

## DP AIRCRAFT I LIMITED ('the Company')

### UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

Period from 1 JANUARY 2015 to 30 JUNE 2015

#### COMPANY OVERVIEW

DP Aircraft I Limited (the 'Company') was incorporated with limited liability in Guernsey under The Companies (Guernsey) Law, 2008 as amended, 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 lessors, an Irish incorporated private limited company and a UK incorporated private company (together the 'Lessors'). 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 Preference Shares (the 'Shares') of no par value in the capital of the Company at an issue price of US\$1.00 per Share by means of a Placing. The Company's Shares were admitted to trading on the Official List of the Channel Islands Stock Exchange and to trading on the Specialist Fund Market of the London Stock Exchange on 4 October 2013. As the ISA Regulations were amended last year so that shares traded on the Specialist Fund Market are now eligible in their own right for inclusion in an ISA, on 27 May 2015, the Company delisted its Shares from the Official List of the Channel Islands Stock Exchange.

On 5 June 2015, the Company offered 96,333,333 Ordinary Preference Shares (the 'New Shares') of no par value in the capital of the Company at an issue price of US105.89 cents per Share by means of a Placing. The Company's New Shares were admitted to trading on the Specialist Fund Market of the London Stock Exchange on 12 June 2015.

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

#### INVESTMENT OBJECTIVE & POLICY

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

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

#### THE BOARD

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

#### THE ASSET MANAGER

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

#### DISTRIBUTION POLICY

The Company aims to provide Shareholders with an attractive total return comprising income, from distributions through the period of the Company's ownership of the Assets, and capital, upon any sale of the Assets. The Company targets a quarterly distribution in February, May, August and November of each year. The target distribution is 2.25 cents per Share per quarter. This is a target level of dividends only and should not be treated as an assurance or guarantee of performance or a profit forecast.

## Fact Sheet - DP Aircraft I Limited

<b>Ticker</b>	DPA
<b>Company Number</b>	56941
<b>ISIN Number</b>	GG00BBP6HP33
<b>SEDOL Number</b>	BBP6HP3
<b>Traded</b>	SFM
<b>SFM Admission Date</b>	4 October 2013
<b>Share Price</b>	105.0 cents as at 20 August 2015 106.0 cents as at 30 June 2015
<b>Country of Incorporation</b>	Guernsey
<b>Current Shares in Issue</b>	209,333,333
<b>Administrator and Company Secretary</b>	Dexion Capital (Guernsey) Limited
<b>Asset Manager</b>	DS Aviation GmbH & Co. KG
<b>Auditor and Reporting Accountant</b>	KPMG, Chartered Accountants
<b>Corporate Broker</b>	Canaccord Genuity Limited
<b>Aircraft Registration</b>	EI-LNA EI-LNB HS-TCC HS-TQD
<b>Aircraft Serial Numbers</b>	35304 35305 36110 35320
<b>Aircraft Type and Model</b>	B787-8
<b>Lessees</b>	Norwegian Air Shuttle ASA Thai Airways International Public Company Limited
<b>Website</b>	<a href="http://www.dpaircraft.com">www.dpaircraft.com</a>

## HIGHLIGHTS

### PROFIT BEFORE TAX

Profit Before Tax of 4.26 cents per Share for the interim accounting period from 1 January 2015 to 30 June 2015 (4.367 cents per Share 1 January 2014 to 30 June 2014).

No tax arises on the profit of the Company as it is Guernsey resident where the standard rate of income tax for companies is nil. Therefore the Profit Before and After tax in the period of US\$5,226,004 (2014: US\$4,934,920) is the same.

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## NET ASSET VALUE ('NAV')

The NAV (post the interim dividends) was 100.71 cents per Share as at 30 June 2015 (95.262 cents per Share as at 30 June 2014).

Although the fair values of the derivatives and associated debt liabilities will move over their terms, at maturity the derivatives will reduce to nil and the fair value of the associated debt liabilities will equate to their amortised cost.

	As at 30 June 2015 US Cents per Share	As at 31 December 2014 US Cents per Share
NAV including swap liabilities	0.98466	0.93575
NAV excluding swap liabilities	1.00713	0.98151

## INTERIM DIVIDENDS

Dividends were declared on:

20 January 2015 for the period ended 31 December 2014 of 2.25 cents per Share, paid 13 February 2015;  
20 April 2015 for the period ended 31 March 2015 of 2.25 cents per Share, paid 18 May 2015; and  
17 July 2015 for the period ended 30 June 2015 of 2.25 cents per Share, paid on 14 August 2015.

## OFFICIAL LISTING

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

## PLACING OF SHARES

On 12 June 2015, 96,333,333 Shares were issued at a price of 105.89 cents per Share pursuant to a Placing Agreement, dated 5 June 2015, between the Company, DS Aviation, JS Holding (DS Aviation and JS Holding together the 'Asset Manager Parties') and Canaccord Genuity (the Company's Corporate Broker) whereby Canaccord Genuity acted as agent for the Company, to procure subscribers for Shares under the Placing of shares at the Issue Price (the 'Placing'). The Placing raised gross proceeds of US\$102.0m.

## AQUISITION OF AIRCRAFT

Two additional aircraft were purchased on 18 June 2015 with the equity from the Placing and from new borrowings. Due to the timing of the purchases, the impact on net profit was minimal as at and for the period ended 30 June 2015.

## CHAIRMAN'S STATEMENT

I am pleased to present Shareholders with the interim report of the Company for the six month period to 30 June 2015.

There were two major corporate actions during the period to 30 June 2015.

### *Prospectus*

On 5 June 2015 the Company published a new Prospectus in connection with the placing of 96,333,333 new ordinary preference shares of no par value at 105.89 cents per share. The Placing was issued to raise gross proceeds of US\$102m, the net proceeds of which were used by the Company to finance the acquisition of two additional Boeing 787-8 aircraft. The Placing was issued in full and announced to the market on 10 June 2015, with the new shares admitted to trading on the Specialist Fund Market on 12 June 2015.

### *Additional Aircraft*

The two additional assets were purchased in June from AerCap Ireland Capital Limited with attached leases to Thai Airways International Public Company Limited.

This was a welcome opportunity and I wish to express my thanks to the Asset Manager and to the Board for their commitment and dedication in the execution of the transactions.

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The total shareholder return for the period was 4.26 cents compared to 4.367 cents for the same period last year and the continued performance of the Lessors enabled the Company to meet its quarterly dividend targets as described in the Highlights section.

