DP AIRCRAFT I LIMITED

ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

CONTENTS

SUMMARY

COMPANY OVERVIEW

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

The Company was established to invest in aircraft. The Company is a holding company, and makes its investment in aircraft through four wholly owned subsidiary entities, DP Aircraft Guernsey I Limited, DP Aircraft Guernsey II Limited, DP Aircraft Guernsey III Limited and DP Aircraft Guernsey IV Limited (collectively and hereinafter, the 'Borrowers'), each being a Guernsey incorporated company limited by shares and two intermediate lessor companies, DP Aircraft Ireland Limited and DP Aircraft UK Limited (the 'Lessors'), an Irish incorporated company limited by shares and a UK incorporated private limited company respectively. The Company and its subsidiaries (the Borrowers and the Lessors) comprise the Group.

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

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

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

INVESTMENT OBJECTIVE & POLICY

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

THE BOARD

The Board comprises independent non-executive directors. The directors of the Board are responsible for managing the business affairs of the Company and Group in accordance with the Articles of Incorporation and have overall responsibility for the Company's and Group's activities, including portfolio and risk management 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 and Group under the terms of an asset management agreement but does not undertake any regulated activities for the purpose of the UK Financial Services and Markets Act 2000.

DISTRIBUTION POLICY

The Company aims to provide Shareholders with an attractive total return comprising income, from distributions through the period of the Company's ownership of the Assets, and capital, upon any sale of the Assets. The Company targets a quarterly distribution in February, May, August and November of each year. The target distribution is US$ 0.0225 per share per quarter. Four quarterly dividends have been paid during the year ended 31 December 2017 and one has been paid subsequent to the year end, each meeting the US$ 0.0225 per share target. The target dividends are targets only and should not be treated as an assurance or guarantee of performance or a profit forecast. Investors should not place any reliance on such target dividends or assume that the Company will make any distributions at all.

FACT SHEET

Ticker	DPA
Company Number	56941
ISIN Number	GG00BBP6HP33
SEDOL Number	BBP6HP3
Traded	Specialist Fund Segment ('SFS') of the London Stock Exchange
SFM Admission Date	4-Oct-13
Share Price	US$ 1.0788 at 31 December 2017
Earnings per share	US$ 0.09028 for the year ended 31 December 2017
Country of Incorporation	Guernsey
Current Ordinary Shares in Issue	209,333,333
Administrator and Company Secretary	Aztec Financial Services (Guernsey) Limited
Asset Manager	DS Aviation GmbH & Co. KG
Auditor	KPMG, Chartered Accountants
Corporate Broker	Canaccord Genuity Limited
Aircraft Registration	LN-LNA
	LN-LNB
	HS-TQD
	HS-TQC
Aircraft Serial Number	35304
	35305
	35320
	36110
Aircraft Type and Model	B787-8
Lessees	Norwegian Air Shuttle ASA ('Norwegian' or 'NAS')
	Thai Airways International Public Company Limited ('Thai Airways')
Website	www.dpaircraft.com

HIGHLIGHTS

PROFIT FOR THE YEAR

Profit for the year ended 31 December 2017 is US$ 18,899,551 (Earnings per Share US$ 0.09028 per Share) (2016: US$ 18,937,185 (Earnings per Share US$ 0.09046 per Share)).

NET ASSET VALUE ('NAV')

The NAV excluding swap liabilities was US$ 1.00937 per Share at 31 December 2017 (2016: US$ 1.00927).

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

	As at 31 December 2017		As at 31 December 2016	
	US$	**US$ per share**	**US$**	**US$ per share**
NAV per the financial statements	209,669,631	1.00161	207,778,853	0.99257
Add back:				
Derivative instrument liabilities and swap interest payable	1,623,849	0.00776	3,496,199	0.01670
NAV excluding swap liabilities	211,293,480	1.00937	211,275,052	1.00927

DIVIDENDS

Dividends were declared on:

Date	Dividend reference period	Dividend per Share	Payment date
18 January 2017	Quarter ended 31 December 2016	US$ 0.0225 per Share	13 February 2017
20 April 2017	Quarter ended 31 March 2017	US$ 0.0225 per Share	19 May 2017
17 July 2017	Quarter ended 30 June 2017	US$ 0.0225 per Share	18 August 2017
19 October 2017	Quarter ended 30 September 2017	US$ 0.0225 per Share	17 November 2017
18 January 2018	Quarter ended 31 December 2017	US$ 0.0225 per Share	15 February 2018
18 April 2018	Quarter ended 31 March 2018	US$ 0.0225 per Share	17 May 2018

OFFICIAL LISTING

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

PLACING OF SHARES

The Company placed no shares during 2016 and 2017.

