

# **DP AIRCRAFT I LIMITED**

## **UNAUDITED INTERIM REPORT**

**Period from 1 JANUARY 2014 to 30 JUNE 2014**

# DP AIRCRAFT I LIMITED

## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

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### COMPANY OVERVIEW

DP Aircraft I Limited (the 'Company') was incorporated with limited liability in Guernsey under The Companies (Guernsey) Law, 2008 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 two wholly owned subsidiary entities, DP Aircraft Guernsey I Limited and DP Aircraft Guernsey II Limited (collectively and hereinafter, the 'Borrowers'), each being a Guernsey Incorporated company limited by shares and an intermediate lessor (the 'Lessor'), an Irish incorporated private limited company. The Company and its subsidiaries (the Borrowers and the Lessor) 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.

### INVESTMENT OBJECTIVE & POLICY

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

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

### THE BOARD

The Board comprises 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. Three quarterly distributions have been made at the date of this report, each meeting the 2.25 cents 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.

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**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>	106 pence as at 14 August 2014
<b>Listed</b>	CISE
<b>CISE Listing Date</b>	4 October 2013
<b>Country of Incorporation</b>	Guernsey
<b>Current Shares in Issue</b>	113,000,000
<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
<b>Aircraft Serial Number</b>	35304 35305
<b>Aircraft Type and Model</b>	B787-8
<b>Lessee</b>	Norwegian Air Shuttle ASA
<b>Website</b>	<a href="http://www.dpaircraft.com">www.dpaircraft.com</a>

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## HIGHLIGHTS

### PROFIT BEFORE TAX

Profit Before Tax of 4.367 cents per Share for the interim accounting period from 1 January 2014 to 30 June 2014, driven by the leasing of two Boeing 787-8 aircraft. 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 is the same.

### NET ASSET VALUE

A Net Asset Value ('NAV') per Share (post the interim dividends) of 95.262 cents per Share as at 30 June 2014.

### INTERIM DIVIDENDS

Two interim dividends each of 2.25 cents per Share.

# DP AIRCRAFT I LIMITED

## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

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### CHAIRMAN'S STATEMENT

I am pleased to present Shareholders with the second interim report of the Company for the six month period to 30 June 2014, as well as for the full period from incorporation on 5 July 2013 to 30 June 2014. A separate report for the period from incorporation to 31 December 2013 ("the first interim report") will be released shortly.

I and my fellow Directors, Didier Benaroya and Jeremy Thompson, were delighted with the success of the initial public offering (the 'IPO') and subsequent Listing and Trading as described in the Company Overview introduction on page 2 of this report.

Two incidents in early 2013, prior to the launch of the IPO, saw all Boeing 787-8 aircraft delivered prior to that date grounded for approximately two months. Following a redesign of the battery system providing for additional layers of safety, the Federal Aviation Authority lifted the flight ban on 19 April 2013, which allowed the IPO preparation to continue.

On 9 October 2013, we completed the acquisition of our first two aircraft, each a Boeing 787-8 or 'Dreamliner'. A Dreamliner is a twin-engine long range aircraft, distinguished by its entirely new aircraft design, composite materials and variety of technical innovations. Each aircraft was acquired by one of the Company's wholly owned subsidiaries, DP Aircraft Guernsey I Limited and DP Aircraft Guernsey II Limited. The Lessor and Trustee for each aircraft is DP Aircraft Ireland Limited. Each aircraft was purchased with the benefit of pre-negotiated leases with Norwegian Air Shuttle ASA ('Norwegian' or the 'Lessee') each with a term of twelve years from their respective commencement dates, and these are successfully producing income for our investors. I am pleased to report there are no issues to bring to the attention of Shareholders concerning the performance of the Lessee.

I recently flew on a Norwegian 787-8 to and from the U.S.A. and from the U.K. and was impressed with the innovations and superior environment.

The total shareholder return for this second accounting period of 4.367 cents per Share is as expected. Full performance by Norwegian of its lease obligations allowed the Company to meet its target dividends of 2.25 cents per Share for the quarters ending December, March and June 2014. The net asset value per share as at 30 June 2014 was 95.262 cents per Share.

The outlook for the period to 31 December 2014, our first full accounting period end, is described fully in the Asset Manager's Report that follows on page 7 of this report. The Asset Manager will advise the Directors of any further acquisition opportunities as they arise.

The Company's annual general meeting ('AGM') is scheduled for 2 January 2015. As our first full set of audited financial statements will not be available for Shareholders at that time we anticipate adjourning the AGM until a later date in early 2015. It is expected that the normal laying of audited financial statements at each future AGM will take place.

I would like to thank our Investors for their support in the IPO. I and my fellow Directors are available via our Company Secretary whose details can be found at the end of this report.

**Jon Bridel**  
Chairman

# DP AIRCRAFT I LIMITED

## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

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### ASSET MANAGER'S REPORT

#### Overview and Development - The Aviation Market

Growth in demand for air travel has continued steadily, with passenger traffic in May 2014 up 6.2 per cent on the previous year according to the International Air Transport Association (IATA). On average it is estimated that passenger traffic will grow by 5.9 per cent in 2014. Moreover, airlines' financial performance during the first quarter of 2014 has particularly improved on the operating level. According to IATA's latest published expectations, net profits for 2014 will be USD 18.0 billion, which would be an increase of around 40 per cent on 2013. Furthermore, it is estimated that 3.3 billion passenger and goods worth USD 6.8 trillion will be transported by air this year.

Taking a closer look at the European aviation market, economic growth within the Eurozone came in below expectations in the first quarter of 2014 but is expected to accelerate in the second quarter. In May, the 6.4 per cent increase in Revenue Passenger Kilometres (RPK) for European airlines compared to the same month the previous year was above the global average. In addition, it is anticipated that net post-tax profits for European carriers may more than quadruple in 2014.

Crude oil prices remain high, amongst other reasons due to the conflict in Ukraine, Iraq, Syria and Israel. Given that fuel represents the largest percentage of operating costs for an airline, technological improvements and the availability of a fleet of aircraft benefitting from the latest technology, such as the Dreamliner Boeing B787, are significant factors for an air carrier as it seeks to optimise its cost level. Another way to ameliorate the cost structure is through an increase in labour productivity; the latter is expected to increase globally by 2.5 per cent. Despite this, total employment is also expected to rise, by 2.6 per cent, due to overall global growth in air traffic. There is also a more structural change within the industry, with the air transport product becoming ever more integrated with legacy carriers. As yields have been under pressure in recent years, airlines have concentrated on generating ancillary revenues e.g. by charging for the reservation of seats with additional legroom. This offers airlines the possibility to significantly improve their operating results while still offering competitive air fares.

The long term outlook for the aviation market and the demand for new aircraft remain positive. Air travel and air freight are products for which there are very few substitutes. According to their current market outlooks, Boeing (Current Market Outlook 2014-2033) and Airbus (Global Market Forecast 2013-2032) are of the opinion that passenger fleets will double by 2033 and 2032 respectively. Boeing estimates annual growth rates of airline passengers at 4.2 per cent and of airline traffic (RPK) at 5.0 per cent on average; while global GDP will grow annually by only 3.2 per cent on average. This year, IATA expects the global fleet to increase both in number (by around 600 aircraft) and also slightly by average size of aircraft.