### *Outlook*

As explained by the Asset Manager in its report, starting on page 7, the International Air Transport Association (IATA) has raised its projections for global net profits in 2015 from USD 25.0 billion to USD 29.3 billion; expects air travel to grow by 6.7 per cent; forecasts that 1 per cent. of global GDP will be spent on air transport over the year, representing an amount in excess of USD 760 billion; and believes that both total employment and productivity will rise by more than 3 per cent.

This news bodes well for the remainder of the year.

Your board of directors is available via the Company Secretary, whose details can be found at the end of this report.

**Jon Bridel**  
**Chairman**

## **ASSET MANAGER'S REPORT**

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

The positive outlook for the airline industry has strengthened as the year has gone on. The International Air Transport Association (IATA) has raised its projections for global net profits in 2015 from USD 25.0 billion to USD 29.3 billion; expects air travel to grow by 6.7 per cent.; forecasts that 1 per cent. of global GDP will be spent on air transport over the year, representing an amount in excess of USD 760 billion; and believes that both total employment and productivity will rise by more than 3 per cent.

European airlines have had to deal with high levels of competition and significant regulatory costs. Nevertheless, the region has achieved the second highest load factors and is generating solid growth. IATA expects net profits for European airlines to grow to USD 5.8 billion in 2015. In May 2015, international air travel for European carriers increased by 5.9 per cent compared to the same month in the previous year.

Air traffic in the Asia-Pacific region is forecast to grow by 8.1 per cent in 2015 and net profit to increase to USD 5.1 billion. With Revenue Passenger Kilometres (RPK) in the first five months of 2015 growing by 8.6 per cent. on the same period last year, and Available Seat Kilometres (ASK) increasing by only 6.7 per cent. over the equivalent period, this had a positive impact on load factors. According to Airbus (Global Market Forecast 2015-2034), the Asia-Pacific region will continue to take the lead in world traffic over the next 20 years. Currently, this region has a 29 per cent. share of world traffic measured in RPK.

Lower crude oil prices have had a positive impact on the aviation business, but this has been offset to a large extent by the strength of the US Dollar. However, airlines remain prudent, and IATA's air passenger market analysis of May 2015 shows that airlines have been adding capacity at a slower rate than the expansion in demand, leading to improved load factors. In any event, given the uncertainty as to future oil prices, aircraft benefitting from the latest technology, such as the Dreamliner Boeing B787, will stay in strong demand.

The long-term outlook remains positive for both the aviation market and the levels of demand for new aircraft. According to their latest published market outlooks, both Boeing (Current Market Outlook 2015-2034) and Airbus remain of the opinion that passenger fleets will double by 2034. Airbus estimates that the current aircraft fleet of around 19,000 will grow to 38,500 aircraft in 2034 and that wide-body aircraft will represent 55 per cent. of value. According to IATA, around 1,700 aircraft valued at USD 180 billion will be delivered to commercially operating airlines in 2015 to replace older aircraft and to further the growth of the global fleet. Boeing forecasts that 54 per cent. of twin aisle aircraft deliveries over the next twenty years will be within the 200-300 seat category. On top of that, Boeing estimates annual growth rates of airline traffic (RPK) at 4.9 per cent. on average over the next 20 years. The manufacturer made its forecast based upon the assumption of an average annual increase of 3.1 per cent. in global GDP over the same period.

IATA has calculated that the aviation sector provides 58 million jobs as well as USD 2.4 trillion in GDP. In 2015, it is

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anticipated that 3.5 billion passengers and nearly 55 million tonnes of cargo will be transported by air - over half of all international tourists and a third of world trade travels in this way. All these numbers emphasise the importance of the aviation and airline market in connecting people and supporting global trade and economic growth.

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

As at 5 June 2015, a total of 1,105 Dreamliner B787s had been ordered from 60 customers, and 283 aircraft of these had been delivered to 31 operators. 50 Dreamliners were ordered in the first half of 2015 and, with a current backlog of around 800 aircraft orders and production fully sold out until 2019, it is clear that the aircraft remains in high demand. The Dreamliner Boeing 787 still ranks alongside the Airbus A350 (which entered into commercial service on 15 January 2015) as the latest technological, mid-size wide-body aircraft available in the market.

The advantages of the Boeing 787 are numerous. Alongside lower operational costs and a better environmental performance, the aircraft has interchangeable engines and shares a common pilot type rating with Boeing 777 aircraft. Furthermore the Boeing 787, especially the B787-8, is a suitable aircraft for point-to-point routes and a market opener. Worldwide, there are over 55 new non-stop markets connected with the B787.

Since DP Aircraft I Limited took title of both LNA and LNB in 2013, Norwegian has met all of its lease obligations in full. The same applies to Thai Airways where title transfer of TQC and TQD took place this June. Both carriers operate their aircraft in a two-class configuration. Norwegian's cabins provide 32 premium economy plus 259 economy seats, while Thai Airways' cabins offer seating for 24 business ("Royal Silk Class") and 240 economy passengers. Whereas Norwegian uses its B787 aircraft to serve Bangkok and destinations in the U.S., Thai Airways currently deploys its B787s on routes within the Asia-Pacific region as well as to and from destinations in Australia.

### **The Lessees**

#### **Norwegian Air Shuttle ASA**

Norwegian Air Shuttle is the first low-cost carrier offering non-stop flights from Scandinavia to the U.S. In 2014, the airline transported nearly 24 million passengers. As at 30<sup>th</sup> June 2015, the carrier operated 434 scheduled routes to 130 destinations in 39 countries. This includes 18 non-stop long-haul routes between Europe and the U.S., as well as Thailand. In autumn 2015, Norwegian will add three new long-haul destinations from the UK and Scandinavia, operating flights to Puerto Rico, St. Croix (in the US Virgin Islands) and Las Vegas. In May 2016, Norwegian will open a new route between London-Gatwick and Boston. The total fleet comprises 100 aircraft at the end of the second quarter 2015. The carrier was awarded "Europe's Best Low Cost Airline" and "World's Best Low Cost, Long Haul Airline" by Skytrax in 2015.

In the second quarter of 2015, ASKs and RPKs increased by 8 per cent. and 15 per cent. respectively compared to the same period in the preceding year. The load factor increased by 5 percentage points to 85 per cent. and operating revenues increased by 16 per cent. EBITDAR (excluding other gains and losses) improved by 122 per cent. The operating profit for the first quarter was NOK 520.5 million (USD 66.1 million) compared to an operating loss of NOK 85.1 million (USD 13.9 million) over the equivalent period, while net profit increased by 153 per cent. Ancillary revenues per scheduled passenger increased in the same period by 14 per cent. At 30 June 2015, cash and cash equivalents amounted to NOK 3,045.4 million (USD 386.9 million). In June 2015, Norwegian Air Shuttle transported 7 per cent. more passengers than in the same month in the previous year. Furthermore the unit revenue (Revenue per ASK) increased by 6 per cent.