CHAIRMAN'S STATEMENT

I am pleased to present Shareholders with the Annual Report and Financial Statements for the year ended 31 December 2017.

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

During the year, the two Thai aircraft had modifications to include Wi-Fi for passengers and crew sleeping quarters. We believe this makes the aircraft more attractive and will allow longer haul capability. The costs of the modifications were met by the airline.

The earnings per share for the year was US$ 0.09028 per share compared to US$ 0.09046 per share for the same period last year. The Company continues to meet its dividend target of US$0.09 per share for the year. The net asset value per share at the year end was US$ 1.00161 compared to US$0.99257 last year.

The outlook for the airline industry for 2018 is positive and the International Air Transport Association expects 2018 to be the fourth year in a row of sustainable global airline profits. During 2017, travel demand grew, catalysed by economic recovery in emerging markets, increased demand for imports and exports in developing markets as well as lower airfares resulting from low fuel prices during 2017. It is expected that costs will challenge profitability in 2018, although global revenues are set to increase compared to 2017. The Asset Manager's report that follows provides a detailed overview of 2017 and the expectations for 2018.

The Company has noted the implementation of substantial growth plans for NAS and its recent fall in operating profits, partly driven by the cost of the expansion. NAS is confident that this strategy will deliver improved financial performance and the Company is monitoring progress with the implementation of the strategy together with the Asset Manager who is liaising with the airline periodically. NAS recently had a successful placement of new equity and its share price has improved following interest shown by IAG who have purchased a 4.6% equity stake in NAS.

The Company's annual general meeting (AGM) is scheduled for 16 July 2018.

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

Jon Bridel
Chairman
23 April 2018

ASSET MANAGER'S REPORT

The Aviation Market - Overview and Development

The outlook for 2018 is positive and the International Air Transport Association (IATA) expects 2018 to be the fourth year in a row of sustainable global airline profits. Performance drivers include passenger and cargo development as well as changes in costs and debt structure. The positive outlook is based on an anticipated growth of 3.1 per cent in global GDP. Global passenger demand is expected to increase by 6 per cent in 2018. Although this is a slower growth rate than in 2017, it is still above the global average of the previous 10 to 20 years (5.5 per cent) and is assumed to exceed the increase of capacity of 5.7 per cent. IATA anticipates that load factors and yields are increasing and the number of total passengers is expected to amount to 4.3 billion in 2018. This year's cargo demand is expected to increase more slowly than in 2017 with some recovery in yields.

According to the International Civil Aviation Organization (ICAO) growth in travel demand in 2017 was mainly as a result of an economic recovery in emerging markets, increased demand for imports and exports in developing markets, growing investments in advanced economies as well as lower air fares resulting from low fuel prices. Last year, 4.1 billion passengers were transported, an increase of 7.1 per cent compared to the previous year. More than 50 per cent of 1.2 billion international tourists travelled by air. IATA expects these international tourists to spend around USD 750 billion in 2018, an increase of 15 per cent over two years. According to ICAO, although jet fuel prices increased by around 25 per cent in 2017 compared to the previous year, prices remained significantly lower than during the 10 years prior to 2016. Low-cost carriers continuously increased their market share and carried 1.2 billion passengers in 2017. Furthermore, they transported 33 per cent of all passengers in Europe and 31 per cent of all passengers in the Asia-Pacific region. The global average load factor of all carriers grew by 0.9 percentage points and reached a record high of 81.2 per cent.

