143</b>
<b>CARRYING AMOUNT</b>			
<b>As at 31 December 2020</b>	<b>126,600,000</b>	<b>-</b>	<b>126,600,000</b>
<b>COST</b>			
<b>As at 1 January 2019 and 31 December 2019</b>	<b>476,751,161</b>	<b>46,979,793</b>	<b>523,730,954</b>
<b>ACCUMULATED DEPRECIATION / AMORTISATION</b>			
As at 1 January 2019	84,633,186	16,238,294	100,871,480
Charge for the year	17,865,508	4,362,020	22,227,528
<b>As at 31 December 2019</b>	<b>102,498,694</b>	<b>20,600,314</b>	<b>123,099,008</b>
<b>IMPAIRMENT</b>			
As at 1 January 2019	-	-	-
Charge for the year	-	-	-
<b>As at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CARRYING AMOUNT</b>			
<b>As at 31 December 2019</b>	<b>374,252,467</b>	<b>26,379,479</b>	<b>400,631,946</b>

As at 31 December 2020 the NAS aircraft were classified to held for sale, see note 11 for further details. The Thai aircraft continue to be held for normal use within the group and therefore remain classified PPE – Aircraft & Related Components.

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

For the year ended 31 December 2020

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

Under the terms of the leases that existed during the year, the cost of repair and maintenance of the Assets is to be borne by NAS 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 or termination 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. Following the de-facto lease termination with NAS the responsibility for repair and maintenance have now fallen primarily on the Group.

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 18.

The residual value estimates at the end of each year are used to determine the aircraft depreciation of future periods. The depreciation for the year ended 31 December 2020 is based on the estimated residual value of the Boeing 787-8 Assets as at the end of their respective leases in 2025 and 2026 which have been supported by valuations by independent experts as at 1 January 2020. 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.

As detailed in note 3 the aircraft and lease premium have been impaired during the period as a result of detailed impairment assessments following the developments within the aircraft industry and more specifically that of the lessees (see note 3 for further details).

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. Refer to note 18 for details regarding NordLB taking control of the first two aircraft post year end due to an Event of Default being declared subsequent to the year end.

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.

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

For the year ended 31 December 2020

11) ASSETS HELD FOR SALE

The following major asset class has been classified as held for sale in the consolidated statement of financial position on 31 December:

	2020	2019
	US\$	US\$
Property, Plant and Equipment – Aircraft	82,000,000	-
	82,000,000	-

The board have considered the requirements of IFRS 5 and have concluded that the two NAS aircraft meet the definition of Held for Sale as at 31 December 2020.

The carrying value of the asset held for sale represents the NAS aircraft fair value less costs of disposal as at year end. The fair value has been determined with reference to unobservable inputs (see detail in note 3b for NAS aircraft) and is categorised within level 3 of the IFRS 13 fair value hierarchy.

Refer to note 4 for details of NAS rental income recognised in the statement of comprehensive income for the year ended 31 December 2020.

12) INVESTMENT HELD AT FAIR VALUE

	2020	2019
	US\$	US\$
Opening investment held at fair value	-	-
Additions	40,490,218	-
Unrealised fair value loss	(24,859,692)	-
Balance as at year end	15,630,526	-

The above represents the 1,541,897 shares (after stock consolidation of 1 share for every 100 held) (31 December 2019: Nil Shares) the Group received in Norwegian Air Shuttle ASA in relation to rental income of US\$ 40,283,995 (notes 4 and 16) and maintenance reserves of US\$ 206,223. This is a 3.90% (31 December 2019: Nil %) shareholding in Norwegian at the period end. The number of shares received were calculated by reference to the monies which are being waived and/or forborne by the Company as a result of the waived outstanding debtor and the reduced monthly rental amount from July 2020, as discounted back to the net present value at time of issuance.

The shares had lock-up dates attached allowing partial sales in August 2020 and October 2020, with the Company free to dispose of all such shares on any date falling on or after 9 December 2020. No shares were sold up to 31 December 2020.



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

For the year ended 31 December 2020

12) INVESTMENT HELD AT FAIR VALUE (CONTINUED)

The shares have been provided as collateral to the lending banks in relation to the Norwegian Aircraft and post year end security enforcement rights have been exercised.

Subsequent to the year end, and with consent from the lenders, 525,000 of the first tranche of shares received have been sold for proceeds of approximately US\$ 4 million. The proceeds received were not up streamed to the Parent and serve as security for the NAS lenders. The group is uncertain as to how administration of the NAS lessee of the aircraft will affect the second allocation of shares which was due in April 2021. Due to this uncertainty and the situation as at the year end, no value has been attributed to the element of the second tranche shares that would have been earned during 2020.

See note 18 for further details regarding the lending bank, NordLB assuming rights under the NAS shares held or receivable due to an Event of Default subsequent to the year end.

13) RESTRICTED CASH

	2020 US\$	2019 US\$
Security deposit account	5,054,768	13,633,876
Maintenance reserves account	22,383,564	20,929,795
Total restricted cash	27,438,332	34,563,671

The security deposits held have been provided by the two lessees in accordance with the lease agreements and are made up as follows:

	2020 US\$	2019 US\$
NAS security deposits	-	6,400,000
Thai security deposits	5,054,768	7,233,876
Total security deposits	5,054,768	13,633,876

The Norwegian Air Shuttle ASA security deposit has been fully used up during the period against rentals that were due for the period March 2020 to May 2020 and has not been replenished so none is refundable to NAS as at year end (see note 15).

The Thai Airways security deposit has been fully reserved and applied against unpaid lease rentals per Reservation of Rights letters served to Thai Airways in June 2020. However, in accordance with the Dekabank financing arrangements the Thai amount reserved has been kept in the security deposits bank account and is to be used solely to service loan payments due to Dekabank and so remains as restricted cash. Refer to note 18 for further details regarding the Dekabank loan. Thai have not replenished the security deposit, so none is refundable to Thai as at year end (see note 15).

Included in the maintenance reserves cash as at year end is US\$ 6,835,590 attributable to the NAS aircraft. In accordance with the NordLB financing arrangements, the NAS amount reserved has been kept in the maintenance reserves bank account and remains as restricted cash.

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

For the year ended 31 December 2020

13) RESTRICTED CASH (continued)

As detailed in note 18, post year end NordLB after declaring an Event of Default has taken control of, among other things, NAS aircraft-specific cash balances. This balance together with any relevant post year end movements are now under the control of NordLB.