Norwegian's Q2 2015 results have been affected by the weak Norwegian currency but this has been outweighed by the lower fuel price. The load factor of long-haul operations was 91 per cent. and passenger numbers have more than doubled compared to the equivalent period last year. Norwegian's strongest passenger growth was at London Gatwick. Since starting long-haul operations two years ago with two B787 aircraft, the carrier has transported 1.7 million passengers on routes to and from Bangkok and the United States. In April 2015, Norwegian took delivery of its eighth B787-8. The carrier will receive another four Dreamliners in 2016, three in 2017 and a further two B787s in 2018 so that it will operate a fleet of 17 Boeing Dreamliner 787s by the end of 2018. Last but not least, Norwegian is targeting growth of 30 per cent. in ASKs on its long-haul routes by the end of this year and expects positive contribution from long-haul operations going forward.

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## Thai Airways International

Thai Airways International Public Company Limited is a global full-service carrier with 55 years of experience, and is one of the founding members of the Star Alliance airline alliance. As at 31 March 2015, Thai Airways (including its subsidiary Thai Smile) had an active fleet of 93 aircraft. The fleet consists of 20 narrow-body aircraft and 73 wide-body aircraft, of which 4 aircraft are Boeing 787-8s. The carrier transported more than 19 million passengers in 2014. The airline serves over 70 international and domestic destinations across four continents. The flag carrier of the Kingdom of Thailand is market-listed and majority-owned by the Thai Government (51.03 per cent). Thai Airways is a member of IATA as well as IOSA certified (IATA Operational Safety Audit – the benchmark for global safety management in airlines). Moreover, Thai Airways is rated a four star airline by Skytrax.

Thai's network as at 28<sup>th</sup> March 2015 served 66 international destinations in 34 countries and 7 cities within Thailand. Its subsidiary Thai Smile served 10 regional routes. As a result of its dense network within Thailand and South-East Asia as well as a result of its rewarded service, Thai Airways attracts a high percentage of holiday travellers. Moreover, owing to its aforementioned excellent service and customer-orientation the airline is also attracting the higher yield traveller segment of international, less price-sensitive, business customers. In 2015, Thai Airways was placed first in "World's Best Airline Lounges Spa Facility" by the Skytrax World Awards.

The results for the first quarter of 2015 show that ASKs increased by 4.5 per cent. whereas RPKs grew by 12.3 per cent and consequently the load factor increased by 5.3 percentage points compared to the equivalent quarter in the previous year. Operating revenues increased by 3.4 per cent. while operating expenses decreased by 11.71 per cent. EBIT was THB 5,825 million (USD 171.6 million) and net profit augmented to THB 4,541 million (USD 133.8 million). However, the net profit was influenced by gains on foreign exchange as well as by an impairment charge because of the phase out of 12 aircraft. In May 2015 compared to the same month in the previous year, the number of carried passengers increased by 13.4 per cent. and cabin load factor grew by more than 6 percentage points. ASKs remained stable and RSKs increased by 11 per cent. in this period.

The airline's recently implemented restructuring plan is intended to improve both profitability and cost-efficiency as well as customer-orientation. Thai Airways has started to offer Wi-Fi-connectivity on board selected aircraft and has increased the free baggage allowance. Further initiatives which have already been implemented include the reduction of the fleet and its complexity, as well as the adjustment of the network and the discontinuation of unprofitable routes. Currently the carrier operates a fleet of five B787-8s which form part of the move towards fleet restructuring and modernisation. Thai Airways plans to increase its Dreamliner fleet to eight aircraft in 2017.

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

## DIRECTORS

The current Directors of the Company were appointed on 9 July 2013 and are as follows:

### **Jonathan (Jon) Bridel, Non- Executive Chairman (50)**

Jon is a Guernsey resident and is currently a non-Executive Director of Alcentra European Floating Rate Income Fund Limited, Starwood European Real Estate Finance Limited, The Renewables Infrastructure Group Limited and Sequoia Economic Infrastructure Income Fund Limited, which are all listed on the Main Market of the London Stock Exchange. Other companies of which he is a director include Aurora Russia Limited and 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, and holds qualifications from the Institute of Chartered Accountants in England and Wales (1987) where he is a Fellow, the Chartered Institute of Marketing and the Australian Institute of Company Directors. Jon is a Chartered Marketer and a member of the Chartered Institute of Marketing and the Institute of Directors and a Chartered Fellow of the

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Chartered Institute for Securities and Investment.

**Didier Benaroya, Non- Executive Director (64)**

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

**Jeremy Thompson, Non- Executive Director (59)**

Jeremy is a Guernsey resident with sector experience in finance, telecoms, aerospace & defence and oil & gas. Since 2009 Jeremy has been a consultant to a number of businesses which includes non-executive directorships of investment vehicles relating to the BT pension scheme. He is also a non-executive director of private equity funds and of the Investment Manager of a London listed solar energy fund. Between 2005 and 2009 he was a director of multiple businesses within a private equity group. This entailed an active participation in private, listed and SPV companies. Prior to that he was chief executive officer of four autonomous businesses within Cable & Wireless PLC (operating in both regulated and unregulated markets), and earlier held MD roles within the Dowty Group. Jeremy currently serves as chairman of the States of Guernsey Renewable Energy Team and is a commissioner within the Alderney Gambling Control Commission and is also a member of the Guernsey Tax Tribunal panel. Jeremy received a B.Sc. from Brunel University, London and was awarded an MBA from Cranfield University. He was an invited member to the UK's senior defence course (RCDS). Jeremy has been awarded the Institute of Directors' Certificate and Diploma in Company Direction and is a member of the Institute of Directors. He is currently studying for an M.Sc in Corporate Governance.

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

In preparing these unaudited condensed consolidated interim financial statements, the nature of the risks and uncertainties borne of the group were the same as those that applied to the consolidated financial statements as at, and for the period ended 31 December 2014.

*Asset risk*

The Company's Assets comprise four Boeing 787-8 aircraft. The Boeing 787-8 remains a relatively newly developed generation of aircraft; there is currently insufficient experience and data available to be able to give a complete assessment of the long-term use and operation of the aircraft; the Company is exposed to the used aircraft market of the 787-8, which is untested.

*Market risk*

The airline industry is particularly sensitive to changes in economic conditions and is highly competitive; risks affecting the airline industry generally could affect the ability of Norwegian and/or Thai Airways (or any other lessee) to comply with their obligations under the Leases (or any subsequent lease).