According to IATA, although costs will challenge profitability in 2018, global revenues are anticipated to increase by 9.4 per cent compared to 2017 and global net profit to amount to USD 38.4 billion benefitting from strong demand, improved efficiency and reduced interest payments. Cargo demand is expected to increase by 4.5 per cent, partly profiting from the growing e-commerce business. Costs will remain a challenge in the competitive air transportation market. Average unit costs are anticipated to increase by 4.3 per cent and average unit revenue by 3.5 per cent respectively compared to 2017. It is expected that on average fuel expenses will amount to 20.5 per cent and labour costs to 30.9 per cent of total costs. The former can be minimised by fuel efficient aircraft of new technology and the latter by higher productivity; both cost positions can be lowered by higher load factors in terms of unit costs.

IATA anticipates that profitability will improve for all regions in 2018. Net profits for the Asia-Pacific region are expected to amount to USD 9.0 billion and to USD 11.5 billion for Europe. The ASEAN countries (Association of Southeast Asian Nations) are anticipated to face new low cost market entrants resulting in stronger competition. However, overall passenger demand in the Asia Pacific region is expected to rise by 7.0 per cent and to outperform the anticipated growth in capacity of 6.8 per cent. The increase in cargo performance is projected to be offset by increasing fuel prices. Europe's passenger demand is anticipated to grow by 6.0 per cent and to outperform a rise in capacity of 5.5 per cent. Europe's break-even load factors are the highest amongst all regions due to high competition and regulatory costs.

ASSET MANAGER'S REPORT (CONTINUED)

The Aviation Market - Overview and Development (continued)
The latest Boeing Outlook (Current Market Outlook 2017 - 2036) anticipates deliveries of 41,030 aircraft with a total market value of USD 6.1 trillion within the next 20 years. Both Boeing and Airbus (Global Market Forecast 2017 - 2036) continue to forecast that the global passenger and freighter fleet will at least double by 2036. According to Boeing, airline fleets will grow by 3.5 per cent per annum, within the next 20 years. Boeing and Airbus forecast that, 57 per cent and 60 per cent respectively of new deliveries will be used for fleet growth. According to Airbus, world annual traffic more than doubled since 11 September 2001. Boeing forecasts that the current share of the global airlines' fleet from the Asia-Pacific region will increase from 29 per cent to 37 per cent. European airline fleet growth is anticipated to be lower than the global average, with an average annual growth rate of 2.7 per cent.

The Assets - Four Dreamliner Boeing 787-8s
As at 31 December 2017, Boeing had delivered 636 Boeing 787 Dreamliner aircraft, of which 350 aircraft are B787-8s and 286 aircraft are B787-9s. The total order for this aircraft family amounts to 1,294 aircraft for 67 customers. In 2017, 107 new orders had been placed for the B787 family by new customers such as Okay Airways (China) and WestJet (Canada) as well as by existing customers such as Royal Air Maroc (Airline) and Air Lease Corporation (Lessor). The manufacturer delivered 136 Dreamliner aircraft in 2017.

Norwegian has equipped its B787 fleet with a total of 291 seats, of which 32 are premium economy and 259 economy class seats. This type of aircraft is used to fly from Europe to destinations in Asia and America, including, New York, Los Angeles, Las Vegas and Bangkok. Since the acquisition by DP Aircraft I Limited of the two aircraft LNA and LNB in 2013, Norwegian has met all of its lease obligations in full. On 14 January 2018, aircraft LNA was inspected by DS Skytech Limited in Birmingham at the Monarch maintenance facilities during a Base Check (every 6,000 flight hours). Aircraft LNB was inspected on 6 April 2017 at the British Airways Maintenance facilities in Cardiff during Base Maintenance. Our inspector considers both aircraft and its records to be in good condition with no significant defects or airworthiness related issues.