14) TRADE AND OTHER RECEIVABLES

	2020	2019
	US\$	US\$
Prepayments	45,930	68,606
Rent receivable	10,111,605	-
Maintenance reserve receivable	-	294,970
<b>Total trade and other receivables</b>	<b>10,157,535</b>	<b>363,576</b>
Less: Lifetime Expected Credit Loss provision		
Rent receivable	(10,111,605)	-
<b>Total provision</b>	<b>(10,111,605)</b>	<b>-</b>
<b>Net trade and other receivables</b>	<b>45,930</b>	<b>363,576</b>

Rent receivable is in relation to outstanding amounts due under the Thai leases only and has been fully provided as shown above.

The Group does not hold any collateral as security, see note 15 for further details regarding security deposits.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECL') using a lifetime ECL provision for trade receivables. To measure ECL the Group has split trade receivables per lessee and assessed each lessee separately. The expected loss rates applied are based on the Group's assessment of the credit quality of each lessee as well as the impact of Covid-19, current and future, on the airline sector and world as a whole. Based on the assessment done of each lessee's credit risk (see note 3) and how each lessee has been affected by Covid-19, consider it appropriate to recognise lifetime ECL of the full value of the rent receivable and lease asset, respectively.

Movements in the impairment allowance for trade receivables are as follows:

	2020	2019
	US\$	US\$
Opening provision for ECL	-	-
Increase during the year	11,416,244	-
Receivable written off	(1,304,639)	-
<b>At 31 December</b>	<b>10,111,605</b>	<b>-</b>

Receivable written off is in relation to a portion of NAS lease payments due up to 30 June 2020 that were written off as part of the lease agreement restructure.

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

For the year ended 31 December 2020

15) SECURITY DEPOSITS AND MAINTENANCE RESERVES LIABILITY

	2020	2019
	US\$	US\$
Security deposits:		
Refundable to Norwegian	-	6,400,000
Refundable to Thai Airways	-	6,864,420
<b>Total security deposits</b>	-	<b>13,264,420</b>

Both NAS and Thai defaulted on the leases during the year and so the Company took over the security deposit monies and applied these in full against rentals due. The security deposits utilised against receivables were not replenished. As a result, there are no security deposits refundable to each lessee as at year end. Also see comments in note 13.

	2020	2019
	US\$	US\$
Maintenance reserves:		
Refundable to Norwegian	-	6,470,334
Refundable to Thai Airways	14,460,682	13,737,288
<b>Total maintenance reserves</b>	<b>14,460,682</b>	<b>20,207,622</b>

As detailed in note 3a, there has been a termination of the NAS leases as at 31 December 2020. As a consequence, there is no longer an obligation in relation to the NAS maintenance reserves and so the NAS maintenance reserve liability has been released to the Consolidated Statement of Comprehensive Income as at year end. The released maintenance reserve liability which comprises prior year reserves and current year additions is recognized in profit or loss as lease related income (see note 5).

16) DEFERRED INCOME

	2020	2019
	US\$	US\$
Boeing 787-8 Serial No: 35304	-	560,226
Boeing 787-8 Serial No: 35305	-	562,538
Boeing 787-8 Serial No: 35320	-	332,556
Boeing 787-8 Serial No: 36110	-	1,032,089
<b>Total deferred income</b>	<b>-</b>	<b>2,487,409</b>

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

For the year ended 31 December 2020

16) DEFERRED INCOME (CONTINUED)

The table below sets out the movements in deferred income for the period ended 31 December 2020 reported in the cash flow statement:

	2020 US\$	2019 US\$
Opening balance	(2,487,409)	(2,579,881)
Shares received (non-cash) – note 12	(40,283,996)	-
Movement in deferred income *	42,771,405	92,472
Closing balance	-	(2,487,409)

\*The movement in deferred income comprises deferred income released to Profit or Loss on termination of the related lease of US\$ 34,293,038 (see note 5). The remaining amount is deferred income released to rental income during the normal course of the lease and is included in Profit or Loss as rental income.

During the year, the restructuring of Norwegian resulted in the group receiving equity in Norwegian valued at US\$ 40,283,996 which included equity to settle amounts waived and/or forborne by the group as a result of a reduced monthly rental amount from April 2021, as discounted back to the net present value at time of issuance. More details are in note 12. On inception, this represented income for future rentals for the aircraft and hence was treated as deferred income. The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a and as a result the deferred income in relation to the NAS leases as at 31 December 2020 has been released in full to the statement of comprehensive income as lease related income (see notes 4 and 5). Therefore, this is no remaining NAS deferred income as at year end.

For Thai Airways, rental is due to the group and hence no deferred income as at year end.

The maturity analysis of the deferred income at the reporting date are:

	Next 12 months US\$	2 to 5 years US\$	After 5 years US\$	Total US\$
31 December 2020				
Boeing 787-8 Serial No: 35304	-	-	-	-
Boeing 787-8 Serial No: 35305	-	-	-	-
Boeing 787-8 Serial No: 35320	-	-	-	-
Boeing 787-8 Serial No: 36110	-	-	-	-
	-	-	-	-
31 December 2019				
Boeing 787-8 Serial No: 35304	560,226	-	-	560,226
Boeing 787-8 Serial No: 35305	562,538	-	-	562,538
Boeing 787-8 Serial No: 35320	332,556	-	-	332,556
Boeing 787-8 Serial No: 36110	1,032,089	-	-	1,032,089
	2,487,409	-	-	2,487,409

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

For the year ended 31 December 2020

17) TRADE AND OTHER PAYABLES

	2020 US\$	2019 US\$
Swap interest payable	73,483	28,070
Accruals and other payables	720,674	345,853
Taxation payable	98,625	67,289
<b>Total trade and other payables</b>	<b>892,781</b>	<b>441,212</b>

18) BANK BORROWINGS

	2020 US\$	2019 US\$
Current liabilities: Bank interest payable and bank borrowings	180,915,582	27,107,311
Non-current liabilities: bank borrowing	-	163,739,430
<b>Total liabilities</b>	<b>180,915,582</b>	<b>190,846,741</b>

The borrowings are repayable as follows:

	2020	2019
Interest payable	238,969	317,062
Within one year	180,676,613	26,790,249
In two to five years	-	120,561,601
After five years	-	43,177,829
<b>Total bank borrowings</b>	<b>180,915,582</b>	<b>190,846,741</b>