According to the latest Airline Business Confidence Index (April 2014 survey), 76 per cent of participating CFOs and Heads of Cargo believe that there will be an increase in demand for air travel over the next 12 months; this is 4 per cent higher than the comparable figure from the last survey in January 2014. On top of that, nearly 73 per cent of respondents believe that passenger yields will remain stable or increase over the next 12 months. Furthermore, the results of the survey in regard to cargo are positive reflecting significant developments in the demand environment; and the expectations of the last survey that cargo volume will increase at rates not seen since the middle of 2010 remain unchanged.

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The Boeing B787 Dreamliner still ranks alongside the Airbus A350 (which is expected to enter into service in the fourth quarter this year) as the latest technological, mid-size wide-body aircraft available in the market. As at July 1 2014, 162 Boeing B787 had been delivered to 21 different airlines and more than 20 million passengers had been commercially transported. With a backlog of over 860 aircraft in June 2014, and production fully sold out until 2019, it is clear that the aircraft remains in high demand. On top of that, Boeing's Current Market Outlook highlights the fact that the B787-8 offers airlines the opportunity to open up new markets and new non-stop routes like London – Austin and Stockholm – Fort Lauderdale.

Since DP Aircraft I Limited took title of its two aircraft last year (registration numbers EI-LNA and EI-LNB), Norwegian has met all of its lease obligations in full. The airline received its seventh B787-8 in June this year and one more is due at the end of this year. Hence the minimum target fleet size of five aircraft has been reached, enabling the carrier to operate a long-haul network on a fully economically efficient basis. The carrier operates the aircraft in a two-class configuration seating 32 premium economy plus 259 economy passengers. The airline reports that it and its customers are highly satisfied with the aircraft.

Both of the aircraft were physically inspected at Stockholm's Arlanda Airport in April this year. The inspection was documented by photographs of the aircraft interior and exterior. Norwegian's Maintenance Operation Manager, as well as a Boeing Maintenance control engineer, were present in case of the need for assistance. (At least one Boeing representative is always on site during Norwegian's B787 aircraft downtime at all destinations of the carrier's long-haul network as part of the Gold Care Agreement with Boeing.) No areas of concern could be found and both aircraft appear to be maintained to a very high standard.

The table overleaf below gives an overview about the utilisation of airframe and engines. One of LNB's engines, Engine Serial Number (ESN) 10130, and one of LNA's engines, ESN 10118, have undergone an upgrade at Rolls Royce's Derby facilities. The upgrade extends the maintenance intervals of the engines and therefore decreases maintenance costs. LNA's second engine, ESN 10119, and LNB's second engine, ESN 10135, are currently undergoing this upgrade as well.

In May, DS Aviation GmbH & Co. KG, the Asset Manager of DP Aircraft I Limited, and UK-based aircraft lessor, marketing and management organisation Skytech-AIC formed a new joint venture. This new company is named DS Skytech Limited and will provide technical asset management in regard to the combined owned and managed aircraft portfolio of the two organisations. DS Skytech will also provide technical asset management services to the Company from May 2015 onwards.

DS Skytech is a UK-registered company located near Farnborough in Hampshire and equally owned by DS Aviation, the aircraft leasing unit of Dr. Peters Group, and Skytech-AIC. The objective of this Joint Venture is to provide a new industry benchmark in management service quality. In this way, it is envisaged that DP Aircraft I Limited will profit from the provision of enhanced in-house technical asset management services.



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### The Assets- two Boeing DreamlinerB787-8

<b>Airframe Status (30 June 2014)</b>	<b>LNA Total</b>	<b>June 2014</b>	<b>LNB Total</b>	<b>June 2014</b>
Flight hours	4,217:08	250:51	4,034:57	384:57
Cycles	603	26	533	73
Block hours	11.46	8.35	12.93	12.82
Flight hours/ Cycles Ratio	6.99 : 1	9.64 : 1	7.57 : 1	5.27 : 1
<b>Engine Data (30 June 2014)</b>				
Engine Serial Number	<b>10118</b>	<b>10119</b>	<b>10130</b>	<b>10135</b>
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [flight hours]	3,109:17	4,127:10	1,197:57	3,503:32
Total Cycles	497	594	115	423
LLP	Various HPT Components	Various HPT Components	Various HPT Components	Various HPT Components
Cycles to LLP Replacement	3,003	2,906	3,385	3,007
Location	LNA	In Shop	LNA	In Shop

Norwegian Air Shuttle - Scandinavia's second largest airline – has been operating since 1993 and transported more than 20 million passengers in 2013. Since May 2013 the airline has offered long-haul services; currently operating to six destinations in Thailand and USA from Scandinavia and London Gatwick. The next route to be opened will be Copenhagen-Bangkok by end of October this year. Norwegian attracts both passengers originating in Scandinavia as well as in the United States and Asia. As is well known, Asia in particular represents one of the fastest growing tourism markets for outbound traffic, offering Norwegian an attractive source for new business.

The 2013 financial year was the seventh consecutive year in which the airline has made a profit despite some events which have significantly impacted their results. A drop in bookings due to the extraordinarily good summer weather in Scandinavia 2013, higher expenses due to the necessary wet-lease of Airbus A340 as a result of the late delivery of the Dreamliner, as well as start-up investments to establish long-haul operations and its new base in London Gatwick, put Norwegian's yields and net profit under pressure, seeing them decrease by 10 per cent and 30 per cent respectively. The carrier estimates the costs associated with the start-up of the long-haul business to be around NOK 216 million (around US\$ 35.6 million). Moreover, the consolidated financial statements for 2013 show a net profit of NOK 321,564 million (around US\$ 53 million), a decrease of 30 per cent on 2012. However, the load factor only decreased by 1 per cent and EBITDAR and EBIT (operating profit) increased by 53 per cent and 140 per cent correspondingly. EBIT in 2013 amounted to NOK 969,658 million (around US\$ 160 million).

Norwegian's revenues in 2013 were around 15.6 NOK billion (around US\$ 2.6 billion) and up by 21

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per cent against 2012. Ancillary revenues, which are important in Norwegian's business strategy, increased by 6 per cent, whereas unit costs decreased by 6 per cent in the same period. In the first quarter of 2014, compared to the same period of the preceding year, the carrier increased its ancillary revenues by 25 per cent. The 2013 income statement showed an increase in equity of 13 per cent and in cash of 25 per cent based on an YTD comparison between 2013 and 2012. The equity ratio stood at 18.6 per cent at the end of 2013.

Norwegian Air Shuttle ASA continues to grow. The carrier increased its number of passengers in June 2014 by 21 per cent compared to the same month in 2013. Furthermore available seat kilometres (ASK) and RPK increased by 39 per cent and 45 per cent respectively over the same period. On top of this, first quarter results for 2014 emphasised growing market shares in all markets of Norwegian Air Shuttle ASA compared to the same period in 2013. At Oslo Airport the carrier holds a market share of 39 per cent.