Thai Airways' B787 fleet offers a total of 264 seats, of which 24 are business and 240 economy class seats. The carrier operates this aircraft type to destinations within the Asia-Pacific region such as Jakarta, Beijing, Ho Chi Minh City, Perth and Brisbane. Since DP Aircraft I Limited acquired the two aircraft TQC and TQD in 2015, Thai Airways has met all of its lease obligations in full. The annual inspection was carried out on 6 September 2017 at Bangkok International Airport. In the context of an upgrade of the Trent 1000 engines to the latest modification standards, aircraft TQD was not in operation for several weeks due to a shortage of spare parts and spare engines, which are provided by Rolls-Royce. During this period, DS Skytech Limited inspected TQD and TQC, the latter being in scheduled commercial service. TQD returned to scheduled commercial service on 17 October 2017. Lease Rental Payments were not affected by the downtime of TQD. Our inspector considers both aircraft and its records to be in good condition with no significant defects or airworthiness related issues. Modifications of TQC, including the instalment of a Wi-Fi antenna and a crew rest compartment, were performed in December 2017.The same modification of TQD was completed in February 2018. The Thai modifications had an impact on flight hours.

ASSET MANAGER'S REPORT (CONTINUED)

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

The charts below give a short overview of the utilisation of airframe and engines of each of the four aircraft.

AIRFRAME STATUS (31 December 2017)	Norwegian Air Shuttle			
	LN-LNA		LN-LNB	
	TOTAL	December 2017	TOTAL	December 2017
Flight Hours	21,700	440	22,896	505
Flight Cycles	2,573	45	2,766	57
Average Monthly Utilisation	401 hours 47 cycles	---	438 hours 53 cycles	---
Flight Hours/Flight Cycles Ratio	8.43 : 1	9.78 : 1	8.28 : 1	8.86 : 1
ENGINE DATA (31 December 2017)				
Engine Serial Number	10118	10119	10130	10135
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [Flight Hours]	15,936	17,545	12,952	17,076
Total Flight Cycles	1,941	2,134	1,451	2,015
Location	In shop	LN-LNF	LN-LNB	LN-LNA

AIRFRAME STATUS (31 December 2017)	Thai Airways International			
	HS-TQC		HS-TQD	
	TOTAL	December 2017	TOTAL	December 2017
Flight Hours	13,105	129	10,975	281
Flight Cycles	3,102	24	2,707	66
Average Monthly Utilisation	342 hours 81 cycles	---	301 hours 74 cycles	---
Flight Hours/Flight Cycles Ratio	4.20 : 1	5.38 : 1	4.05 : 1	4.26 : 1
ENGINE DATA (31 December 2017)				
Engine Serial Number	10239	10240	10244	10248
Engine Manufacturer	Rolls-Royce	Rolls-Royce	Rolls-Royce	Rolls-Royce
Engine Type and Model	Trent 1000	Trent 1000	Trent 1000	Trent 1000
Total Time [Flight Hours]	11,271	10,518	10,295	9,931
Total Flight Cycles	2,670	2,583	2,507	2,451
Location	HS-TQC	In shop	In shop	In shop

ASSET MANAGER'S REPORT (CONTINUED)

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

The Lessees

Norwegian Air Shuttle ASA
Norwegian Air Shuttle has operated long-haul services since 2013. As at 28 November 2017, the airline had a fleet of 145 passenger aircraft, including a fleet of 21 Boeing 787s. The airline will take delivery of 11 Dreamliners in 2018. In 2017, Norwegian launched 54 new routes and took delivery of 32 brand new aircraft, including nine Dreamliner B787s. In November 2017 the carrier celebrated the delivery of its 150th Boeing aircraft (a B787-8) since 2008. As at 30 September 2017, Norwegian Air Shuttle had 23 operational bases globally and operated a total of more than 500 routes to over 150 destinations on four continents. In 2017, the airline transported more than 33 million passengers. In January 2018, Norwegian's flight from New York JFK Airport to London Gatwick operated by a B787-9 was the fastest ever transatlantic flight by a subsonic passenger aircraft. Assisted by strong tailwinds, flight time was 5 hours and 13 minutes.