There is no guarantee that, upon expiry of the Leases, the Assets could be sold for an amount that will enable Shareholders to realise a capital profit on their investment or to avoid a loss. Costs regarding any future re-leasing of the assets would depend upon various economic factors and would be determinable only upon an individual re-leasing event.

*Key personnel risk*

The ability of the Company to achieve its investment objective is significantly dependent upon the expertise of certain key personnel at DS Aviation; 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 any of the Leases. However, Key Man clauses within the Asset Management agreement do provide a base line level of protection against this risk.

*Credit risk & Counterparty Risk*

Norwegian Air Shuttle ASA's ('Norwegian') stated strategy of providing low-cost long haul flights is untested and

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may not be successful; failure of this strategy, or of any other material part of Norwegian's business, may adversely affect Norwegian's ability to comply with its obligations under the Leases. Any failure by Norwegian to pay any amounts when due would have an adverse effect on the Group's ability to comply with its obligations under loan agreements, could ultimately have an impact on the Company's ability to pay dividends and could result in the Lenders enforcing their security and selling the relevant Asset or Assets on the market potentially negatively impacting the returns to investors. In mitigation, Norwegian is the second largest airline in Scandinavia and the third largest low-cost airline in Europe. Thai Airways International Public Company Limited ('Thai Airways') is an international full-service flag carrier. There is no guarantee that the business model of Thai Airways will be successful. Failure of any material part of the business model of Thai Airways may have an adverse impact on its ability to comply with the new leases. Thai Airways was founded in 1960 and is the national carrier of the Kingdom of Thailand. The Company's paid up capital amounted to approximately US\$663.53m. as at 31 December 2014. The majority shareholding is owned by the Ministry of Finance and the Thai Government Savings Bank. Thai Airways is also listed on the stock exchange of Thailand.

#### *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 amount of US\$159,600,000 from Norddeutsche Landesbank Girozentrale ('Nordbank') and US\$157,000,000 from DekaBank Deutsche Girozentrale ('DekaBank'). Pursuant to the Loan Agreements, the Lenders are given first ranking security over the Assets. Under the provisions of each of the Loan Agreements, the Borrowers are required to comply with loan covenants and undertakings. A failure to comply with such covenants or undertakings may result in the relevant Lenders recalling the relevant Loan. In such circumstances, the Group may be required to sell the relevant Asset to repay the outstanding relevant Loan

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors confirm that to the best of their knowledge and belief that:

- the unaudited Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the unaudited Interim Report (comprising the Chairman's Statement, the Asset Manager's Report and the Statement of Principal Risks and Uncertainties) meets the requirements of an interim management report, and includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the interim accounting period from 1 January 2015 to 30 June 2015 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the full financial reporting period; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the interim accounting period from 1 January 2015 to 30 June 2015 and that have materially affected the financial position or performance of the entity during that period; any changes in the related parties transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

## **GOING CONCERN**

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors believe the Group is well placed to manage its business risks successfully with the cooperation of the Asset Manager.

By order of the Board

**Jon Bridel**  
**Chairman**

## **UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME**

for the period 1 January 2015 to 30 June 2015

1 January to 30 June 2015	1 January to 30 June 2014	5 July 2013 to 30 June 2014
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	Notes	US\$	US\$	US\$
<b>Revenue</b>				
Lease rental income	4	15,783,513	14,959,499	21,214,901
<b>Expenses</b>				
Asset management fees	5	(270,690)	(249,996)	(362,897)
General and administrative expenses	5	(361,023)	(309,085)	(1,199,144)
Depreciation and amortisation	6	(5,932,156)	(5,425,170)	(8,137,755)
		(6,563,869)	(5,984,251)	(9,699,796)
Operating profit		9,219,644	8,975,248	11,515,105
Share based disposal fee	17	(114,000)	-	-
Finance costs	7	(3,882,019)	(4,041,196)	(5,867,026)
Finance income	7	822	870	3,075
<b>Net Finance Costs</b>		(3,995,197)	(4,040,326)	(5,863,951)
Unrealised foreign exchange gain		1,557	(2)	9
Profit for the period		5,226,004	4,934,920	5,651,163

#### Other Comprehensive Income

##### Items that are or may be reclassified to profit or loss

Cash flow hedges - Changes in Fair Value		468,563	(3,124,486)	(3,774,973)
Total Comprehensive Income for the period		5,694,567	1,810,434	1,876,190

	US\$	US\$	US\$
Earnings per Share for the period – Basic and diluted*	0.0426	0.04367	0.05001

In arriving at the Total Comprehensive Income for the period, all amounts above relate to continuing operations.

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1 January – 30 June 2015

The earning per Share has been calculated based on the profit for the period of \$5,226,004 divided by the weighted average number of shares outstanding over the reporting period of 122,580,110.

1 January - 30 June 2014

The earnings per Share has been calculated based on the profit after tax of \$4,934,920 divided by the 113m shares in issue since 4 October 2013 on the basis that the Group only commenced its operations from that date.

The notes form part of these financial statements

#### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

	Notes	30 June 2015 (Unaudited) US\$	31 December 2014 (Audited) US\$
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment - Aircraft	6	451,485,700	225,556,091
Intangible Asset – Aircraft Lease Premium	6	52,160,708	25,035,907
		503,646,408	253,621,998
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	7,578,969	5,046,920
Restricted cash	8	19,663,388	7,442,092
Trade and other receivables	10	1,201	29,933
Total Current Assets		27,243,558	12,518,945

<b>TOTAL ASSETS</b>		530,889,966	266,140,943
<b>EQUITY</b>			
Share Capital	11	210,658,785	110,885,220
Hedging Reserve	14	(4,703,050)	(5,171,613)
Retained Earnings		166,730	25,726
Total Equity		206,122,465	105,739,333
<b>NON-CURRENT LIABILITIES</b>			
Loans and Borrowings	12	275,072,352	135,629,715
Maintenance reserves	12	6,398,793	1,042,092
Security deposits	12	13,264,420	6,400,000
Share based payment provision	14	114,000	-
Derivative instrument liability	14	4,703,050	5,171,613
Total Non-Current Liabilities		299,552,615	148,243,420
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	13	21,574,459	*10,866,081
Rent received in advance	13	2,619,456	1,122,764
Trade and other payables	13	1,020,971	*169,345
Total Current Liabilities		25,214,886	12,158,190
<b>TOTAL LIABILITIES</b>		324,767,501	160,401,610
<b>TOTAL EQUITY AND LIABILITIES</b>		530,889,966	266,140,943

\*US\$333,067 previously included in Trade and other payables has been re-analysed to Loans and Borrowings