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

	2020 US\$	2019 US\$
Opening balance	190,529,679	216,135,121
Repayment of loan	(11,700,921)	(25,899,083)
Amortisation of deferred finance costs	1,847,855	293,641
<b>Principal bank borrowings</b>	<b>180,676,613</b>	<b>190,529,679</b>
Interest payable	238,969	317,062
<b>Total bank borrowings</b>	<b>180,915,582</b>	<b>190,846,741</b>

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

For the year ended 31 December 2020

18) BANK BORROWINGS (CONTINUED)

The table below sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2020:

	Cash and cash equivalents US\$	Principal US\$	Interest US\$	Derivative Instrument* US\$	Net Debt US\$
At 1 January 2020	12,216,093	(190,529,679)	(317,062)	(2,376,913)	(181,007,561)
Cash flows	(5,266,926)	11,700,921	6,981,540	1,500,852	14,916,387
Non cash: -					
Fair value movement	-	-	-	(1,834,871)	(1,834,871)
Amortisation of deferred finance costs	-	(1,847,855)	-	-	(1,847,855)
Interest charge	-	-	(6,903,447)	(1,546,266)	(8,449,713)
At 31 December 2020	6,949,167	(180,676,613)	(238,969)	(4,257,198)	(178,223,613)

\*Including interest payable of US\$ 73,483 (2019: US\$ 28,070)

	Cash and cash equivalents US\$	Principal US\$	Interest US\$	Derivative Instrument* US\$	Net Debt US\$
At 1 January 2019	11,122,182	(216,135,121)	(380,553)	146,083	(205,247,409)
Cash flows	1,093,911	25,899,083	9,339,935	168,372	36,501,301
Non cash: -					
Fair value movement	-	-	-	(2,502,638)	(2,502,638)
Amortisation of deferred finance costs	-	(293,641)	-	-	(293,641)
Interest charge	-	-	(9,276,444)	(188,730)	(9,465,174)
At 31 December 2019	12,216,093	(190,529,679)	(317,062)	(2,376,913)	(181,007,561)

\*Including interest payable of US\$ 28,070 (2018: US\$ 7,712)

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

For the year ended 31 December 2020

18) BANK BORROWINGS (CONTINUED)

Loans

The loans are split across two banks as follows:

	2020	2019
	US\$	US\$
DekaBank Deutsche Girozentrale	98,001,743	103,073,142
Norddeutsche Landesbank	82,913,839	87,773,599
Total loans	180,915,582	190,846,741

a) *Norddeutsche Landesbank Girozentrale*

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 of both loans at 31 December 2020 was US\$ 82,913,839 (31 December 2019: US\$ 87,773,599).

The committed term of each loan was from the drawdown date until the date falling twelve years from the Delivery Date of the relevant Asset. Each Loan to 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 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 an 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.

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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2020

18) BANK BORROWINGS (CONTINUED)

a) *Norddeutsche Landesbank Girozentrale (continued)*

Post the Norwegian Aircraft lease restructure, the NordLB loan was also restructured subject to entering into formal loan documentation. Repayments of principal due during the period from May 2020 to March 2021 were deferred, and the profile of debt service for the period starting from 1 April 2021 was adjusted to reflect the proposed reduction in Norwegian's monthly lease payments.

All deferred amounts to be repaid by 30 June 2025 at the latest (with prepayment permissible without charge); and interest on deferred amounts payable on a floating rate basis calculated as 2.60% margin plus fixed fee of 1.50% plus cost of funds.

The shares in Norwegian (see note 12) were pledged to NordLB for as long as loan deferrals were outstanding, and accordingly any sale of shares during that time required the prior consent of the banks.

The loans restructure mentioned on the previous page was subject to formal loan documentation being entered into by 31 July 2020 otherwise they would not be effective. Post year end, the lender notified the Company that the agreements set out in the restructuring commitment had ceased to be effective given that definitive loan documentation with respect to the restructuring commitment had not been entered into by 31 July 2020. Accordingly, subsequent to the year end, the terms of the Loan Agreement prior to the Restructure Commitments are now effective again.

As at year end, the group was in default as they missed loan repayments when they were due thus the whole balance due to Norddeutsche Landesbank has been classified as a current liability as at year end. Post year end, on 24 February 2021, NordLB formally declared an Event of Default under the relevant loan agreements with the Company's two borrower subsidiaries which meant that NordLB was entitled to enforce rights under the relevant security documents. On 26 February 2021, the Company received notices of security enforcement and loan acceleration from NordLB, and accordingly, receivers were appointed in relation to the two NAS aircraft, the related lease and contract rights, the restricted cash and the shares in the Irish special purpose vehicle which holds title to the NAS aircraft. NordLB has therefore taken control of the process of disposing of the two NAS aircraft, with the proceeds of sale (along with relevant aircraft-specific cash balances, claims against Norwegian and shares in Norwegian held as security) being applied in the first instance to pay off any outstanding amounts owed to the bank, and any balance remaining thereafter being remitted to the relevant subsidiaries of the Company.

These developments impact solely upon the two NAS aircraft; they have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by NordLB to the Company itself.

b) *DekaBank Deutsche Girozentrale*

During the year ended 31 December 2015 the Company utilised the proceeds from the placing and the proceeds of two separate loans from DekaBank Deutsche Girozentrale ('DekaBank') of US\$ 78,500,000 each to fund the purchase of two Boeing 787-8 aircraft. The balance on the loans at 31 December 2020 was US\$ 98,001,743 (31 December 2019: US\$ 103,073,142).



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

For the year ended 31 December 2020

18) BANK BORROWINGS (CONTINUED)

b) *DekaBank Deutsche Girozentrale (continued)*

The committed term of each loan was from the drawdown date until the date falling twelve years from the Delivery Date of the relevant Asset. Each Loan was to 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 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. No interest accrued on unpaid amounts during the period as there was an agreement to defer principal repayments as mentioned below.

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. 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.

In light of the moratorium triggered by the Thai instigation of debt proceedings on 27 May 2020, the Board and the lender, Dekabank, concluded that Thai would not make any further lease rental payments prior to the rehabilitation court hearing on 25 August 2020. Accordingly, the parties initially agreed that, for the period from 29 June 2020 to 9 September 2020, the Company would only be required to make interest payments on its borrowings relating to the assets leased to Thai, with no concomitant capital repayment obligation; and that the Company will make no dividend payments while deferrals remain outstanding under those borrowings. Subsequent to 9 September 2020, further one month rolling extensions to the interest only period were granted by the lenders however the extensions were not to go beyond 31 January 2021 without the express consent of the lenders. The interest payments were sourced from the security deposits received by the Company from Thai Airways in advance of the commencement of the relevant leases that the Company has reserved under Reservation of Rights letters provided to Thai. Should an extension not be granted, the deferred amounts of principal shall become repayable upon demand by the Facility Agent on a repayment date specified by the Facility Agent which falls at least one month after the extension period end.