The airline is also optimising its cost structure and cost levels, and is further developing its automated booking system as well as introducing self-check-in and self-baggage drop-off stations. Furthermore, the company has been restructured to reflect its move towards further international growth, establishing two fully owned subsidiaries, each of them operating with their own air operator's certificate (AOC). Long-haul destinations will be operated by Norwegian Air International (NAI) with an Irish AOC, which was granted by Ireland in February of this year. It is planned that all of Norwegian's B787 aircraft will eventually be operated by this subsidiary under a sublease from Norwegian Air Shuttle ASA. The process of obtaining a licence to operate transatlantic flights from the US Department of Transportation is ongoing, but the airline is being supported in this by the European Commission, which is meeting with its US counterpart this month to accelerate the process. The European Commission is of the opinion that the interpretation of Article 17 of the EU-US Open-Skies Agreement can only lead to the grant of the licence to NAI. In any event, Norwegian's current schedule is not dependent upon or affected by this approval procedure, and the carrier continues to expand its long-haul network, adding more aircraft with a view to operating a fleet of ten Dreamliners by 2016. The ideal fleet size of the carrier would be 20 to 25 aircraft with a growth rate of 4-5 yearly, but due to ongoing high market demand for Boeing's Dreamliner B787, Norwegian's requirements cannot be met.

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

# DP AIRCRAFT I LIMITED

## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

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### DIRECTORS

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

#### **Jonathan (Jon) Bridel, Non- Executive Chairman (49)**

Jon is a non-executive chairman or director of various listed and unlisted investment funds and is resident in Guernsey. These funds include listings on the premium segment of the London Stock Exchange and the Official List of the CISX. He was until 2011 managing director of Royal Bank of Canada's investment businesses in Guernsey and Jersey. This role had a strong focus on corporate governance, oversight, regulatory and technical matters and risk management. Jon previously worked with Price Waterhouse Corporate Finance in London and subsequently served in a number of senior management positions in London, Australia and Guernsey in corporate and offshore banking and specialised in credit. He was also chief financial officer of two private multi-national businesses, one of which raised private equity. He holds qualifications from the Institute of Chartered Accountants in England and Wales where he is a Fellow, the Chartered Institute of Marketing, the Australian Institute of Company Directors and an MBA from Durham University. Jon is a Chartered Marketer and a member of the Chartered Institute of Marketing, the Institute of Directors and is a Chartered Fellow of the 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 two private equity funds and of a London listed oil and gas technology 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 attended Brunel University 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.

**Carol Kilby** was appointed as the sole director on formation of the Company on 5 July 2013 and resigned this appointment at the Company's launch meeting on 9 July 2013.

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## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

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### STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

#### *Asset risk*

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

The Boeing 787-8 is a 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 (or any other lessee) to comply with its obligations under the Leases (or any subsequent lease).

There is no guarantee that, upon expiry of the Leases, the Assets could be sold for an amount that 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 one or both Leases. However, Key Man clauses within the Asset Management agreement do provide a base line level of protection against this risk.

#### *Credit risk*

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

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.

#### *Liquidity risk*

In order to finance the purchase of the Assets, the Group has entered into two separate Loan Agreements pursuant to which the Group has borrowed an amount of US\$159,600,000 in total. Pursuant to the Loan Agreements, the Lenders are given first ranking security over the Assets. Under the provisions of each of the Loan Agreements, the Borrowers are required to comply with loan covenants and undertakings. A failure to comply with such covenants or undertakings may result in the relevant Lenders recalling the relevant Loan. In such circumstances, the Group may be required to sell the relevant Asset to repay the outstanding relevant Loan.

More detailed explanations of the above risks can be found within the Notes to the Unaudited Consolidated Financial Statements on pages 19 to 42 of this report.

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- the unaudited Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting;
- 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 2014 to 30 June 2014 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 2014 to 30 June 2014 and that have materially affected the financial position or performance of the entity during that period.

### 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. The Group's loan repayments are hedged into a fixed payment which is more than covered by the Group's lease rental income. Accordingly, and in the absence of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern, the Directors have adopted the going concern basis in the preparation of the condensed consolidated unaudited financial statements.

By order of the Board

**Jon Bridel**  
**Chairman**

# DP AIRCRAFT I LIMITED

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### INDEPENDENT INTERIM REVIEW REPORT

We have been engaged by DP Aircraft I Limited ("the Company") to review the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity and the related explanatory notes (the "Financial Statements"). We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA") and the listing rules of the Specialist Fund Market of the London Stock Exchange. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

#### Directors' responsibilities

The unaudited interim report including the Financial Statements is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the DTRs of the UK FCA.

The financial statements included in this interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

#### Our responsibility

Our responsibility is to express to the Company a conclusion on the financial statements in the interim report based on our review.

#### Scope of review

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

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Financial Statements for the period from 1 January 2014 to 30 June 2014 are not prepared, in all material respects, in accordance with IAS 34, the DTR of the UK FCA.

Killian Croke  
for and on behalf of KPMG  
Chartered Accountants, Statutory Audit Firm

29 August 2014

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### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period 1 January 2014 to 30 June 2014

	Notes	1 January to 30 June 2014 US\$	5 July 2013 to 30 June 2014 US\$
<b>Revenue</b>			
Lease rental income	4	14,959,499	21,214,901
<b>Expenses</b>			
Asset management, general and administrative expenses	5	(559,081)	(1,562,041)
Depreciation of Aircraft	6	(5,425,170)	(8,137,755)
		(5,984,251)	(9,699,796)
Operating profit		8,975,248	11,515,105
Finance costs	9	(4,041,196)	(5,867,026)
Finance income	9	870	3,075
Net Finance Costs		(4,040,326)	(5,863,951)
Unrealised foreign exchange gain		(2)	9
Profit for the period		4,934,920	5,651,163
<b>Other Comprehensive Income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Cash flow hedges – changes in fair value		(3,124,486)	(3,774,973)
Total Comprehensive Income for the period		1,810,434	1,876,190
		<b>US\$</b>	<b>US\$</b>
Earnings per Share for the period – Basic and diluted		0.04367	0.05001

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

There is no comparative information.

The notes on pages 19 to 42 form part of these financial statements

# DP AIRCRAFT I LIMITED

## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

2014

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Notes	30 June 2014 US\$
<b>NON-CURRENT ASSETS</b>		
Aircraft	6	259,463,545
Total Non-Current Assets		259,463,545
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	8	4,815,822
Restricted cash	7	7,212,545
Trade and other receivables	10	724
Total Current Assets		12,029,091
<b>TOTAL ASSETS</b>		<b>271,492,636</b>
<b>EQUITY</b>		
Share Capital	11	110,855,221
Hedging Reserve	15	(3,774,973)
Retained Earnings		566,163
Total Equity		107,646,411
<b>NON-CURRENT LIABILITIES</b>		
Loans and Borrowings	12	140,822,955
Maintenance reserves	12	812,545
Security deposits	12	6,400,000
Derivative instrument liability	15	3,774,973
Total Non-Current Liabilities		151,810,473
<b>CURRENT LIABILITIES</b>		
Loans and borrowings	13	10,414,982
Rent received in advance	13	1,160,189
Trade and other payables	13	460,582
Total Current Liabilities		12,035,753
<b>TOTAL LIABILITIES</b>		<b>163,846,226</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>271,492,636</b>

There is no comparative information.