These Financial Statements were approved by the Board of Directors on 25 August 2015 and signed on its behalf by:

**Jon Bridel**  
Chairman

**Jeremy Thompson**  
Director

The notes form part of these financial statements

#### **UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

for the period 1 January 2015 to 30 June 2015

	<b>1 January to 30 June 2015 US\$</b>	<b>5 July 2013 to 30 June 2014 US\$</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	5,226,004	5,651,163
<i>Adjusted for:</i>		
Depreciation and amortisation	5,932,156	8,137,755
Amortisation of deferred loans and borrowings	80,893	114,960
Finance costs	3,801,126	5,867,026
<i>Changes in:</i>		
Increase/(decrease) in maintenance reserves	5,356,701	812,545
Increase/(decrease) in security deposits	6,864,420	6,400,000
Increase/(decrease) in rent received in advance	1,496,692	1,160,189
Increase/(decrease) in trade and other payables	560,608	460,582
Increase/(decrease) in cash settled share based payment	114,000	-
Decrease/(increase) in receivables	28,732	(724)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>29,461,332</b>	<b>28,603,496</b>

#### **INVESTING ACTIVITIES**

Purchase of Aircraft	(255,956,566)	(265,041,612)
Restricted cash	(12,221,296)	(7,212,545)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(268,177,862)</b>	<b>(272,254,157)</b>
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(5,085,000)	(5,085,000)
Share issue proceeds	102,007,365	113,000,000
Share issue costs	(2,233,800)	(5,994,469)
New loans and borrowings	157,000,000	159,600,000
Loan principal repaid	(4,993,655)	(6,637,631)
Financing costs	(3,843,175)	(5,867,026)
Deferred loans and borrowings facility costs	(1,603,156)	(1,839,391)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>241,248,579</b>	<b>248,466,483</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	5,046,920	-
Increase in cash and cash equivalents	2,532,049	4,815,822
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>7,578,969</b>	<b>4,815,822</b>

The notes form part of these financial statements

#### UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period 1 January 2015 to 30 June 2015

	Ordinary Shares Share Capital US\$	Retained Earnings US\$	Hedging Reserve US\$	Total US\$
Balance at 1 January 2015	110,885,220	25,726	(5,171,613)	105,739,333
<b>Total Comprehensive Income for the period</b>				
Profit for the period	-	5,226,004	-	5,226,004
Other comprehensive income	-	-	468,563	468,563
Total comprehensive income	-	5,226,004	468,563	5,694,567

#### Transactions with Shareholders

Issue of ordinary shares	102,007,365	-	-	102,007,365
Share issue costs	(2,233,800)	-	-	(2,233,800)
Dividends	-	(5,085,000)	-	(5,085,000)
Balance as at 30 June 2015	210,658,785	166,730	(4,703,050)	206,122,465

for the period 5 July 2013 to 30 June 2014

	Ordinary Shares Share Capital US\$	Retained Earnings US\$	Hedging Reserve US\$	Total US\$
Balance at 5 July 2013	-	-	-	-
<b>Total Comprehensive Income for the period</b>				
Profit for the period	-	5,651,163	-	5,651,163
Other comprehensive income	-	-	(3,774,973)	(3,774,973)
Total comprehensive income	-	5,651,163	(3,774,973)	1,876,190

#### Transactions with Shareholders

Issue of ordinary shares	113,000,001	-	-	113,000,001
Share issue costs	(2,114,781)	-	-	(2,114,781)
Dividends	-	(5,085,000)	-	(5,085,000)
Balance as at 30 June 2014	110,855,220	566,163	(3,774,973)	107,646,410

On 20 January 2015, the Company declared an interim dividend, in respect of the period ended 31 December 2014,

of 2.25 cents per Share, to holders of Shares on the register at 30 January 2015. The ex-dividend date was 29 January 2015, with payment made 13 February 2015.

On 20 April 2015, the Company declared an interim dividend, in respect of the period ended 31 March 2015, of 2.25 cents per Share, to holders on the register at 1 May 2015. The ex-dividend date was 30 April 2015, with payment made 18 May 2015.

The notes form part of these financial statements

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

for the period 1 January 2015 to 30 June 2015

### **1. GENERAL INFORMATION**

The unaudited interim condensed consolidated financial statements ('financial statements') incorporate the results of the Company and that of wholly owned subsidiary entities, DP Aircraft Guernsey I Limited, DP Aircraft Guernsey II Limited, DP Aircraft Guernsey III Limited and DP Aircraft Guernsey IV Limited (collectively and hereinafter, the 'Borrowers'), each being a Guernsey Incorporated company limited by shares and two intermediate lessors (the 'Lessors'), an Irish incorporated private limited company and UK incorporated private limited company. DP Aircraft Guernsey III Limited, DP Aircraft Guernsey IV Limited and DP Aircraft UK Limited were all incorporated in June 2015.

DP Aircraft I Limited (the 'Company') was incorporated on 5 July 2013 with registered number 56941. It was admitted to trading on the Specialist Fund Market of the London Stock Exchange on 5 July 2013. The Company was listed on the Channel Islands Stock Exchange until 27 May 2015, at which point the Directors chose to delist.

96,333,333 Ordinary Preference Shares (the 'New Shares') of no par value in the capital of the Company were issued and admitted to trading on the Specialist Fund Market of the London Stock Exchange on 12 June 2015.

The issued Share Capital of the Company comprises 209,333,333 Ordinary Preference Shares of no par value and one Subordinated Administrative Share of no par value.

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

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of Preparation**

The unaudited interim condensed consolidated financial statements ("financial statements") for the period 1 January 2015 to 30 June 2015 have been prepared in order to comply with the rules of the Specialist Fund Market of the London Stock Exchange whereby the Company must produce annual and half yearly reports.

The Directors are of the opinion that the affairs of the Group are suitably structured to enable the Going Concern basis to be adopted in the preparation of these financial statements. The financial statements have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting) issued by the International Accounting Standards Board ('IASB') and adopted by the EU ('IAS 34'), the Disclosure and Transparency Rules ('DTR's') of the UK's Financial Conduct Authority ('FCA') and applicable Guernsey law.

The financial statements have been prepared on the basis of the policies set out in the Group's annual financial statements as at, and for the period ended 31 December 2014. The financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at, and for the period ended 31 December 2014. The financial statements as at, and for 31 December 2014 are available on the Company's website or from the Company Secretary. The Directors assessed the 2011-2013 IFRS Improvement Cycle adopted during the period and concluded that they had no effect on the financial statements.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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The Group has considered the impact of any new applicable requirements for the period ended 30 June 2015 and determined that the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at, and for the period ended, 31 December 2014.