On 6 May 2021, subsequent to the new lease arrangements entered into by the Company and Thai as detailed in note 4, the Company and Dekabank have amended and restated the existing loan facility agreements in respect of the Thai aircraft to accommodate the new lease terms. Repayments of principal will be further deferred until the end of the PBH arrangement; and the Company and Dekabank will enter into discussions at that time to determine how best to schedule interest payments, principal repayments and a final balloon repayment, having regard for both the income being received by the Company in respect of the Thai aircraft, and the running costs of the Company and its subsidiaries.

Whilst the loan agreement has been amended post year end, as at the year end, the Group did not have the contractual right to defer repayment of the Dekabank loans for at least a period of 12 months and accordingly the loans have been classified as current within the balance sheet.

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

For the year ended 31 December 2020

19) SHARE CAPITAL

The Company's authorised share capital is unlimited.

Year ended 31 December 2020

Issued and fully paid (no par value shares):	Subordinated Administrative Share Number	Ordinary Shares Number	Total Number
Shares as at 1 January 2020 and 31 December 2020	1	209,333,333	209,333,334
	US\$	US\$	US\$
Share capital as at 1 January 2020 and 31 December 2020	-	210,556,652	210,556,652

Year ended 31 December 2019

Issued and fully paid (no par value shares):	Subordinated Administrative Share Number	Ordinary Shares Number	Total Number
Shares as at 1 January 2019 and 31 December 2019	1	209,333,333	209,333,334
	US\$	US\$	US\$
Share capital as at 1 January 2019 and 31 December 2019	1	210,556,651	210,556,652

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

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

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

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

For the year ended 31 December 2020

19) SHARE CAPITAL (CONTINUED)

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

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

20) RESERVES

The movements in the Group's reserves are shown on page 50.

Retained earnings comprises accumulated profits/losses over time and is taken to this reserve which may be utilised for the payment of dividends if overall in a profitable position.

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

21) DIVIDENDS

During the year ended 31 December 2020 the Company declared and paid the following dividends:

Dividend reference period	Shares	Dividend per Share US\$	Paid US\$	Payment date
Quarter ended 31 December 2019	209,333,333	0.0225	4,710,000	14 February 2020

As a result of the Coronavirus ('Covid-19') pandemic impact on global aviation and especially its lessees, the Group has suspended dividends until further notice to help preserve liquidity. As mentioned before, the lending bank (NordLB) in relation to the Company's two aircraft leased to the Norwegian group have declared an Event of Default and enforced their security rights in respect of the NAS aircraft. This coupled with the fact that any lease rental payments received by the Company in respect of the Thai aircraft are expected to be applied exclusively towards the running costs of the Company and its subsidiaries, and interest payments and principal repayments to the Thai lenders (Dekabank), means that there is no realistic prospect of the Company's shareholders receiving a dividend or other distribution for the foreseeable future. The Board and its advisers will be consulting with shareholders in the future with a view to determining the best course of action to take for the future of the Company.

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

For the year ended 31 December 2020

21) DIVIDENDS (CONTINUED)

During the year ended 31 December 2019 the Company declared and paid the following dividends:

Dividend reference period	Shares	Dividend per Share US\$	Paid US\$	Payment date
Quarter ended 31 December 2018	209,333,333	0.0225	4,710,000	14 February 2019
Quarter ended 31 March 2019	209,333,333	0.0225	4,710,000	16 May 2019
Quarter ended 30 June 2019	209,333,333	0.0225	4,710,000	15 August 2019
Quarter ended 30 September 2019	209,333,333	0.0225	4,710,000	14 November 2019
			18,840,000	

22) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

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

Name	Date of Incorporation	Country of Incorporation	Proportion of ownership interest at 31 December 2020
DP Aircraft Guernsey I Limited	10 July 2013	Guernsey	100%
DP Aircraft Guernsey II Limited	10 July 2013	Guernsey	100%
DP Aircraft Guernsey III Limited	21 May 2015	Guernsey	100%
DP Aircraft Guernsey IV Limited	21 May 2015	Guernsey	100%
DP Aircraft Ireland Limited	27 June 2013	Republic of Ireland	100%
DP Aircraft UK Limited	14 April 2015	United Kingdom	100%

DP Aircraft Guernsey 1 Limited, DP Aircraft Guernsey II Limited and DP Aircraft Ireland Limited have entered receivership post year end following enforcement of NordLB security rights as detailed in note 27.

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

For the year ended 31 December 2020

23) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	2020	2019
	US\$	US\$
Financial assets		
Investment held at fair value	15,630,526	-
Financial assets measured at fair value through profit or loss	15,630,526	-
Cash and cash equivalents	6,949,167	12,216,093
Restricted cash	27,438,332	34,563,671
Trade and other receivables (excluding prepayments)	-	294,970
Financial assets measured at amortised cost	34,387,499	47,074,734
Financial liabilities		
Bank borrowings	180,915,582	190,846,742
Maintenance reserves	14,460,682	20,207,622
Security deposits	-	13,264,420
Trade and other payables (excluding tax)	794,158	373,923
Financial liabilities measured at amortised cost	196,170,421	224,692,707
Interest rate swaps	4,183,715	2,348,843
Financial liabilities designated as hedging instruments	4,183,715	2,348,843

The primary risks arising from the Group's financial instruments are capital management, credit risk, market risk and liquidity risk. The principal nature of such risks is summarised below. The Group's main financial instruments comprise of cash and cash equivalents, investment held, four separate loan agreements and interest rate swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

23) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Capital Management*

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

Until Covid-19, the impact on the aircraft industry and the lessees, income distributions were generally made quarterly, subject to compliance with Applicable Law and regulations, in February, May, August and November of each year. The Company aimed to make a distribution to investors of US\$ 0.0225 per Share per quarter. There can be no guarantee that dividends will be paid to Shareholders and, if dividends are paid, as to the timing and amount of any such dividend. Any distribution of dividend to Shareholders will be subject always to compliance with the Companies (Guernsey) Law, 2008.

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

As a result of the Covid-19 pandemic impact on global aviation and especially its lessees, the Group has suspended dividends until further notice to help preserve liquidity. Further details on the impact of the Covid-19 pandemic can be found within the Directors' Report.