These Financial Statements were approved by the Board of Directors on 29 August 2014 and signed on its behalf by:

**Jon Bridel**  
Chairman

**Jeremy Thompson**  
Director

The notes on pages 19 to 42 form part of these financial statements



DP AIRCRAFT I LIMITED  
Unaudited Interim Report for the period  
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**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the period 1 January 2014 to 30 June 2014

	5 July 2013 to 30 June 2014 US\$
<b>OPERATING ACTIVITIES</b>	
Profit for the period	5,651,163
<i>Adjusted for:</i>	
Depreciation of Aircraft	8,137,755
Amortisation of deferred loans and borrowings	
Finance costs	5,867,026
Facility fee	114,960
<i>Changes in:</i>	
Increase/(decrease) in maintenance reserves	812,545
Increase/(decrease) in security deposits	6,400,000
Increase/(decrease) in rent received in advance	1,160,189
Increase/(decrease) in trade and other payables	460,582
Decrease/(increase) in receivables	(724)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>28,603,496</b>
<b>INVESTING ACTIVITIES</b>	
Purchase of Aircraft	(265,041,612)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(265,041,612)</b>
<b>FINANCING ACTIVITIES</b>	
Dividend paid	(5,085,000)
Share issue proceeds	113,000,000
Share issue costs	(5,994,469)
New loans and borrowings raised	159,600,000
Loan principal repaid	(6,637,631)
Financing costs	(5,867,026)
Deferred loans and borrowings facility costs	(1,839,391)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>248,466,483</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>-</b>
Increase in cash and cash equivalents	12,028,367
Restricted cash	(7,212,545)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,815,822</b>

The notes on pages 19 to 42 form part of these financial statements

# DP AIRCRAFT I LIMITED

## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

2014

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period 1 January 2014 to 30 June 2014

	Ordinary Shares Share Capital US\$	Retained Earnings US\$	Hedging Reserve US\$	Total US\$
<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)
<b>Total comprehensive income</b>	-	5,651,163	(3,774,973)	1,876,190
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)
<b>Balance as at 30 June 2014</b>	110,855,220	566,163	(3,774,973)	107,646,410

There is no comparative information.

The notes on pages 19 to 42 form part of these financial statements

# DP AIRCRAFT I LIMITED

## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

2014

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period 1 January 2014 to 30 June 2014

#### 1. GENERAL INFORMATION

The condensed consolidated unaudited financial statements ('financial statements') incorporate the results of the Company and that of wholly owned subsidiary entities, DP Aircraft Guernsey I Limited and DP Aircraft Guernsey II Limited (collectively and hereinafter, the 'Borrowers'), each being a Guernsey Incorporated company limited by shares and an intermediate lessor (the 'Lessor'), an Irish incorporated private limited company.

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

The Share Capital of the Company comprises 113,000,000 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 financial statements for the period 1 January 2014 to 30 June 2014 have been prepared in order to comply with the listing rules of the Specialist Fund Market of the London Stock Exchange and the Channel Islands Stock Exchange whereby the Company must produce annual and half yearly reports. These financial statements have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting) ('IAS 34') issued by the International Accounting Standards Board ('IASB'), the Disclosure and Transparency Rules ('DTR's) of the UK's Financial Conduct Authority ('FCA') and applicable Channel Islands Stock Exchange and Guernsey law.

The financial statements do not include all of the information required for full financial statements. As the Company was only incorporated on 5 July 2013 and these financial statements cover the second interim accounting period from 1 January 2014 to 30 June 2014, there is no comparative financial information at the time of the approval of the financial statements.

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. A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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.

DP AIRCRAFT I LIMITED  
Unaudited Interim Report for the period  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009) (continued)*

The International Accounting Standards Board (IASB) recently completed the final element of its comprehensive response to the financial crisis by issuing IFRS 9 *Financial Instruments*. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The new Standard will come into effect on 1 January 2018 with early application permitted. The key elements of the new Standard are:

**Classification and Measurement** - IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

**Impairment** - As part of IFRS 9, the IASB has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. The new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

**Hedge accounting** - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

**Own credit** - the Standard also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

The adoption of these standards is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

**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.

DP AIRCRAFT I LIMITED  
Unaudited Interim Report for the period  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 and DP Aircraft Ireland Limited (the 'Group'). Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has a right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, have been eliminated in preparing the financial statements.

**d) Taxation**

The Company, DP Aircraft Guernsey I Limited and DP Aircraft Guernsey II Limited are subject to income tax at the company standard rate in Guernsey, which is currently zero per cent. However, tax at rates greater than zero per cent will be payable on any income received by the Guernsey Companies from the ownership of lands and buildings in Guernsey or from certain regulated activities. It is not intended that the Guernsey Companies make any such investments or engage in any of the regulated activities in question.

Shareholders of the Company, whether corporates or individuals, who are not resident in Guernsey for tax purposes, will not be subject to Guernsey income tax and will receive dividends without deduction for Guernsey income tax. Individual shareholders who are resident in Guernsey for tax purposes will be subject to tax at the individual standard rate of 20 per cent upon dividends.

DP Aircraft Ireland Limited is subject to resident taxes in Ireland.

**e) Property, plant and equipment – Aircraft (the 'Assets')**

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

The Company's policy is to depreciate the Assets over their remaining lease life (given the intention to sell the Assets at the end of the lease) to an appraised residual value at the end of the lease. For the interim report, the directors determined a residual valuation at the end of the lease based on 50 per cent of the purchase cost in the absence of any recent official appraisal. An official appraisal will be carried out for the valuation to be presented within the 31 December 2014 audited accounts.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) *Property, plant and equipment – Aircraft (the ‘Assets’) (continued)***

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

The future cash in-flows for the assets have been fixed at a set rate as agreed between the Group, NordLB, as loan provider, and the Lessee.

**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.

**Non-derivative financial instruments**

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) Financial instruments (continued)**

***Derivative financial instruments***

The Company invests in interest rate swaps in order to provide for fixed-rate interest to be payable in respect of the Loans and borrowings, matching the timing of the scheduled fixed rental payments under the Leases, interest rate swaps have been entered into to provide for surety of cash flow and elimination of volatility.

On initial designation of the derivative as hedging instrument the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%.

Fair value movements on the derivative instruments are recorded as Other comprehensive income in the Statement of Comprehensive Income; the fair value of the derivative instruments are recorded as "derivative liability" or "derivative asset" in the Statement of Financial Position.

**Hedging Reserve**

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.

**Cash and cash equivalents (Loans and Receivables under IAS 39.9)**

Cash and cash equivalents comprise cash balances held for the purpose of meeting short term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Where investments are categorised as cash equivalents, the related balance has a maturity of three months or less from the date of acquisition. Cash and cash equivalents are carried at amortised cost.

**Restricted cash (Loans and Receivables under IAS 39.9)**

Restricted cash comprises cash held by the Group but which is ring-fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is measured at amortised cost.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) *Financial instruments (continued)***

**Maintenance Reserve**

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 Assets relating to the life used on the airframe, engines and parts since new or since the last overhaul. During the term of the Leases, all maintenance is required to be carried out at the cost of Norwegian, and maintenance reserves are required to be released only upon receipt of satisfactory evidence that the relevant qualifying maintenance or overhaul has been completed.

