



DP Aircraft

DP AIRCRAFT I LIMITED (the “Company”)

AUDIT AND RISK COMMITTEE

MEMBERS: J Thompson (Chairman)
J Bridel
H Brauns

IN ATTENDANCE: The Company Secretary
The Asset Manager

The Audit Committee has discretion as to whether or not they meet the auditors in private.

Representatives of the External Auditors shall attend meetings at the invitation of the Committee.

Board members who are not members of the Committee shall attend if invited by the Committee.

MEMBERSHIP AND QUORUM: The Committee shall be appointed by the Board in consultation with the Audit Committee Chairman and consist of not less than 2 members from amongst the independent Non-Executive Directors of the Company.

The Chairman of the Committee shall be appointed by the Board and shall be an independent Non-Executive Director (and shall not at any time also be the Chairman of the Board).

The Board will ensure that at least one member has recent and relevant financial experience.

A quorum shall be 2 members of the Committee, neither of whom should be resident nor present in the United Kingdom at the time of the meeting.

CONSTITUTION AND PURPOSE: The Committee does not hold any executive authority save as expressed herein. The Committee shall review, consider and discuss issues relating to the engagement of an External Auditor, an Internal Auditor, compliance with company law, Accounting Standards and Financial Conduct Authority regulations, publication of interim and annual results, publication of any other financial statements embodied within circulars or company announcements, internal control procedures, internal audit procedures and risk review. The Chairman of the Committee shall report to the Company’s Board (the “Board”) on any relevant issue that, in the opinion of the Committee, should be brought to the attention of the Board members.

AUTHORITY: The Committee is authorised by the Board to:

- a. Investigate any activity within its terms of reference;
- b. Seek any information that it requires from any party; and
- c. Obtain outside legal or independent professional advice at the Company’s expense and such advisers may attend meetings as necessary.

RESPONSIBILITY: The responsibilities of the Committee shall be:

External Audit

- a. To consider the appointment of the External Auditor and assess the independence, effectiveness and performance of the External Auditor in accordance with AIC Corporate Governance Code requirements, ensuring also that key partners are rotated at appropriate intervals;
- b. To oversee the process for selecting the External Auditor and make appropriate recommendations through the Board for the shareholders to consider at the AGM;
- c. To review annually the terms of the External Auditor's engagement letter and their proposed remuneration taking into account any changes to the Group's structure and operations in the period. To make recommendations to the Board regarding the annual external audit fee;
- d. To discuss with the External Auditor, before the audit commences, the nature and scope of the audit (or its review of the interim financial statements) and to review the Auditor's Audit Plan, quality control procedures and steps taken by the Auditor to respond to changes in regulatory and other requirements;
- e. To review the External Auditor's management letter and management's response;
- f. To consider communications from the Auditors of audit matters to those charged with governance as required by Auditing Standards (IAS 260);
- g. To pre-approve fees in excess of US\$5,000 on a case by case basis in respect of non-audit services provided by the External Auditor and to ensure that the provision of non-audit services does not impair the External Auditors' independence or objectivity. In the cases where the fee is under US\$5,000 they will be reported after the event to the Committee;
- h. To receive and review, on an annual basis, a summary of the External Auditor fees, both audit and non-audit, charged to DP group companies;
- i. To consider putting out the audit services to tender at least once in every 10 years, to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms. The Financial Reporting Council recommends that such tender be considered on the same review cycle as for the incumbent audit partner; and
- j. To consider Audit Partner rotation at each 5 year period on the same review cycle as item (i), as recommended by the Financial Reporting Council
- k. To ensure that the Company will not / has not spent more than a 70% average on a 3 year basis of the annual audit fee, on non-audit work.

NB: As at the October 2019 Quarterly Meeting this statement is confirmed as true

Directors' Valuation

- a. To receive from the Asset Manager a valuation of the Group's investment portfolio based on the agreed valuation methodology. Current frequency is once a year;
- b. To engage three independent valuation experts ("Valuation Experts") on behalf of the Company to provide a valuation of the Assets and to take into account the average of the three valuations provided.
- c. To recommend to the Board the valuation of the Group's investment portfolio based on the work of the Asset Manager and the opinions of the Valuation Experts;
- d. To review annually the terms of the Valuation Experts' engagement letter and their proposed remuneration taking into account any changes to the Group's structure and investments in the period. To make recommendations to the Board regarding the annual fee;

- e. To discuss with the Valuation Expert before the validation commences, any specific outputs required;
- f. To review the Validation Experts' opinion letter and management's response;
- g. To receive from the Asset Manager an annual review of the potential sale of the aircraft if this would be beneficial to the shareholders; and
- h. Definition of the valuation of the assets based on full lease and no lease (i.e. with attached lease for full life market value).