*Credit risk*

Credit risk is the risk that a significant counterparty will default on its contractual obligations. The Group's counterparties during the year were Norwegian and Thai Airways as lessees and providers of income. There are gross lease rentals receivable from Thai at 31 December 2020, US\$ 10,111,605 (2019: US\$ Nil). There are no lease income receivables due from NAS as at year end (2019: US\$ Nil). A full lifetime ECL has been recognised for the lease rentals receivable from Thai (see note 14).

Whilst the board expect that the Thai rehabilitation plan will succeed, the final outcome of those proceedings is unknown. There is no guarantee that Thailand's Central Bankruptcy Court will approve Thai Airways' business rehabilitation petition. Failure of any material part of the business model may have an adverse impact on its ability to comply with its obligations under the current leases or any proposed lease restructuring arrangements.

As detailed in note 4, on 2 March 2021 the Company signed a LOI with Thai Airways under which the parties agreed to amend the existing lease terms. The new terms provide for a PBH arrangement until the end of 2022 (i.e., rent will be payable by reference to actual monthly utilisation of the Thai aircraft), with scaled back monthly lease payments thereafter, reflecting the reduced rates now seen in the market. The lease term will be extended to December 2029, after consulting the Lenders retaining a right of early termination in 2026. A corresponding agreement has been reached with the bank (Dekabank) providing finance for the aircraft leased to Thai Airways, see note 18.

During the year, the Company renegotiated its contractual position with NAS and entered into an agreement whereby lease rates were revised and rentals for the period July 2020 to March 2021 were to be received in shares to be issued in April 2021 if the aircraft were not operated during that period. The aircraft were not operated between July 2020 and year end thus rent in shares is due as of 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

23) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Credit risk (continued)*

The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a. Post year end, the subsidiary of NAS that is the lessee of the aircraft went into liquidation. The lending bank for the aircraft that were leased to NAS formally declared an Event of Default post year end, enforced its security, and took over among other things the rights of the group under the leases with NAS.

In advance of the commencement of the lease terms under the leases, both Norwegian and Thai paid to the Group a security deposit in respect of each Asset. These security deposits have been applied against rentals that were due during the period and there are no security deposits in place as at year end.

Cash and restricted cash are all held at NordLB and DekaBank. The credit rating of NordLB is A3 (2019: A3) and the credit rating of DekaBank is Aa2 (2019: Aa2). The lessees do not maintain a credit rating.

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

*Market risk – interest rate risk*

Interest rate risk arises on the Group's various interest-bearing assets and liabilities from changes in the general economic conditions of the market from time to time. In respect of the floating rate loans advanced by NordLB for the purchase of the first two Assets, the Directors have sought to mitigate this risk by swapping the interest on each loan from a floating rate of interest to a fixed rate of interest. The floating rate of interest is calculated using LIBOR for the length of the interest period and a margin of 2.6 per cent per annum and has been swapped for a fixed rate of 5.06 per cent and 5.08 per cent for the duration of the loans. The Group has entered into ISDA-standard hedging arrangements with NordLB as hedging provider in order to provide for fixed-rate interest for 12 years to be payable in respect of the loan, funded by the fixed rental payments under the corresponding lease. The interest rate swaps are not under a single master netting agreement. As at 31 December 2020 the fair value of the interest rate swaps was a payable of US\$ 4,183,715 (2019: US\$ 2,348,843).

A 0.25% increase or decrease in interest rates would not have a material impact on the Group due to the derivatives fixing the interest rates paid by the group.

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

For the year ended 31 December 2020

23) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Market risk – interest rate risk (continued)*

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

31 December 2020	Fixed rate instruments US\$	Variable rate instruments US\$	Non-interest bearing instruments US\$	Total US\$
Restricted cash	-	27,438,332	-	27,438,332
Cash and cash equivalents	-	6,949,167	-	6,949,167
<b>Total financial assets</b>	<b>-</b>	<b>34,387,499</b>	<b>-</b>	<b>34,387,499</b>
Trade and other payables	-	-	(794,158)	(794,158)
Maintenance reserves	-	-	(14,460,682)	(14,460,682)
Security deposits	-	-	-	-
Notional interest rate swap	(74,678,094)	74,678,094	-	-
NordLB loans	-	(82,804,726)	(109,113)	(82,185,747)
DekaBank loans	(97,871,887)	-	(129,856)	(97,175,621)
<b>Total financial liabilities</b>	<b>(172,549,981)</b>	<b>(8,126,632)</b>	<b>(15,493,809)</b>	<b>(196,170,421)</b>
<b>Total interest rate sensitivity gap</b>	<b>(172,549,981)</b>	<b>(26,260,868)</b>		

31 December 2019	Fixed rate instruments US\$	Variable rate instruments US\$	Non-interest bearing instruments US\$	Total US\$
Restricted cash	-	34,563,671	-	34,563,671
Cash and cash equivalents	-	12,216,093	-	12,216,093
Trade receivables	-	-	363,576	363,576
<b>Total financial assets</b>	<b>-</b>	<b>46,779,764</b>	<b>363,576</b>	<b>47,143,340</b>
Trade and other payables	-	-	(373,923)	(373,923)
Maintenance reserves	-	-	(20,207,622)	(20,207,622)
Security deposits	-	-	(13,264,420)	(13,264,420)
Notional interest rate swap	(88,486,779)	88,486,779	-	-
NordLB loans	-	(87,605,404)	(168,194)	(87,773,598)
DekaBank loans	(102,924,275)	-	(148,868)	(103,073,143)
<b>Total financial liabilities</b>	<b>(191,411,054)</b>	<b>881,375</b>	<b>(34,163,027)</b>	<b>(224,692,706)</b>
<b>Total interest rate sensitivity gap</b>	<b>(191,411,054)</b>	<b>47,661,139</b>		



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

23) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Market risk – foreign currency risk*

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

*Market risk – price risk*

Price risk represents the potential loss the group may suffer through holding investments in securities. As at year end the Group holds shares in Norwegian. The shares are pledged as security to the NordLB thus can only be sold with the express consent of the lender.

As at 31 December 2020, the total exposure to market price risk is US\$ 15,630,526 (2019: US\$ Nil) being 100% of the value the Group's financial assets measured at fair value through profit or loss. The group is monitoring the NAS share price and is seeking the most optimal time to realise the shares.

The effect of a 10% increase in the value of the investments held and shares in NAS receivable at the reporting date would, all other variables held constant, have resulted in an increase in profit and net assets of US\$ 1,734,920 (2019: US\$ Nil). A 10% decrease in value would, on the same basis, have decreased profit and net assets by the same amount.