Maintenance reserves are recorded on the statement of financial position during the term of each 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 a lease, the Group is released from the obligation to make any further reimbursements in relation to the aircraft, and the remaining balance of maintenance reserves, if any, is released through profit or loss.

**Security Deposit**

Lease contracts require the lessee to pay a security deposit, 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 statement of financial position as a liability. The cash received related to security deposits is presented as restricted cash in the Statement of Financial Position.

**Trade and other receivables**

Trade and other receivables are recognised initially at fair value and are thereafter measured at amortised cost using the effective interest rate less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material. A provision for impairment of trade receivables is recognised when there is objective evidence the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the loans and borrowings or, probability that the loans and borrowings or will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

**Loans and borrowings**

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f) *Financial instruments (continued)***

**Trade and other payables**

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

**g) *Share capital***

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

**h) *Share based payments***

For cash settled share-based payment arrangements with the Asset Manager, which is classified as a non-employee, the Company re-measures the goods or services from the non-employee at each measurement date at their fair value. The cost of the share-based payment exchanged for the goods or services is recorded in equal amount over the period the services are provided. (See note 19 Asset Management Agreement).

**i) *Lease rental income***

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

The first Asset (for the purpose of this Note the 'First Lease') is a Boeing 787-8. The manufacturer's serial number is 35304. The First Lease consists of monthly lease rentals of US\$1,240,501 per month for the lease term. Lease rentals are due in advance on the 15<sup>th</sup> day of each calendar month.

The second Asset (for the purpose of this Note the 'Second Lease') is a Boeing 787-8. The manufacturer's serial number is 35305. The Second Lease consists of monthly lease rentals of US\$1,245,620 per month for the lease term. Lease rentals are due in advance on the 15<sup>th</sup> day of each calendar month.

**j) *Expenses***

Expenses are accounted for on an accruals basis.

**k) *Finance costs - Interest payable – Loans***

Interest on each Loan is payable in arrears on the last day of each interest period, which will be one month long (the 'Interest Period'). Interest on each Loan generally accrues at a floating rate of interest which is calculated using US LIBOR for the length of the Interest Period and a margin of 2.6 per cent per annum. If any amount is not paid by the Group when due, interest will accrue on such amount at the then current rate applicable to the Loan plus 2.0 per cent per annum. Interest is calculated on an effective interest basis.

**l) *Finance income***

Interest income on cash and cash equivalents is accounted for on an effective interest rate basis.

DP AIRCRAFT I LIMITED  
Unaudited Interim Report for the period  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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) Initial direct costs**

*Aircraft:*

Initial direct costs incurred during the purchase of an aircraft which meet the capitalisation criteria of IAS16 are capitalised to the cost of the aircraft and depreciated in line with the depreciation policy.

*Borrowings:*

Initial direct costs related to loans and borrowings are capitalised, presented net against the loans and borrowings accrual and amortised to the Statement of Comprehensive Income over the period of the related loan.

*Lease Costs:*

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

**o) 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.

**p) Distribution policy**

Dividends will be accrued for when declared by the Board of Directors.

**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.

As described in Note 2, the Company will depreciate the Assets (which are significant) on a straight line basis over the remaining lease life and taking into consideration the estimated residual value. In making a judgement regarding these estimates the Directors will consider previous sales of similar aircraft and other available aviation information. The Company will engage three Independent Expert Valuers each year, commencing December 2014 to provide a

# DP AIRCRAFT I LIMITED

## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

for the period 1 January 2014 to 30 June 2014

#### 3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (Continued)

valuation of the Assets and will take into account the average of the three valuations provided. The Company expects that, in performing their valuations, the Independent Expert Valuers will have regard to factors such as the condition of the Assets, the prevailing market conditions (which may impact on the resale value of the Assets), the Leases (including the scheduled rental payments and remaining scheduled term of the Leases) and the creditworthiness of the Lessee. Accordingly, any early termination of the Leases may impact on the valuation of the Assets'. The Assets residual value is based on appraised residual values.

#### 4. LEASE RENTAL INCOME

	1 January to 30 June 2014 US\$	5 July 2013 to 30 June 2014 US\$
Lease rental income from First Asset ('LNA'):		
Earned and received	7,464,349	10,585,610
	7,464,349	10,585,610
Lease rental income from Second Asset ('LNB'):		
Earned and received	7,495,150	10,629,291
	7,495,150	10,629,291
<b>Total lease rental income</b>	<b>14,959,499</b>	<b>21,214,901</b>

All lease rental income is derived from a single customer in Norway.

#### OPERATING LEASES

As at 30 June 2014 the contracted cash lease rentals to be received under non-cancellable operating leases comprised:

	Next 12 months US\$	2 to 5 years US\$	After 5 years US\$	Total US\$
<b>30 June 2014</b>				
Boeing 787-8 Serial No: 35304	14,307,111	59,544,048	88,836,865	162,688,024
Boeing 787-8 Serial No: 35305	14,366,151	59,789,760	91,496,761	165,652,672
	28,673,262	119,333,808	180,333,626	328,340,696

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

	1 January to 30 June 2014 US\$	5 July 2013 to 30 June 2014 US\$
Asset management fees	249,996	362,897
General	152,511	710,291
Administrative	156,574	488,853
<b>Total operating expenses</b>	<b>559,081</b>	<b>1,562,041</b>

# DP AIRCRAFT I LIMITED

## Unaudited Interim Report for the period 1 January 2014 to 30 June 2014

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

for the period 1 January 2014 to 30 June 2014

#### 6. PROPERTY, PLANT AND EQUIPMENT - AIRCRAFT

	Boeing 787-8 Serial No: 35304 <b>US\$</b>	Boeing 787-8 Serial No: 35305 <b>US\$</b>	<b>Total  US\$</b>
<b>COST</b>			
As at 5 July 2013	-	-	-
Additions–October 2013	133,446,738	134,154,562	267,601,300
<b>As at 31 December 2013</b>	<b>133,446,738</b>	<b>134,154,562</b>	<b>267,601,300</b>
<b>As at 30 June 2014</b>	<b>133,446,738</b>	<b>134,154,562</b>	<b>267,601,300</b>
<b>ACCUMULATED DEPRECIATION</b>			
As at 5 July 2013	-	-	-
Charge for the period	1,348,919	1,363,666	2,712,585
<b>As at 31 December 2013</b>	<b>1,348,919</b>	<b>1,363,666</b>	<b>2,712,585</b>
Charge for the period	2,697,839	2,727,331	5,425,170
<b>As at 30 June 2014</b>	<b>4,046,758</b>	<b>4,090,997</b>	<b>8,137,755</b>
<b>CARRYING AMOUNT</b>			
<b>As at 31 December 2013</b>	<b>132,097,819</b>	<b>132,790,896</b>	<b>264,888,715</b>
<b>As at 30 June 2014</b>	<b>129,399,980</b>	<b>130,063,565</b>	<b>259,463,545</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. 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 will be re-evaluated by independent experts for the first full financial accounting period ending on 31 December 2014. 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 at the end of the lease based on 50 per cent of the purchase cost in absence of any official appraisal. An official appraisal will be carried out for the valuation to be presented within the 31 December 2014 audited accounts. The Loans entered into by the Company to complete the purchase of the aircrafts are cross collateralised. Each of the First Loan and the Second Loan are secured by way of security taken over each of the first aircraft and the second aircraft.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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#### 6. PROPERTY, PLANT AND EQUIPMENT – AIRCRAFT (continued)

Both aircraft are being operated by a single customer in Norway.