**b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value through profit or loss. The financial statements are prepared in United States Dollars (US\$), rounded to the nearest Dollar, which is the functional currency of the Company and its subsidiaries and presentation currency of the Group. In preparing these financial statements, the significant judgements made by the Directors in applying the Company's accounting policies and the key sources of estimation uncertainty are disclosed in note 3.

**c) Basis of consolidation**

The financial statements include the results of the Company and that of its wholly owned 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 (the 'Group').

**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.

The Company depreciates the aircraft assets and amortises the related lease premium on a straight line basis over the remaining lives of the leases and taking into consideration the estimated residual value. In making a judgement regarding these estimates the Directors consider previous sales of similar aircraft and other available aviation information. The Company engages three Independent Expert Valuers each year to provide a valuation of the assets and takes into account the average of the three valuations provided. The Company expects that, in performing their valuations, the Independent Expert Valuers have regard to factors such as the condition of the assets, the prevailing market conditions (which may impact on the resale value of the aircraft), the leases (including the scheduled rental payments and remaining scheduled term of the leases) and the creditworthiness of the lessee. Accordingly, any early termination of the leases would impact on the valuation of the lease premium and may impact on the valuation of the aircraft. The aircraft residual value is based on appraised residual values.

**4. LEASE RENTAL INCOME**

	1 January to 30 June 2015 US\$	1 January to 30 June 2014 US\$	5 July 2013 to 30 June 2014 US\$
Lease rental income	15,783,513	14,959,499	21,214,901
<b>Total lease rental income</b>	<b>15,783,513</b>	<b>14,959,499</b>	<b>21,214,901</b>

For the majority of the period, lease rental income was derived from a single customer in Europe - 94.02% (2014: 100%).

**5. ASSET MANAGEMENT, GENERAL AND ADMINISTRATIVE EXPENSES**

	1 January to 30 June 2015 US\$	1 January to 30 June 2014 US\$	5 July 2013 to 30 June 2014 US\$
Asset management fees	270,690	249,996	362,897
General and Administrative	361,023	309,085	1,199,144
<b>Total operating expenses</b>	<b>631,713</b>	<b>559,081</b>	<b>1,562,041</b>

## 6. PROPERTY, PLANT, EQUIPMENT & INTANGIBLE ASSETS

### AIRCRAFT

	Boeing 787-8 Serial No: 35304 & 35305	Boeing 787-8 Serial No: 36110 & 35320	Total
<b>COST</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
As at 1 January 2015 - Aircraft	238,020,000	-	238,020,000
Additions –June 2015 - Aircraft	-	231,180,654	231,180,654
<b>As at 31 December 2014</b>	<b>238,020,000</b>	<b>-</b>	<b>238,020,000</b>
<b>As at 30 June 2015</b>	<b>238,020,000</b>	<b>231,180,654</b>	<b>469,200,654</b>
<b>ACCUMULATED DEPRECIATION</b>			
As at 31 December 2014	12,433,909	-	12,433,909
Charge for the period - Aircraft	4,973,564	307,481	5,281,045
<b>As at 30 June 2015</b>	<b>17,407,473</b>	<b>307,481</b>	<b>17,714,954</b>
<b>CARRYING AMOUNT</b>			
<b>As at 31 December 2014</b>	<b>225,586,091</b>	<b>-</b>	<b>225,586,091</b>
<b>As at 30 June 2015</b>	<b>220,612,527</b>	<b>230,873,173</b>	<b>451,485,700</b>

### INTANGIBLE ASSETS – LEASE PREMIUM

	Boeing 787-8 Serial No: 35304 & 35305	Boeing 787-8 Serial No: 36110 & 35320	Total
<b>COST</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
As at 1 January 2015 – Lease Premium	29,581,300	-	29,581,300
Additions-June 2015 – Lease Premium	-	24,775,912	24,775,912
<b>As at 31 December 2014</b>	<b>29,581,300</b>	<b>-</b>	<b>29,581,300</b>
<b>As at 30 June 2015</b>	<b>29,581,300</b>	<b>24,775,912</b>	<b>54,357,212</b>
<b>ACCUMULATED DEPRECIATION</b>			
As at 31 December 2014	1,545,393	-	1,545,393
Charge for the period – Lease Premium	618,157	32,954	651,111
<b>As at 30 June 2015</b>	<b>2,163,550</b>	<b>32,954</b>	<b>2,196,504</b>
<b>CARRYING AMOUNT</b>			
<b>As at 31 December 2014</b>	<b>28,035,907</b>	<b>-</b>	<b>28,035,907</b>
<b>As at 30 June 2015</b>	<b>27,417,750</b>	<b>24,742,958</b>	<b>52,160,708</b>

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

The estimated residual value of the Boeing 787-8 Assets as at the end of their respective leases in 2025 and

2027 will be re-evaluated by independent experts for each annual financial accounting period end. The residual value will depend upon a variety of factors including actual or anticipated fluctuations in the results of the airline industry, market perception of the airline industry, general economic and social and political development, changes in industry conditions, fuel prices or rates of inflation. For the interim report, the directors determined a residual valuation as at and for the official valuation in respect of the accounting period ended 31 December 2014. The NordLB loans entered into by the Company to complete the purchase of the first and second aircraft are cross collateralised on the first and second aircraft. The DekaBank loans entered into by the Company to complete the purchase of the third and fourth aircraft are cross collateralised on the third and fourth Aircraft. The First Loan and the Second Loan (the NordLB loans) are secured by way of security taken over each of the first aircraft and the second aircraft. The Third and Fourth Loans (the DekaBank loans) are secured by way of security taken over each of the third and fourth aircraft. The first and second assets are operated by Norwegian. The third and fourth assets are operated by Thai Airways.