*Liquidity risk*

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

*Liquidity risk management*

In the event that the Leases are terminated as a result of a default by Norwegian or Thai Airways, there is a risk that the Group will not be able to remarket the Assets successfully within the remarketing period specified in the loan agreements and that (after using the Liquidity Reserve) the Group will not have sufficient liquidity to comply with its obligations under the Loan Agreements. This may lead to a suspension in distributions paid on the shares and/or a reduction in the value of the shares and have an adverse effect on the Group and could ultimately result in the lenders enforcing their security and selling the relevant Asset or Assets on the market. There can be no guarantee that the Group will be able to re-lease the Assets on terms as favourable as the existing leases, which may have an adverse effect on the Group and its ability to meet its investment objective and its dividend target. The price paid by the Group for the Assets partly reflects the terms of the leases to which the Assets are subject. Accordingly, were any or all of the Assets to be re-leased on less favourable terms, this may have an adverse effect on the value of the Assets and therefore the share price.

The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a and NordLB declared an Event of Default post year end, see note 18.

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

For the year ended 31 December 2020

23) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Liquidity risk (continued)*

No right of redemption or repurchase

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

Liquidity Proposal

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

The following table details the contractual maturity analysis of the Group's financial liabilities. The amounts are contractual undiscounted cash flows and therefore will not agree directly to the balances in the statement of financial position. Note however that the bank loan and interest rate swaps have been included at their carrying amounts as these are current as at year end and don't have fixed dates of repayment.

31 December 2020	Next 12 months US\$	2-5 years US\$	After 5 years US\$	Total US\$
Bank borrowings and interest	(180,915,582)	-	-	(180,915,582)
Interest rate swaps	(4,183,715)	-	-	(4,183,715)
Maintenance provision	-	-	(14,460,682)	(14,460,682)
Security deposit	-	-	-	-
Trade and other payables	(892,783)	-	-	(892,783)
<b>Total</b>	<b>(185,992,078)</b>	<b>-</b>	<b>(14,460,682)</b>	<b>(200,452,760)</b>

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

For the year ended 31 December 2020

23) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Liquidity risk (continued)*

31 December 2019	Next 12 months	2-5 years	After 5 years	Total
	US\$	US\$	US\$	US\$
Bank borrowings and interest	(35,393,147)	(141,413,457)	(45,106,859)	(221,913,463)
Interest rate swaps	(817,348)	(2,338,301)	(82,671)	(3,238,320)
Maintenance provision	-	-	(20,207,622)	(20,207,622)
Security deposit	-	-	(13,264,420)	(13,264,420)
Trade and other payables	(373,923)	-	-	(373,923)
<b>Total</b>	<b>(36,584,418)</b>	<b>(143,751,758)</b>	<b>(78,661,572)</b>	<b>(258,997,748)</b>

In addition to the bank loans, the Group may from time to time use borrowings. To this end the Group may arrange an overdraft facility for efficient cash management. The Directors intend to restrict borrowings other than the bank loans to an amount not exceeding 15 percent of the net asset value of the Group at the time of drawdown. Borrowing facilities will only be drawn down with the approval of the Directors on a case by case basis. The Directors may also draw down on an overdraft facility for extraordinary expenses determined by them, on the advice of DS Aviation, to be necessary to safeguard the overall investment objective. With the exception of the loans, the Directors have no intention, as at the date of this report, to use such borrowings or overdraft facility for structural investment purposes.

24) FAIR VALUE MEASUREMENT

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

**Financial assets at fair value through profit or loss**

Investments are measured at fair value with reference to quoted prices and so are categorised within level 1 of the IFRS 13 fair value hierarchy.

**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 (NordLB loan) was estimated by discounting future principal and interest cash flows by a market interest rate of interest at the reporting date. The resulting fair value as at 31 December 2020 was US\$ 72,800,000 (2019: US\$ 82,185,74).

The fair value of fixed rate borrowings (Dekabank loan) was estimated by discounting future principal and interest cash flows, discounted by a market interest rate of interest at the reporting date. The resulting fair value as at 31 December 2020 was US\$ 88,000,000 (2019: US\$ 98,515,186).

The fixed and floating rate loans have been categorised within level 3 of the fair value hierarchy in the current year.

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

For the year ended 31 December 2020

24) FAIR VALUE MEASUREMENT (CONTINUED)

Financial liabilities designated as hedging instruments

The fair value of the Group's derivative interest rate swaps is 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:

As at 31 December 2020	Next 12 months US\$	2 to 5 years US\$	After 5 years US\$	Total US\$
Floating rate receivable	1,881,220	3,388,735	-	5,269,955
Fixed rate payable	(3,499,198)	(5,977,750)	-	(9,476,948)
Interest rate swaps	(1,617,978)	(2,589,015)	-	(4,206,993)

As at 31 December 2019	Next 12 months US\$	2 to 5 years US\$	After 5 years US\$	Total US\$
Floating rate receivable	3,409,488	6,915,561	144,255	10,469,304
Fixed rate payable	(4,226,835)	(9,253,862)	(226,925)	(13,707,622)
Interest rate swaps	(817,347)	(2,338,301)	(82,670)	(3,238,318)

As at 31 December 2020, the fair value of the interest rate swaps was a liability US\$ 4,183,715 (31 December 2019: asset of US\$ 2,348,841). The movement in the interest rate swap liability fair value is broken down as follows:

	2020 US\$	2019 US\$
Balance as at beginning of the year	2,348,843	(153,795)
Movement through Other Comprehensive Income	3,077,677	2,502,638
Movement through Profit or Loss	(1,242,805)	-
Balance as at year end	4,183,715	2,348,843

The cash flow hedge loss recognised in the Statement of Comprehensive income is made up as follows:

	2020 US\$	2019 US\$
Cash flow hedges – changes in fair value	(3,462,554)	(2,691,368)
Cash flow hedges – reclassified to profit or loss	384,877	188,730
Movement through Other Comprehensive Income	(3,077,677)	(2,502,638)
Reserve reclassification on hedge discontinuation	7	5,426,518
Cash flow hedge loss	2,348,841	(2,502,638)

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

For the year ended 31 December 2020

24) FAIR VALUE MEASUREMENT (CONTINUED)

Up to 13 May 2020 the hedging relationship between the interest rate swap and the loan was effective and hedge accounting was being applied. Movements in the fair value were being recognised in Other Comprehensive Income and being accumulated in a Cash flow hedge reserve. Post 13 May 2020, loan terms were varied but the terms of the swap were not resulting in hedge accounting being discontinued as there was no longer a direct economic relationship between the hedged item and the hedging instrument. As a result, fair value movements between 13 May 2020 and year end have been accounted for directly in Profit or Loss and the cumulative OCI amount recognised in the Cash flow hedge reserve up to the discontinuation date has been recycled to Profit or Loss in full given at year end the related loan is repayable on demand.