7. RESTRICTED CASH	As at 30 June 2014
	US\$
Security Deposit	6,400,000
NordLB – Maintenance reserve	507,258
NordLB – Maintenance reserve	305,287
	<b>7,212,545</b>

Refer to Note 2 (f) for information on restriction

8. CASH AND CASH EQUIVALENTS	As at 30 June 2014
	US\$
NordLB	755,152
NordLB	755,152
Royal Bank of Scotland International - Call	3,305,518
<b>Total cash and cash equivalents</b>	<b>4,815,822</b>

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

10. TRADE AND OTHER RECEIVABLES	As at 30 June 2014
	US\$
Directors' and officers' insurance prepaid	724
<b>Total receivables &amp; pre-payments</b>	<b>724</b>

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#### 11. SHARE CAPITAL

	Subordinated Administrative Share US\$	Ordinary Preference Shares US\$	As at 30 June 2014 Total  US\$
Administrative share issued on incorporation July 2013	1	-	1
Shares issued pursuant to the Placing October 2013	-	113,000,000	113,000,000
Share issue costs	-	(2,114,781)	(2,114,781)
<b>Total share capital as at 30 June 2014</b>	<b>1</b>	<b>110,855,219</b>	<b>110,855,220</b>

Subject to the applicable company law and the Company's Articles of Incorporation, the Company may issue an unlimited number of shares of par value and/or no par value or a combination of both. Notwithstanding this, a maximum number of 113,000,000 Shares were issued pursuant to the Placing Agreement, dated 27 September 2013, 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 (the 'Placing').

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**11. SHARE CAPITAL (continued)**

The share issue costs include fees payable under the Placing Agreement, registration, listing and admission fees, settlement and escrow arrangements, printing, advertising and distribution costs, legal fees, reporting accountant fees and a commission of 1.5 per cent of the Placing Proceeds due to Canaccord Genuity, as Placing Agent.

Refer to Note 15, Liquidity Proposal.

**12. NON-CURRENT LIABILITIES**

**As at 30 June  
2014  
US\$**

NordLB loan - Borrowings	71,188,631
NordLB loan - Borrowings	71,358,755
Deferred loans and borrowings facility fees	(1,724,431)
	140,822,955
Security deposit refundable to Norwegian (refer Note 8)	6,400,000
Maintenance reserves	812,545
<b>Total non-current liabilities</b>	<b>148,035,550</b>

**Loans**

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

The loans, each of US\$79,800,000 will be fully amortised with monthly repayments in arrears over approximately twelve years (until the scheduled expiry of the Lease, as drawdown of the loans happened after the commencement of the First Lease). There are no defaults or breaches under the loan agreements.

**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.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

for the period 1 January 2014 to 30 June 2014

#### **12. NON-CURRENT LIABILITIES (continued)**

##### **Interest**

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.

##### **Cross Collateralisation**

The Loans entered into by the Company to complete the purchase of the Assets are cross collateralised. Each of the First Loan and the Second Loan 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 the First Loan or the Second Loan, the lenders may 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.

#### **13. AMOUNTS PAYABLE WITHIN ONE YEAR**

**As at 30 June  
2014  
US\$**

NordLB loan payable	5,259,218
NordLB loan payable	5,155,764
<b>Total loans and borrowings</b>	<b>10,414,982</b>
Rent received in advance	1,160,189
<b>Total lease rental received in advance</b>	<b>1,160,189</b>
Interest payable	291,538
Accruals and other payables	169,044
<b>Total trade and other payables</b>	<b>460,582</b>
<b>Total amounts payable within one year</b>	<b>12,035,753</b>



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**14. FINANCIAL INSTRUMENTS & RISK MANAGEMENT**

The primary risks arising from the Company's financial instruments are Capital management, Credit risk, Market risk and Liquidity risk. The principal nature of such risks is summarised below. The Group's main financial instruments comprise two separate loan agreements and interest rate swaps.

*Capital Management – Going Concern*

The capital managed by the Company comprises the ordinary and subordinated administrative shares issued on the initial Placing of the Company. The Company is not subject to externally imposed capital requirements.

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

Income distributions are made quarterly, subject to compliance with Applicable Law and regulations, in February, May, August and November of each year. The Company aims to make a distribution to investors of 2.25 cents per Share per quarter (amounting to a yearly distribution of 9.0 per cent. based on the initial placing price of US\$1.00 per Share). 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 Laws.

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

*Credit Risk*

Credit risk is the risk that a significant counterparty will default on its contractual obligations. The Group's most significant counterparties are Norwegian as lessee and provider of income and NordLB as provider of loans and borrowings, cash and restricted cash (all held at NordLB). The Lessee does not maintain a credit rating. The credit rating of NordLB is Aa1.

During the term of the Leases, the returns on an investment in the Shares will depend in large part on the lease rentals received from Norwegian under the Leases. A failure by Norwegian to comply with its payment obligations under the Leases may lead to a reduction in distributions paid on the Shares and/or in the value of the Shares and have an adverse effect on the Company. In advance of the commencement of the Lease terms under the Leases,

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**14. FINANCIAL INSTRUMENTS & RISK MANAGEMENT (continued)**

*Credit Risk (continued)*

Norwegian have paid to the Group a security deposit in respect of each Asset. However, the security deposits do not cover the full value of the Group's obligations pursuant to the loan agreements in the event of termination of the Leases or default by Norwegian.

The semi-annual Shareholder Report issued during July 2014 highlighted the key financial data from Norwegian's 2013 financial statements. Revenues of Norwegian Air Shuttle ASA in 2013 were around 15.6 NOK billion (around US\$ 2.6 billion) and up by 21 per cent against 2012. Ancillary revenues, which are important in Norwegian's business strategy, increased by 6 per cent, whereas unit costs decreased by 6 per cent in the same period. In the first quarter of 2014, compared to the same period of the precedent year, the carrier increased its ancillary revenues by 25 per cent. Norwegian remains Scandinavia's second largest airline.

The amounts due to be received under the operating leases are analysed in Note 4.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

<b>Financial assets</b>	<b>As at 30 June 2014</b>
Restricted cash	7,212,545
Trade and other receivables	724
Cash and cash equivalents	4,815,822
<b>Total cash and cash equivalents</b>	<b>12,029,091</b>

**Financial liabilities**

The Directors have in place a cash flow hedge in respect of the loans from NordLB. The Group has entered into ISDA-standard hedging arrangements with NordLB as hedging provider in connection with each loan, in order to provide for fixed-rate interest for 12 years to be payable in respect of each loan, funded by the fixed rental payments under the corresponding lease.

As at 30 June 2014, the present value movement of the interest rate swaps was a loss of US\$3,774,973 as calculated and presented by NordLB.