7. FINANCE INCOME AND EXPENSE	1 January to 30 June 2015	1 January to 30 June 2014	5 July 2013 to 30 June 2014
	US\$	US\$	US\$
Finance income	822	870	3,075
	822	870	3,075
Loan interest paid & payable	(2,130,729)	(2,154,700)	(3,165,114)
Deferred loan and borrowings facility costs	(80,895)	(76,640)	(114,960)
Total interest at effective interest rate	(2,211,624)	(2,231,340)	(3,280,074)
Swap interest paid & payable	(1,670,395)	(1,809,856)	(2,586,952)
<b>Total finance income and expense</b>	<b>(3,881,197)</b>	<b>(4,040,326)</b>	<b>(5,863,951)</b>

8. RESTRICTED CASH	As at 30 June 2015	As at 31 December 2014
	US\$	US\$
Security Deposits	13,264,520	6,400,000
Maintenance reserves	6,398,868	1,042,092
	<b>19,663,388</b>	<b>7,442,092</b>

Credit Ratings:

As of 19 June 2015, the long term credit rating of NordLB is A3 (Moody's)

As of 19 June 2015, the long term credit rating of DekaBank is Aa3 (Moody's)

9. CASH AND CASH EQUIVALENTS	As at 30 June 2015	As at 31 December 2014
	US\$	US\$
NordLB	1,510,483	1,510,342
DekaBank	2,241,967	-
Royal Bank of Scotland International - Call	3,826,519	3,536,578
<b>Total cash and cash equivalents</b>	<b>7,578,969</b>	<b>5,046,920</b>

10. TRADE AND OTHER RECEIVABLES	As at 30 June 2015	As at 31 December 2014
	US\$	US\$
Directors' and officers' insurance prepaid	937	22,148
Other	264	7,785
<b>Total receivables &amp; prepayments</b>	<b>1,201</b>	<b>29,933</b>

11. SHARE CAPITAL	Subordinated Administrative Share US\$	Ordinary Preference Shares US\$	Total US\$
Administrative share issued on incorporation July 2013	1	-	1

Shares issued pursuant to a Placing October 2013	-	113,000,000	113,000,000
Share issue costs	-	(2,114,781)	(2,114,781)
<b>Total share capital as at 31 December 2014</b>		<b>110,885,219</b>	<b>110,885,220</b>
Shares issued pursuant to a Placing June 2015	-	102,007,365	102,007,365
Share issue costs	-	(2,233,800)	(2,233,800)
<b>Total share capital as at 30 June 2015</b>	<b>1</b>	<b>210,658,784</b>	<b>210,658,785</b>

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

113,000,000 Shares were issued pursuant to the Placing Agreement between the Company, DS Aviation, JS Holding (DS Aviation and JS Holding together the 'Asset Manager Parties') and Canaccord Genuity (the Company's Corporate Broker) whereby Canaccord Genuity acted as agent for the Company, to procure subscribers for Shares under the initial placing of shares at the Issue Price.

96,333,333 Shares were issued pursuant to the Placing Agreement, dated 5 June 2015, between the Company, DS Aviation, JS Holding (DS Aviation and JS Holding together the 'Asset Manager Parties') and Canaccord Genuity (the Company's Corporate Broker) whereby Canaccord Genuity acted as agent for the Company, to procure subscribers for Shares under the placing of shares at the Issue Price.

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

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

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

Although not utilised in the reporting accounting period, the Directors were entitled to issue and allot Ordinary Shares as well as C Shares immediately following the Placing for cash or otherwise on a non-pre-emptive basis.

<b>12. NON-CURRENT LIABILITIES</b>	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>
	<b>US\$</b>	<b>US\$</b>
NordLB – First loan	65,652,040	68,450,386
NordLB – Second loan	65,929,970	68,673,833
DekaBank – Third loan	72,933,214	-
DekaBank – Fourth loan	73,456,265	-
	<b>277,971,489</b>	<b>137,124,219</b>
Deferred loans and borrowings facility fees	(2,899,137)	(1,494,504)
	<b>275,072,352</b>	<b>135,629,715</b>
Security deposit refundable to Norwegian and Thai Airways	13,264,420	6,400,000
Maintenance reserves	6,398,793	1,042,092
Share based payment provision	159,869	-
Fair Value of Derivatives	4,703,050	5,171,613
<b>Total non-current liabilities</b>	<b>299,598,484</b>	<b>148,243,420</b>

#### Loans



The Company utilised each of the equity Placing Proceeds and the proceeds of four separate Loans, two of US\$79,800,000 each and two of UD\$78,500,000 each to fund the purchase of four Boeing 787-8 aircraft since inception of the Company.

### Structure and term

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

### Interest

#### First and Second Loans

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

#### Third and Fourth Loans

The terms and conditions of the Third and Fourth Loans are substantially the same as those of the First and Second Loans save that the loans are set with fixed rates and there is no hedging applied. The fixed rates applied are 4.2408% and 4.097%.

### Cross Collateralisation

Each of the First Loan and the Second Loan (the NordLB loans) is secured by way of security taken over each of the First Asset and the Second Asset. In the event of a default on either of the NordLB loans, NordLB may enforce security over both the First Asset and the Second Asset.

Each of the Third Loan and the Fourth Loan (the DekaBank loans) is secured by way of security taken over each of the Third Asset and Fourth Asset. In the event of a default on either of the DekaBank loans, DekaBank may enforce security over both the Third Asset and the Fourth Asset.

This cross collateralisation means that a default on one loan places both of the relevant aircraft 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.

13. AMOUNTS PAYABLE WITHIN ONE YEAR	As at 30 June 2015 US\$	As at 31 December 2014 US\$
NordLB loan payable – First Loan	5,525,849	5,395,952
NordLB loan payable – Second Loan	5,417,983	5,290,344
DekaBank loan payable – Third Loan	5,566,787	-
DekaBank loan payable – Fourth Loan	5,043,734	-
Interest payable	291,018	333,067
Deferred loan costs	(270,912)	(153,282)
<b>Total loans and borrowings</b>	<b>21,574,459</b>	<b>10,866,081</b>
Rent received in advance	2,619,456	1,122,764
Accruals and other payables	1,020,971	169,345
<b>Total trade and other payables</b>	<b>1,020,971</b>	<b>169,345</b>

#### 14. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The First and Second Loans from NordLB are at variable rates and therefore their carrying value is approximate to their fair value. The Group has entered into ISDA-standard hedging arrangement with Norddeutsche Landesbank Girozentrale 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 Third and Fourth Loans from DekaBank are at fixed rates. The Loans were drawn during June 2015, therefore the carrying value is approximate to their fair value.

The fair value measurements for the Loans and borrowings have been categorised as level 3 fair values based on the inputs to the valuation technique used (i.e. the inputs are not based on observable market data). The Directors have determined that the fair value of all of the financial assets and liabilities not measured at fair value approximate their carrying value at the balance sheet date due to their short term nature and with the exception of loans and borrowings as stated above, the remaining assets and liabilities are considered to be within level 2 of the fair value hierarchy.

A number of the Group's accounting policies and disclosures require the determination of fair value, for financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in note 2.

The Company's derivatives, the interest rate swaps with NordLB, are valued by NordLB as calculation agent. Loans from NordLB are at variable interest rates based on a repayment schedule as agreed between the Group and NordLB; the loans from DekaBank are at fixed interest rates. The Directors confirm that the Lessees are meeting payment of lease rentals without impairment, enabling the Company to meet its loan repayment obligations and dividend distributions. The Directors believe it is appropriate to fair value the Loans at par.