Transfers between levels

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

There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the year ended 31 December 2020 or in the year ended 31 December 2019.

25) RELATED PARTY TRANSACTIONS

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

	Year ended 31 December 2020	Year ended 31 December 2019
	US\$	US\$
Jonathan Bridel (Chairman)	124,994	80,035
Jeremy Thompson (Chairman of the Audit Committee and Senior Independent Director)	101,665	65,112
Angela Behrend-Görnemann* - (Previously Chairman of the Management Engagement Committee, resigned 31 October 2019)	-	67,283
Harald Brauns (Chairman of the Management Engagement Committee)	111,346	12,591
<b>Total</b>	<b>338,005</b>	<b>225,021</b>

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

For the year ended 31 December 2020

25) RELATED PARTY TRANSACTIONS (CONTINUED)

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

During the year ended 31 December 2020, Directors' remuneration totalled US\$ 338,005 (year ended 31 December 2019: US\$ 225,021) with US\$ 171,712 due at the year-end (2019: US\$ 51,051). Directors' expenses totalling US\$ 1,018 were paid during the year ended 31 December 2020 (2019: US\$ 11,454), with US\$ Nil due to be paid at the year-end (2019: US\$ Nil).

In February 2020 the board reviewed the current director fee levels (inclusive of all subsidiaries) and agreed that remuneration levels of directors were set at the correct level, however it was proposed that the Directors remuneration should be increased by annual inflation amount of 3.2% in line with the latest published independent fee survey. This increase was effective from 1 April 2020:

	Annual Fee
Jonathan Bridel	£66,000
Jeremy Thompson	£53,700
Harald Brauns	£58,800

In recognition of the additional work performed in 2020 in relation to the group's circumstances, the board have earned extra fees of US\$ 110,710 (£81,100) split as follows:-

	Additional Fee
Jonathan Bridel	£30,000
Jeremy Thompson	£24,400
Harald Brauns	£26,700

Although this is not finalised, it is currently the board's intention where permissible to take the additional fees in respect of 2020 together with 10% of the base fee from 2021 by way of equity in the company.

Director's shareholdings in the Company are detailed in the Directors' Report and received dividends of US\$ 506 during the year (2019: US\$ 2,025).

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

For the year ended 31 December 2020

26) 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 aircraft leased to Thai.

Disposal fee

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

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

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

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

The disposal fee is a cash-settled payment to the Asset Manager. There is no disposal fee expected to be payable and hence the brought forward provision of US\$ 2,479,634 has been fully reversed within these financial statements.

Management fees

The Asset Manager is paid a base fee which is US\$ 21,354 per month in respect of the first two Assets increasing by 2.5% per annum and US\$ 16,666 per month in respect of the second two Assets increasing by 2.5% per annum from May 2016. In the year ended 31 December 2020 Asset Management fees totalled US\$ 1,032,327 (2019: US\$ 1,007,149) of which US\$ 87,240 was due at 31 December 2020 (2019: US\$ 85,112).

Note, it has been agreed with the Asset Manager that management fees payable in relation NAS aircraft will cease from 30 June 2021 after the appropriate handover to the new manager of the NAS aircraft.

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

For the year ended 31 December 2020

26) MATERIAL CONTRACTS (CONTINUED)

Administration Agreement

Effective from 1 January 2018, the Company Secretary receives a fixed fee of £50,000 per annum. Any additional ad hoc meetings are charged on a time spent basis. The Company Administrator receives a fixed administration fee of the Company of £50,000 per annum plus an additional fixed fee of £6,000 for each of the wholly owned Guernsey subsidiaries. Additional work in excess of the above is to be charged on a time spent basis or at a rate agreed between the parties from time to time. Based upon the GBP/US\$ exchange rates on the value date of each payment, the total fees charged by the administrator for the year ended 31 December 2020 were US\$ 230,302 (2019: US\$ 187,007).

Directors' fees

Details of the fees paid to the Directors are included in note 25.

27) SUBSEQUENT EVENTS

Norwegian - Lease and Loan arrangements

Subsequent to the year end, the NAS subsidiary that is lessee of the aircraft went into liquidation following NAS's announcement that it would be ceasing long-haul operations. The lease agreements with NAS were in the judgement of the Directors de-facto terminated in December 2020 as detailed in note 3a. The formal termination process is currently being finalised.

Subsequent to year end, but before the Event of Default was declared as per below, and with consent from the lenders, 525,000 shares of the first tranche of Norwegian shares received have been sold for proceeds of approximately US\$ 4 million. The proceeds were not up streamed to the Parent and serve as security for the NAS lenders.

On 24 February 2021, NordLB declared an Event of Default under the relevant loan agreements with the Company's two borrower subsidiaries which meant that NordLB was entitled to enforce rights under the relevant security documents. On 26 February 2021, the Company received notices of security enforcement and loan acceleration from NordLB; and accordingly, receivers were appointed in relation to the two NAS aircraft, the related lease and contract rights, and the shares in the Irish special purpose vehicle which holds title to the NAS aircraft. NordLB has therefore taken control of the process of disposing of the two NAS aircraft, with the proceeds of sale (along with relevant aircraft-specific cash balances, claims against Norwegian and shares in Norwegian held as security) being applied in the first instance to pay off any outstanding amounts owed to the bank, and any balance remaining thereafter being remitted to the relevant subsidiaries of the Company.

These developments impact solely upon the two NAS aircraft; they have no effect upon the Company's arrangements in respect of the aircraft which it leases to Thai Airways; and there is no recourse by NordLB to the Company itself.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

27) SUBSEQUENT EVENTS (CONTINUED)

Thai Airways – Lease and Loan arrangements

On 2 March 2021, the same date that a business rehabilitation plan was submitted for Thai, the Company signed a LOI with Thai Airways under which the parties agreed to amend the existing lease terms. The new terms provide for a PBH arrangement until the end of 2022 (i.e. rent will be payable by reference to actual monthly utilisation of the Thai aircraft), with scaled back monthly lease payments thereafter, reflecting the reduced rates now seen in the market. The lease term will be extended by 3 years to December 2029, after consulting the Lenders retaining a right of early termination in 2026. Thai Airways has also undertaken to ensure that the Thai aircraft are airworthy and in flight ready condition in all respects by 30 June 2021, and on an ongoing basis. A corresponding agreement has been reached with the bank providing finance for the aircraft leased to Thai airways, see below.