In the third quarter of 2017, operating revenues increased by 21 per cent to NOK 10.07 billion (USD 1.27 billion) while ancillary revenues per passenger grew by 10 per cent, compared to the same quarter in the previous year. The operating profit was NOK 1.59 billion (USD 0.20 billion), up by 16 per cent. Net profit increased by 4 per cent to NOK 1.03 billion (USD 0.13 billion). The equity ratio as at 30 September 2017 was 11 per cent, up 1 percentage point compared to the same date in the previous year. Capacity and demand increased by 25 per cent and 26 per cent respectively and the load factor increased slightly to 91.7 per cent. The airline transported 9.80 million passengers during the third quarter, an increase of 14 per cent. In U.S. and Spain passenger numbers grew by 79 per cent and 25 per cent respectively which was the greatest annual increase in Norwegian's key markets. Cash and cash equivalents as at 30 September 2017 stood at NOK 5.57 billion (USD 0.70 billion).

During the first nine months of 2017, passenger numbers increased by 13 per cent to 25.08 million compared to the same period the previous year, while operating revenues increased by 16 per cent to NOK 23.10 billion (USD 2.90 billion). Ancillary revenues per passenger increased by 5 per cent. Norwegian stated an operating loss of NOK 975 million (USD 123 million) for the first nine months of 2017 compared to an operating profit of NOK 1.49 billion (USD 0.19 billion) for the first nine months of 2016. Net profit decreased from NOK 938 million (USD 117 million) to NOK 620 million (USD 78 million), though it benefited from the sale of a 2.5 per cent Bank Norwegian shareholding in the second quarter (NOK 2.05 billion (USD 244 million)). However, results were significantly influenced by jet fuel prices as well as by the expansion into new markets and setting up new bases resulting in lower staff efficiencies due to critical mass not having yet been achieved under the strong growth phase. In addition, performance has also been impacted by a passenger tax introduced by the Norwegian government in June 2016, by wet leasing costs and by compensation paid to passengers affected by delays.

In December 2017, both demand and capacity increased by 32 per cent compared to the same month in the previous year. For the year 2017, the growth rate of demand and capacity was 25 per cent. Load factors remained stable at 84.6 per cent in December 2017 and around 87.5 per cent for the year. Passenger numbers grew by 12 per cent to 24 million passengers in December 2017 and by 13 per cent to 33.1 million in 2017. Unit revenue and yield in December 2017 remained stable compared to the same month a year ago.

ASSET MANAGER'S REPORT (CONTINUED)

The Lessees (continued)

Norwegian Air Shuttle ASA (continued)
In early January of this year, Norwegian appointed Geir Karlsen as the new CFO. He will join Norwegian in April 2018 and will replace Tore Ostby, who acts as finance chief on an interim basis following Frode Foss's departure. Geir Karlsen acts as finance chief of London-based shipping group Navig8 and previously worked at Golden Ocean Group and Songa Offshore. Tore Ostby will become vice-president of strategic development within Norwegian.

At the end of last year, Norwegian purchased 28 weekly summer slots at London Gatwick Airport to further grow its market share and network, including U.S. destinations. The carrier will further extend its network between Europe and the U.S. for the summer schedule and will significantly grow capacity on the transatlantic routes. Destinations will be added between the U.S. and Milan, Amsterdam, Paris, Rome and Madrid. In the first quarter of 2018, Los Angeles became the fourth U.S. base with 150 cabin crew members. In spring, one route between Scotland and the U.S. ceased and frequencies on other transatlantic routes out of Scotland decreased as the expectation that the Scottish Government would abolish air passenger duty did not materialise. In January of this year, Norwegian signed an interline agreement with Wideroe. The carrier will place its code on public service obligation routes operated by Wideroe. This enables both carriers to span their respective networks within Norway.

Norwegian has indicated that it would be interested in expanding its Asian network. However a 1956 agreement only allows SAS to fly over Russia to Asian destinations. Without this right to fly over Russia, not all Asian destinations can be served efficiently as flight routes to circumvent Russia would be unfavourable in terms of flight time and costs. Talks are ongoing between the Scandinavian and Russian governments but are not expected to materialise within the next two years. Norwegian's Argentinian subsidiary received its air operators certificate (AOC) on 26 January 2018 and its first aircraft, a Boeing 737-800, was received mid-January 2018. The Argentinian subsidiary plans to operate 10 to 12 aircraft until the end of the year and to start operations in the second quarter of 2018. The fleet is anticipated to grow to between 50 to 70 aircraft over the next 12 years and to consist of B737s and B787s offering domestic, regional and international services. In the first move, it is planned to set up domestic and regional routes as well as flights to destinations in the U.S. and Europe. Norwegian Air Argentina will start operations out of Buenos Aires Ezeiza International Airport.