NordLB's valuation technique is discounted cashflows using market rates allowing for credit risk. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2

As at 30 June 2015	Next 12 months US\$	2 to 5 years US\$	After 5 years US\$	Total US\$
Interest rate swaps	(3,193,128)	(10,006,705)	(5,183,273)	(18,383,106)

As at 31 December 2014	Next 12 months US\$	2 to 5 years US\$	After 5 years US\$	Total US\$
Interest rate swaps	(3,347,370)	(10,705,549)	(6,240,160)	(20,293,079)

As at 30 June 2015, the aggregate loss on the fair value of the Swaps was US\$4,703,050 (31 December 2014 US\$5,171,613).

#### *Credit Risk – Thai Airways*

Thai Airways as lessee and provider of income and DekaBank as provider of the Third and Fourth Loans and borrowings, cash and restricted cash are additional risks to those disclosed in the annual financial statements as at and for the period ended 31 December 2014. The Lessee does not maintain a credit rating. The long term credit rating of DekaBank was Aa3 as at 19 June 2015 (Moody's).

#### 15. OPERATING SEGMENT

The Company is engaged in one operating segment, being acquiring, leasing and subsequent selling of Aircraft. The geographical location of the Assets of the Group is Ireland, where the Assets are registered. The

income arising from the lease of the Assets originates from two lessees, one in Norway one in Thailand.

## 16. RELATED PARTY TRANSACTIONS

The key management personnel (deemed to be the non-executive Directors, Jon Bridel, Didier Benaroya and Jeremy Thompson), are remunerated for their services at agreed fee rate. Until and including 17 May 2015, the directors were remunerated at a fee for each Director of £20,000 per annum (£25,000 for the Chairman) in relation to the Company plus £5,000 per annum for acting as director in relation to each of the Borrowers. In addition the two directors of the Lessor who are based in Ireland will receive a fee of €6,000 in aggregate per annum and the Director who sits on the board of the Lessor will receive a fee of £10,000 per annum.

A review of the director remuneration was discussed during February 2015 in view of the proposed forthcoming fund raising. The Board agreed that in the event of the earlier of the Thai acquisition proceeding or 1<sup>st</sup> July 2015, the Directors remuneration would increase to reflect the additional duties and commitments being undertaken currently by the Chairman and Audit Chairman. With effect from 18 May 2015, the Directors remuneration was increased as follows: the Chairman of the Board's annual fee by £2,500 per annum and the Audit Committee Chairman's fee by £2,500 per annum. The base directors' fee would therefore be £20,000 with £22,500 for Audit Chairman and £27,500 for Chairman.

For the period ended 30 June 2015 the directors' remuneration was Mr Bridel: US\$37,239, Mr Benaroya: US\$41,469 and Mr Thompson: US\$33,324.

It was also confirmed that all directors would be entitled to receive a one-off additional payment of £5,000 for each new prospectus issued whether or not the fund raise was successful. It was noted that should new Guernsey and Irish subsidiary companies be established as a result of the new leasing arrangements with Thai, each director duly appointed to the boards of each of the new subsidiary companies would each receive £5,000 per annum for their services from the closing date of the transaction and Mr Benaroya would receive £10,000 as director of the lessor company where more responsibility and input was required relative to the Guernsey subsidiaries.

For the period from inception to 30 June 2014 the Directors' remuneration totalled US\$166,715. For the period 1 January 2014 to 30 June 2014 the Directors' remuneration totalled US\$134,357 with US\$45,587 outstanding to be paid. Expenses were refunded in the amount of US\$5,451. As at the date of this report Mr Bridel, jointly with his wife, held 7,500 Ordinary Shares and Mr J Thompson held 15,000 Ordinary Shares.

In accordance with the Prospectus issued in June 2015, the Asset Manager was paid an arrangement fee of US\$777,000 in respect of the Thai acquisition.

## 17. MATERIAL CONTRACTS

### *Asset Management Agreement*

The Asset Management Agreement has been amended to provide a new calculation methodology for the Disposal Fee with effect from the acquisition of the New Assets. Under the new methodology, a Disposal Fee will only become payable at the point at which all four of the Assets have been sold after expiry of the Fourth Thai 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 Existing Assets and New Assets are 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 per cent.; 1.5 per cent. if the Initial Investor Total Asset Return per Share equals or exceeds 205 per cent. but is less than 255 per cent.; 2.0 per cent. if the Initial Investor Total Asset Return per Share equals or exceeds 255 per cent. but is less than 305 per cent.; or 3.0 per cent. if the Initial Investor Total Asset Return per Share equals or exceeds 305 per cent.

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

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

its net present value.

The disposal fee represents a cash settled share based payment under IFRS 2 Share Based Payment. The provision for the disposal fee at 30 June 2015 was US\$114,000 and the discount rate used was 7.31%.

In the event of any dispute between the Company and the Asset Manager as to the calculation of the Disposal Fee, such dispute may be referred by either party in writing to the Company's auditors for their determination; and such determination will be final and binding on both the Company and the Asset Manager.

The base fee is US\$21,354 per month (increasing by 2.50% per annum) for the First and Second Asset; and US\$16,666 per month (increasing by 2.50% per annum, commencing May 2016) for the Third and Fourth Asset. The charge for the period ended 30 June 2015 was US\$270,690. The Third and Fourth Assets were purchased during June 2015 and had minimal impact on the charge for the period.

#### **18. SUBSEQUENT EVENTS**

On 17 July 2015, the Company declared an interim dividend, in respect of the period starting 1 April 2015 and ended 30 June 2015, of 2.25 cents per Share, to holders of Shares on the register at 31 July 2015.

The ex-dividend date was 30 July 2015, with payment on 14 August 2015.

#### **19. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ('Financial Statements')**

The Financial Statements were approved by the Board and authorised for release on 25 August 2015.

### **COMPANY INFORMATION**

#### **Directors**

Jonathan Bridel (Chairman)  
Didier Benaroya  
Jeremy Thompson

#### **Registered Office**

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Guernsey  
GY1 1WD  
Channel Islands

#### **Asset Manager**

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44269 Dortmund  
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#### **Solicitors to the Company (as to English law)**

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3 More London Riverside  
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#### **Advocates to the Company (as to Guernsey law)**

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GY1 1WA  
Channel Islands

#### **Auditor**

**KPMG, Chartered Accountants**  
1 Harbourmaster Place  
IFSC  
Dublin 1

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**Administrator and Company Secretary**

**Dexion Capital (Guernsey) Limited**

1 Le Truchot  
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Channel Islands

**Corporate Broker**

**Canaccord Genuity Limited**

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