On 6 May 2021, following the new lease arrangements entered into by the Company and Thai as described above, the Company and Dekabank have amended and restated the existing loan facility agreements in respect of the Thai aircraft to accommodate the new lease terms. Repayments of principal will be deferred until the end of the PBH arrangement; and the Company and Dekabank will enter into discussions at that time to determine how best to schedule interest payments, principal repayments, and a final balloon repayment, having regard for both the income being received by the Company in respect of the Thai aircraft, and the running costs of the Company and its subsidiaries.

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COMPANY INFORMATION

Directors	Jonathan Bridel Jeremy Thompson Harald Brauns
Registered Office	East Wing Trafalgar Court Les Banques St Peter Port Guernsey GY1 3PP Channel Islands
Asset Manager	DS Aviation GmbH & Co. KG Stockholmer Allee 53 44269 Dortmund Germany
Solicitors to the Company (as to English law)	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ United Kingdom
Advocates to the Company (as to Guernsey law)	Mourant Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 1HP Channel Islands
Auditor	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

COMPANY INFORMATION (CONTINUED)

Corporate Broker

Investec Bank plc  
30 Gresham Street  
London  
EC2V 7QN  
United Kingdom

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

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

REGULATORY REFERENCE AIFMD Article 23(1)	DOCUMENT NAME, PAGE AND REFERENCE
(a) a description of the investment strategy and objectives of the AIF;	Prospectus, page 38, Information on the Company.
if the AIF is a feeder AIF, information on where the master AIF is established;	Not applicable.
if the AIF is a fund of funds, information on where the underlying funds are established;	Not applicable.
a description of the types of assets in which the AIF may invest;	Prospectus, page 38, Information on the Company.
the investment techniques that the AIF, or the AIFM on behalf of the AIF, may employ and all associated risks;	Prospectus, page 38, Information on the Company. Prospectus, pages 18-31, disclosure of risk factors.
any applicable investment restrictions;	Prospectus, page 8.
the circumstances in which the AIF may use leverage;	Prospectus, page 20, Risk of Debt Financing.
the types and sources of leverage permitted and the associated risks;	Prospectus, page 20, Risk of Debt Financing.
any restrictions on the use of leverage and any collateral and asset reuse arrangements; and	Prospectus, page 20, Risk of Debt Financing.
the maximum level of leverage which the AIFM is entitled to employ on behalf of the AIF;	Prospectus, page 20, Risk of Debt Financing.
(b) a description of the procedures by which the AIF may change its investment strategy or investment policy, or both;	Prospectus, page 38, Investment Policy.
(c) a description of the main legal implications of the contractual relationship entered into for the purpose of investment, including information on jurisdiction, the applicable law and the existence or absence of any legal instruments providing for the recognition and enforcement of judgments in the territory where the AIF is established;	Prospectus, page 80, Part IX, Loans and Loan Agreements. Prospectus, page 142, Part IV, Definitions.
(d) the identity of the AIFM, the AIF's depository, the auditor and any other service providers and a description of their duties and the investors' rights;	Prospectus, page 36, Directors and Advisers. Prospectus, page 152 (h).
(e) a description of how the AIFM complies with the AIFMD's requirements relating to professional liability risk;	Prospectus, page 151 (g).

APPENDIX 1 – ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (CONTINUED)

REGULATORY REFERENCE AIFMD Article 23(1)	DOCUMENT NAME, PAGE AND REFERENCE
(f) a description of:	
any AIFM management function delegated by the AIFM;	Not applicable.
any safe-keeping function delegated by the depositary;	Not applicable.
the identify of each delegate appointed; and	Not applicable.
any conflicts of interest that may arise from such delegations;	Not applicable.
(g) a description of the AIF's valuation procedure and of the pricing methodology for valuing assets, including the methods used in valuing any hard-to-value assets;	Prospectus, page 152 (i).
(h) a description of the AIF's liquidity risk management, including the redemption rights of investors in normal and exceptional circumstances, and the existing redemption arrangements with investors;	Prospectus, page 152 (j).
(i) a description of all fees, charges and expenses, and the maximum amounts directly or indirectly borne by investors;	Prospectus, pages 48-50, Fees and Expenses.
(j) a description of how the AIFM ensures a fair treatment of investors;	Prospectus, page 152 (l).
whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of:	
that preferential treatment;	Prospectus, page 152 (l).
the type of investors who obtain such preferential treatment; and	Prospectus, page 152 (l).
where relevant, their legal or economic links with the AIF or AIFM;	Not applicable.
(k) the latest annual report	Contained in this document.
(l) the procedure and conditions for the issue and sale of units or shares;	Prospectus, page 44, Further Issue of Shares.
(m) the latest net asset value of the AIF or the latest market price of the unit or share of the AIF;	The Company's shares are traded on the London Stock Exchange so the latest share price should be available on <a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a> .

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

REGULATORY REFERENCE	DOCUMENT NAME, PAGE AND REFERENCE
AIFMD Article 23(1)	
(n) where available, the historical performance of the AIF;	Not applicable.
(o) the identity of any prime broker;	Prospectus, page 152 (o).
a description of any material arrangements of the AIF with its prime brokerage firm and the way any conflicts of interest are managed;	Prospectus, page 152 (o).
the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets; and	Prospectus, page 151 (a).
information about any transfer of liability to the prime brokerage firm that may exist; and	Prospectus, page 152 (o).
(p) a description of how and when the information required under Art. 23(4) and Art. 23(5) of the AIFMD will be disclosed.	Information may be disclosed in the Company's annual report or by the Company publishing the relevant information on the Company's website ( <a href="http://www.dpaircraft.com">http://www.dpaircraft.com</a> ) or by the Company issuing an announcement via a Regulatory Information Service.
AIFMD Article 23(5)	
(a) any changes to the maximum level of leverage which the AIFM may employ on behalf of the AIF as well as any right of the reuse of collateral or any guarantee granted under the leveraging arrangement;	Not applicable as no changes to the maximum level of leverage.
(b) the total amount of leverage employed by that AIF.	The total leverage employed at 31 December 2020 is US\$ 187,624,941.