Fraud

- a. To review the Company's procedures for the prevention, detection and reporting of fraud;
- b. To review the Company's procedures for handling allegations from whistle-blowers. Such procedures should permit individuals, in confidence, to raise concerns about possible improprieties, in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place to follow up the matters raised.

Financials Statements

- a. To review, and challenge where necessary, the actions and judgements of the Investment Adviser and any other relevant entities, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
 - i. When taken as a whole, the financial statements comply with the Companies (Guernsey) Law, 2008 Section 243 (3) a-c; and are a true and fair view; are in accordance with generally accepted accounting principles and state which principle have been adopted; and comply with any relevant enactment for the time being in force.
 - ii. Critical accounting policies and practices and any changes in them, as they relate to the consolidated results of the Company, Subsidiaries, Joint Ventures and Associates;
 - iii. Decisions requiring a major element of judgement including the impact of adopting any acceptable alternative accounting treatment;
 - iv. The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - v. The clarity of disclosures;
 - vi. Significant adjustments resulting from the audit;
 - vii. The Auditor's statement of unadjusted audit differences and management's explanation as to why adjustments have not been processed;
 - viii. The going concern assumption
 - ix. Compliance with Accounting Standards;
 - x. Compliance with the Model Code and other legal requirements;
 - xi. Reviewing the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company;
 - xii. Compliance with the AIC Code of Corporate Governance
 - xiii. Viability Statement disclosures
- b. At the end of an audit cycle, or earlier if appropriate, to review the effectiveness of the external audit process and to report the Committee's conclusions to the Board.

Risk and Risk Management

The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information.

A detailed risk matrix is in place and is formally reviewed on a quarterly basis. Risks include, but are not limited to:

- a. Material departure from the investment policy without prior approval of shareholders;
- b. Failure by Norwegian & Thai to pay rental amounts;
- c. Failure by the Company to pay loan costs;
- d. Loss of key personnel at the Asset Manager or Administrator;
- e. Range of Valuations; and
- f. Economic impact and competition within the airline industry.

Director Dealings

- a. To review on a periodic basis the application of the Model Code in respect of any director dealings

REPORTING PROCEDURES:

The Secretary shall circulate the minutes of the meetings to all members of the Board. The Chairman of the Committee shall attend the Board meeting at which the accounts are approved and report the key issues which, in the opinion of the Committee, should be brought to the attention of the Board in relation to the financial statements, other statutory disclosures and internal control weaknesses.

The Committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the Board for changes. The Committee shall make its terms of references available to shareholders on request and ensure that they are published on the Company's website.

The Committee's duties and activities during the year shall be disclosed in the annual financial statements, including an explanation of the procedures adopted by the Committee to ensure that the independence of the External Auditor is maintained at all times.

The Chairman shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Committee's activities and its responsibilities.

In the event of a material disagreement between the Committee and the Board, the Committee should have the right to report on the issue to shareholders in the annual report.

Amendments may be made to the duties of the Committee by the Board from time to time.

FREQUENCY OF MEETINGS:

Meetings shall be held not less than three times a year, and where appropriate should coincide with key dates in the Company's financial reporting cycle, i.e. prior to the Board's review of the interim results announcement and the announcement of annual results. Each meeting should include a risk review/risk management agenda item (which may be satisfied by way of the risk matrix).

The External Auditors may request a meeting at any time if they consider that one is necessary.

OTHER:

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

Notes:

Policy notes re engagement of external auditor for non-audit services

Note 1

The following non-audit services are prohibited:

- *Bookkeeping and other services relating to accounting records or financial statements;*
- *Financial information system design and implementation;*
- *Valuation services;*
- *Actuarial and legal services;*

- *Internal audit outsourcing; and*
- *Management Functions.*

Note 2

General approval is granted by the Audit and Risk Committee for the provision of the following services to DP Aircraft I Limited and its consolidated subsidiaries up to a limit of US\$5,000 for an assignment.

- *Annual statutory audit arrangements;*
- *Stock Exchange reporting assignments;*
- *Due diligence assistance;*
- *Tax compliance services;*
- *Tax advisory services to include:*
 - *Advice on the likely tax consequences of proposed transactions;*
 - *Tax issues associated with organisational structure;*
 - *Tax consequences associated with new or proposed legislation;*
 - *Assistance with negotiations with tax authorities regarding outstanding tax liabilities;*
 - *Advice regarding foreign tax issues;*
 - *Assistance with negotiation with tax authorities about status of transactions as proposed transactions;*
 - *Assistance with the filing of ruling requests;*
 - *Assistance and representation during appeals of cases before tax authorities.*

Note 3

Pre-approval from the Audit and Risk Committee for all other services is to be requested as and when necessary.