For 2017, Norwegian expects a negative impact from the passenger tax in Norway and weaker demand in the UK. Performance may be negatively influenced by currency movements and increasing unit costs due to fuel price movements. For 2018, Norwegian expects capital expenditures on new aircraft to amount to USD 2.1 billion. The carrier anticipates a negative impact from the introduction of a Swedish passenger tax. However, Norwegian Air Shuttle targets unit costs to decrease by 7.1 per cent to 9.5 per cent and estimates growth of 35 per cent in capacity (Available Seat Kilometres) for 2018.

Thai Airways International PCL
Thai Airways International Public Company Limited, the full service network carrier and flag carrier of the Kingdom of Thailand, is majority-owned by the Thai Government (Ministry of Finance) (51.03 per cent). As at 30 September 2017, the fleet of Thai Airways, including its subsidiary Thai Smile, comprised 99 aircraft of which six are Boeing 787-8s. Two B787-9s had been delivered to Thai during the third quarter and there are no further B787s on order. In 2017, Thai Airways International, excluding any subsidiaries, transported nearly 20 million passengers, an increase of 9.9 per cent. The carrier currently operates 66 destinations in 35 countries, including 11 destinations in 13 European countries. In the third quarter 2017, Thai Airways was named as "Best South East Asian Airline for 10 consecutive years" by the W6 Awards and awarded "Best Inflight Food 2017" by the International Flight Services Association Compass Awards.

ASSET MANAGER'S REPORT (CONTINUED)

The Lessees (continued)

Thai Airways International PCL (continued)

During the third quarter, operating revenues amounted to THB 46.9 billion (USD 1,399 million), an increase of 6.3 per cent compared to the same quarter the previous year. Operating profit was THB 0.7 billion (USD 21 million) compared to an operating loss of THB 0.8 billion (USD 23 million) and net loss increased by 12.5 per cent to THB billion 1.8 (USD 54 million). Results had been impacted by one-time expenses of THB 0.5 billion (USD 16 million), impairment losses of THB 1.5 billion (USD 45 million) and an exchange loss of THB 0.8 billion (USD 25 million). The increase in average jet fuel prices by 11 per cent as well as strong competition and capacity growth by Asian low cost carriers further influenced results. Capacity grew by 7.9 per cent whereas demand increased by 14.9 per cent and therefore the load factor rose by 4.7 percentage points to 78.2 per cent. Passenger yields decreased by 7.5 per cent while passenger numbers and aircraft utilisation increased by 8.9 per cent and 4.3 per cent respectively. The number of foreign tourist arrivals in Thailand increased by 7 per cent in the third quarter 2017.

Revenues in the first nine months of 2017 increased by 4.6 per cent to THB 141.9 billion (USD 4,232 million) compared to the same period in 2016. Operating profit decreased by 54.3 per cent to THB 2.1 billion (USD 63 million) and net loss amounted to THB 3.8 billion (USD 113 million) compared to a net profit of THB 1.5 billion (USD 45 million). Results had been influenced by the above mentioned factors as well as expenditures resulting from the Transformation Plan and its implementation. Passenger demand growth out performed capacity growth and the load factor increased by 6.4 percentage points whereas the yield decreased by 10.1 per cent. The total number of passengers increased by 11.3 per cent and aircraft utilisation improved by 5.3 per cent compared to the first nine months of the previous year. Cash and cash equivalents stood at THB 18.6 billion (USD 555 million) and total assets were THB 287.9 billion (USD 8,587 million) as at 31 September 2017.

In December 2017, Thai rolled over a USD 130 million loan provided by Thailand's finance ministry for one year. In January 2018, TRIS Rating, the Thai partner of Standard & Poor's, reaffirmed Thai Airways as an 'A" rating. The local agency considered different aspects such as the high financial leverage of the carrier, the sectoral vulnerability to fluctuating fuel prices and the carrier's state-owned enterprise status.