**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. The Directors have sought to mitigate this risk by swapping the interest on each loan from 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 to a fixed rate of 5.06 and 5.08 per cent for the duration of each loan. The Group has entered into ISDA-standard hedging arrangements with NordLB as hedging provider in connection with each loan, in order to provide for fixed-rate interest for 12 years to be payable in respect of each loan, funded by the fixed rental payments under the corresponding lease.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

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#### 14. FINANCIAL INSTRUMENTS & RISK MANAGEMENT (continued)

##### *Interest Rate Risk (continued)*

	Fixed rate instruments	Variable rate instruments	Non-interest bearing instruments	Total
	US\$	US\$	US\$	US\$
Restricted cash	-	-	7,212,545	7,212,545
Trade and other receivables	-	-	724	724
Cash & cash equivalent	-	4,815,822	-	4,815,822
	-	4,815,822	7,213,269	12,029,091
Accrued expenses	-	-	(460,582)	(460,582)
Effect of interest rate swap	-	(3,774,973)	-	(3,774,973)
Notional interest rate swap	(152,962,368)	-	-	(152,962,368)
NordLB loans	-	(151,237,937)	-	(151,237,937)
	(152,962,368)	(155,012,910)	(460,582)	(308,435,860)
<b>Total interest rate sensitivity gap</b>	<b>(152,962,368)</b>	<b>(150,197,088)</b>		

##### *Foreign Currency Risk*

The foreign currency risk to the Group is not significant as its cash flows are predominantly in US\$ which is the functional reporting currency of each entity within the Group and the presentation currency of the Group. However there are expenses paid in Sterling and Euro's.

##### *Liquidity Risk Management*

In the event that the Leases are terminated as a result of a default by Norwegian, there is a risk that the Company will not be able to remarket the Asset successfully within the remarketing period specified in the Loan Agreements and that (after using the security deposits and the Liquidity Reserve) the Company 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 Company 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 Company will be able to re-lease the Asset on terms as favourable as the Leases, which may have an adverse effect on the Company and its ability to meet its investment objective and its dividend target. The price paid by the Company for the Assets partly reflects the terms of the Leases to which the Assets are subject. Accordingly, were either or both 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.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

for the period 1 January 2014 to 30 June 2014

#### **14. FINANCIAL INSTRUMENTS & RISK MANAGEMENT (continued)**

*Liquidity Risk Management (continued)*

##### *Liquidity Reserve*

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

##### *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 31 March 2025 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.

	<b>Next 12 months US\$</b>	<b>2 to 5 years US\$</b>	<b>After 5 years US\$</b>	<b>Total US\$</b>
Operating lease income (refer note 4)	28,673,262	119,333,808	180,333,626	328,340,696
NordLB loan Borrowings & interest	(14,564,962)	(60,839,061)	(103,117,944)	(178,521,967)
Interest rate swaps	(3,470,559)	(11,303,022)	(7,339,299)	(22,112,880)
Maintenance Reserves	-	-	(812,545)	(812,545)
Security Deposits	-	-	(6,400,000)	(6,400,000)
Trade and other payables	(460,582)	-	-	(460,582)
Excess liquidity prior to ongoing expenses and distributions	<b>10,177,159</b>	<b>47,191,725</b>	<b>62,663,838</b>	<b>120,032,722</b>

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#### **14. FINANCIAL INSTRUMENTS & RISK MANAGEMENT (continued)**

*Liquidity Risk Management (continued)*

##### **Other**

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

#### **15. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

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 derivative, the interest rate swap with NordLB, is 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 Directors confirm that the Lessee is 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.

##### *Cash Flow Hedging*

A floating rate of interest applies to the loans as set out in each respective Loan Agreement. However, the Group has entered into ISDA-standard hedging arrangements with Nord LB as hedging provider in connection with the Loans, in order to provide for fixed-rate interest to be payable in respect of the Loans throughout the whole term. The rate of the interest rate swap was set at the time of the draw-down of the loans. The following table indicates the periods in which the cash flows associated with the cash flow hedges are expected to occur and impact profit or loss along with the carrying amounts of the related hedging instruments.

	Next 12 months US\$	2 to 5 years US\$	After 5 years US\$	Total US\$
Interest rate swaps	(3,470,559)	(11,303,022)	(7,339,299)	(22,112,880)

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

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**16. INVESTMENT IN SUBSIDIARIES**

The Company is the ultimate controlling party of the following companies, whose results are consolidated in these financial statements:

<b>Company</b>	<b>Company registration number</b>	<b>Country of incorporation</b>	<b>Date of incorporation</b>	<b>% Ownership</b>
DP Aircraft Guernsey I Limited	56958	Guernsey	10 July 2013	100
DP Aircraft Guernsey II Limited	56959	Guernsey	10 July 2013	100
DP Aircraft Ireland Limited	529455	Ireland	27 June 2013	100

**17. 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 wholly from one lessee in Norway.

**18. 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 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. 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.

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**19. MATERIAL CONTRACTS**

*Asset Management Agreement*

The Asset Management Agreement, dated 19 September 2013, between the Company and DS Aviation, whereby DS Aviation has agreed to:

- (a) maintain ongoing communication with the lessee, the financing parties, the airframe and engine manufacturers and provide the Company with reports in relation thereto,
- (b) undertake regular inspections of the Assets,
- (c) monitor the lessee's performance of all the obligations specified in the relevant lease agreement (in particular, obligations as regards the insurance of the Assets) and provide information and advice in the event of default,
- (d) support the Company in any sale or releasing activity in respect of the Assets and
- (e) provide input into the Company's reports, announcements and shareholder communications.

The Asset Management Agreement shall continue until 31 October 2027, subject to earlier termination (i) by either party on immediate notice in certain circumstances including a material un-remedied breach by, or the insolvency of, the other party; (ii) by the Company in relation to any Asset on one month's prior written notice if a sale of the Asset has been completed or a Total Loss has occurred in relation to the Asset; and (iii) by the Company if DS Aviation is unable to comply with certain 'key person' provisions.

The Asset Management Agreement contains a 'key person' provision with the aim of ensuring the Company retains the benefit of the expertise of Christian Mailly or a suitable replacement for the duration of the agreement.

The Company will pay DS Aviation a management fee of US\$250,000 per annum per Asset (inflating annually from 2014 onwards, at 2.5 per cent. per annum), payable monthly in arrears commencing from the acquisition of each relevant Asset.

Upon the sale or Total Loss of an Asset, the Company will pay DS Aviation a percentage of the total return per Share attributable to that Asset prior to the date of sale or Total Loss. The percentage payable to DS Aviation will vary depending on the level of the total return per Share attributable to that Asset expressed as a percentage of the Issue Price and will range from nil (if the total return per Share attributable to the Asset is less than 200 per cent.) to 3 per cent if the total return per Share attributable to the Asset equals or exceeds 300 per cent. The Disposal Fee will be adjusted in the event that an Asset is disposed of before the end of the scheduled term of the relevant Lease, in accordance with an agreed mechanism.