Thailand is supporting the aviation industry by creating the Eastern Economic Corridor (EEC) which targets ten industries, including the aviation industry, to facilitate foreign investments by special privileges within three Eastern Thai provinces. The development of the U-Tapao International Airport to become a logistic and air cargo centre is a part of the EEC initiative. Thai Airways and Airbus signed a Cooperation Agreement in December 2017 to explore MRO (Maintenance, Repair and Overhaul) business opportunities at the airport which is already one of the three bases of Thai's MRO arm Thai Technical. The carrier will start to maintain A380s at U-Tapao from 2018.

Thai considers its restructuring efforts - summarised in its Transformation Plan - as key to a profitable future in the long run. This year, Thai Airways entered the third and final stage ("sustainable growth"). Part of this stage involves measurements and strategic objectives such as the growth of its regional network through Thai Smile and the expansion of its international long-haul network including the launch of a Bangkok-Vienna service, which operates four times a week. Moreover, four aircraft were delivered during the third quarter as part of the fleet renewal plan and Thai Smile received a system upgrade to support code sharing services and facilitate connectivity between carriers. Partnerships are signed to further extend the network, for example, with Turkish Airlines and Bangkok Airways. With the launch of the Vienna - Bangkok route, the carrier intends not only to profit from approximately 100,000 Austrian tourists visiting Thailand each year but also to promote Thai Airways for travel to the Asian neighbouring states such as Laos, Cambodia, Myanmar and Vietnam as well as to Australia.

DIRECTORS

Jonathan (Jon) Bridel, *Non- Executive Chairman (53)*
Jon is a Guernsey resident and is currently a non-Executive Director of The Renewables Infrastructure Group Limited (FTSE 250), Alcentra European Floating Rate Income Fund Limited, Starwood European Real Estate Finance Limited, Sequoia Economic Infrastructure Income Fund Limited (FTSE 250) and Funding Circle SME Income Fund Limited which are listed on the Main Market of the London Stock Exchange. Other companies include Fair Oaks Income Fund Limited and Phaunos Timber Fund Limited which is in the process of asset realisation. Jon was previously Managing Director of Royal Bank of Canada's investment businesses in the Channel Islands and served as a Director on other RBC companies including RBC Regent Fund Managers Limited. Prior to joining RBC, Jon served in a number of senior management positions in banking, specialising in credit and corporate finance and private businesses as Chief Financial Officer in London, Australia and Guernsey having previously worked at Price Waterhouse Corporate Finance in London.

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

Jeremy Thompson, *Non- Executive Director (62)*
Jeremy Thompson is a Guernsey resident with sector experience in Finance, Telecoms, Aerospace and Oil & Gas. He acts as a consultant to a number of businesses which include independent non-executive directorships for three private equity funds and to an Investment Manager serving the listed NextEnergy Solar Fund Limited. In addition Jeremy is also a non-executive director of Riverstone Energy Limited (FTSE 250). Between 2005 and 2009 he was a director of multiple businesses within a London based private equity group. This entailed board positions on both private, listed and SPV companies and highly successful exits. Prior to that he was CEO of four autonomous global businesses within Cable & Wireless PLC and earlier held CEO roles within the Dowty Group. Jeremy has studied and worked in the UK, USA and Germany.

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

Angela Behrend-Görnemann, *Non-Executive Director (60)*

Angela started her career with Hapag-Lloyd AG and was, from 1984 until 2015, employed with HSH Nordbank AG, Hamburg, Germany as the Global Head of Aviation Finance and Global Head of Transportation Finance. In this function she was responsible for Aviation, Rail and Infrastructure Finance with more than 100 employees in teams in New York, London, Hamburg, Kiel, Singapore and Shanghai. She initiated the foundation of the Dublin based Aviation Asset Manager Amentum Capital. Between 2007 and 2011 she was Class B Manager and member of the Investment Committee of HSH Global Aircraft I S.a.r.l, Luxembourg, a closed ended Aircraft Fund. She has extensive experience in the transportation and banking industries with more than 20 years experience in aviation. Angela is resident in Germany. Angela was appointed as a non-executive director of the Company with effect from 1 May 2016.