*Administration Agreement – Dexion Capital (Guernsey) Limited (the 'Administrator')*

The Administration Agreement, dated 19 September 2013, between the Company and the Administrator pursuant to which the Company has appointed the Administrator to act as



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

for the period 1 January 2014 to 30 June 2014

#### 19. MATERIAL CONTRACTS - continued

administrator and secretary of the Company and its Guernsey incorporated subsidiaries. The Administration Agreement is for a minimum period of one year from Admission (unless terminated on notice on the occurrence of certain events) and thereafter may be terminated by either party on not less than 90 days' notice. The Administrator is entitled to fees as set out below. The Administrator is entitled to an establishment fee of £12,500 for the Company; a secretarial fee of £25,000 per annum assuming quarterly Board meetings, plus any committee meetings as described in the prospectus and an annual general meeting each year, plus an additional £1,640 for each ad hoc Board meeting held and a further £1,640 for each board meeting of each wholly-owned subsidiary that the Company incorporates (other than the Lessor); and a financial reporting fee for the Company on a group consolidated basis in respect of the preparation and approval of audited annual reports, half year reports and interim management statements, in the amount of £16,000 per annum and an initial set up fee of £1,000 in respect of the first set of accounts.

In addition to the above remuneration the Administrator is also entitled to an administration fee in the minimum amount of £1,250 per month and such other remuneration as shall be agreed between the Administrator and the Board from time to time, (including activity fees as previously agreed with the Company or time cost charges which shall be levied by the Administrator for any other matter not already included under the Administration Agreement). The Company has covenanted in the Administration Agreement to indemnify and keep indemnified the Administrator from and against all actions, proceedings, claims, demands, (including reasonable and properly incurred costs and expenses incidental thereto) whatsoever made against or incurred by the Administrator arising out of or in connection with the proper performance by the Administrator of its duties under the Administration Agreement save where any action, proceeding, claim, demand, cost or expense results from or arises out of a breach of the Administration Agreement (save where due to a force majeure event) or breach of applicable laws or the fraud, negligence, wilful default or bad faith of the Administrator.

#### *Technical Services Agreement - GerMic Aviation Safety and Regulatory Consultants Ltd (the 'Technical Services Consultant')*

The Technical Services Agreement dated 25 July 2013, between the Group and the Technical Services Consultant pursuant to which the Lessor has appointed the Technical Services Consultant to provide certain technical services in respect of the Assets, including:

- (i) assistance with registration and certification of the Assets with the Irish Aviation Authority;
- ii) attendance at the Irish Aviation Authority's inspection of the Assets; and
- (iii) assistance with ongoing compliance responsibilities in respect of the Assets.

The Technical Services Agreement may be terminated by either the Group or the Technical Services Consultant giving to the other at any time 30 days' written notice. The Technical Services Consultant will be entitled to a fee of €600 per day in respect of services (i) and (ii) (as above) requested by the Group and separately a fee of €2,000 per month in respect of service (iii) as above, performed on the ongoing basis. Additional vehicle costs and fees payable to the Irish Aviation Authority will also be the responsibility of the Group.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

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**19. MATERIAL CONTRACTS (continued)**

*Irish Corporate Services Agreement*

The Irish Corporate Services Agreement dated 23 September 2013, between the Group and Alter Domus (Ireland) Limited ("**Alter Domus**") pursuant to which the Lessor has appointed Alter Domus to provide certain corporate and administrative services to the Lessor in Ireland. Alter Domus is entitled to a fee of €4,000 per annum in respect of services save for the first year of services for which it will receive a fee of €5,500. The agreement is terminable on 30 days' notice by either party or on immediate notice in certain circumstances, including insolvency or breach of agreement. By a separate deed of indemnity, the Company has agreed to indemnify Alter Domus to the extent permitted by law in respect of losses suffered by Alter Domus in the performance of its services. Such indemnity will not apply where Alter Domus has acted dishonestly or been guilty of fraud, gross negligence or wilful misconduct in the matter or issue in respect of which it seeks indemnity.

*Directors' Service Agreement – DP Aircraft Ireland Limited*

The Directors' Service Agreement in respect of DP Aircraft Ireland Limited, dated 23 September 2013, between Marching Star Limited (the "**Agent**") and the Group pursuant to which the Agent nominated Justin Walsh and Aileen McElroy (the "**Irish Directors**") to be appointed and provide their services as directors of the Lessor with effect from 8 July 2013. The Irish Directors are responsible for the management of the Lessor with all other directors of the Lessor, and the Agent is responsible for the permanent activity of the Irish Directors. In the event the Irish Directors are incapable of performing their duties for a period of 15 days, the Agent has the obligation to propose a new Irish Director to the Lessor and failure to propose such director will give the Lessor a right to terminate the agreement. The Agent will be entitled to a fee of €6,000 payable annually plus VAT and the Lessor will reimburse the reasonable travelling expenses and all other reasonable expenses incurred by the Irish Directors in the performance of their duties. For any time spent by the Irish Directors in excess of four standard board meetings per annum, the Lessor will be invoiced separately on a time-spent basis at an hourly rate of €200 per hour plus VAT and disbursements (which may vary from time to time) depending upon the level of qualification of the staff involved.

The Directors' Service Agreement may be terminated (a) by either party in the event of (i) unremedied breach of the agreement or (ii) with immediate effect by written notification; or (b) automatically in the specific circumstances set out in the agreement, including (but not limited to) the resignation of the Irish Directors. By a separate deed of indemnity, the Company has agreed to indemnify the Irish Directors to the extent permitted by law in respect of losses suffered by them in the performance of their duties. Such indemnity will not apply where the relevant Irish Director has acted dishonestly or been guilty of fraud, gross negligence or wilful misconduct in the matter or issue in respect of which he seeks indemnity.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

for the period 1 January 2014 to 30 June 2014

**19. MATERIAL CONTRACTS (continued)**

*Placing Agreement*

The Placing Agreement, dated 27 September 2013, between the Company, DS Aviation, JS Holding (DS Aviation and JS Holding together the "Asset Manager Parties") and Canaccord Genuity whereby Canaccord Genuity agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for Shares under the Placing at the Issue Price. Canaccord Genuity was not under an obligation to purchase Shares in the event that it was unable to procure subscribers for Shares. For its services in connection with the Placing, Canaccord Genuity was entitled to fees and a placing commission as described below. The Company reimbursed Canaccord Genuity for all costs and expenses incurred by it in connection with the Placing and paid Canaccord Genuity's reasonable legal fees. In consideration for Canaccord Genuity acting as placing agent in the Placing the Company agreed and paid Canaccord Genuity, as at Admission, a placing commission equal to 1.5 per cent. of the Placing Proceeds. All fees, expenses and commissions payable to Canaccord Genuity by the Company were paid to Canaccord Genuity together with any VAT payable in respect of such fees, expenses or commissions. Canaccord Genuity was also entitled to its share of the Arrangement Fee which, in the case of Canaccord Genuity, amounted to 0.3 per cent. of the Gross Proceeds.

**20. SUBSEQUENT EVENTS**

On 21 July 2014, the Company declared an interim dividend, in respect of the period starting 1 April 2014 and ended 30 June 2014, of 2.25 cents per Share, to holders of Shares on the register at 1 August 2014.

The ex-dividend date was 30 July 2014, with payment on 15 August 2014.

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

The Financial Statements were approved by the Board and authorised for release on 29 August 2014.

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**COMPANY INFORMATION**

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