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Consolidated Financial Statements for DP Aircraft I Limited for the year ended 31 December 2017.

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

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

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

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

Throughout the year the lessees have continued to meet their lease obligations. There are no incidents to bring to the attention of Shareholders concerning the operation of the aircraft, inspections have revealed no matters of concern. The Company's debt has been financed throughout the year as expected and the Company continues to report a healthy performance. A more detailed review of the business and prospects is contained in detail in the Asset Manager's Report on pages 7 to 12. Rolls Royce are currently addressing Trent 1000 engine warranty related issues which have not impacted on the Company's reserves.

Results and Dividends
The profit for the year ended 31 December 2017 was US$ 18.90m (year ended 31 December 2016 US$ 18.94m).

The Company aims to provide Shareholders with an attractive total return comprising income, from distributions through the period of the Company's ownership of the Assets, and capital, upon any sale of the Assets. The Company targets a quarterly distribution in February, May, August and November of each year. The target distribution is US$ 0.0225 per Share per quarter. Four quarterly dividends have been paid during the year ended 31 December 2017. All the dividends paid to date have met the US$ 0.0225 per share target. The target dividends are targets only and should not be treated as an assurance or guarantee of performance or a profit forecast.

The debt to equity ratio was 1.15 as at 31 December 2017 (2016: 1.27).

Subsequent Events
On 18 January 2018 the Company declared a quarterly dividend in respect of the quarter ended 31 December 2017 of US$ 0.0225 per ordinary share to holders of shares on the register at 26 January 2018. The ex-dividend date was 25 January 2018 with payment on 15 February 2018.

On 18 April 2018 the Company declared a quarterly dividend in respect of the quarter ended 31 March 2018 of US$ 0.0225 per ordinary share to holders of shares on the register at 27 April 2018. The ex-dividend date will be 26 April 2018 with payment expected on 17 May 2018.

Directors
The Directors of the Company, who served during the year and to date, are as shown below:
Jonathan Bridel
Jeremy Thompson
Angela Behrend-Görnemann

DIRECTORS' REPORT (CONTINUED)

Directors interests
The Directors' interests in the shares of the Company as at 31 December 2017 are set out below and there have been no changes in such interests up to the current date:

	Number of ordinary shares 31 December 2017	Number of ordinary shares 31 December 2016
Jonathan Bridel	7,500	7,500
Jeremy Thompson	15,000	15,000
Angela Behrend-Görnemann	-	-

Principal Risks and Uncertainties
The Statement of Principal Risks and Uncertainties are as described on page 24.

Substantial Shareholdings
The directors note the following substantial interests in the Company's share capital as at 31 December 2017 (10% and more shareholding):

M&G Investment Management 49,937,979 – 23.86%
CCLA Investment Management 21,640,308 – 13.20%

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

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

Jeremy Thompson was appointed as Senior Independent Director on 1 April 2016.

During the year ended 31 December 2017, the Board had a breadth of experience relevant to the Company and a balance of skills experience and age.

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

As the Company is not a FTSE 350 company, Directors are currently not subject to annual election by the shareholders nor for the requirement for the external audit contract to be put out to tender every 10 years. The Directors will offer themselves by rotation for re-election at each annual general meeting ('AGM'). Jonathan Ronald Lucien Bridel was re-elected at the AGM on 17 July 2017. Angela Behrend-Görnemann is offering herself for re-election at the forthcoming AGM.

The Directors are on a termination notice of three months.

DIRECTORS' REPORT (CONTINUED)

Directors' Duties and Responsibilities

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

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

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

Board Meetings

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

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

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

Board Meeting attendance

The table below shows the attendance to Board meetings and Audit Committee meetings during the year to 31 December 2017.

Director	No of board meetings attended	No of audit committee meetings attended
Jonathan Bridel	4	5
Jeremy Thompson	4	5
Angela Behrend-Görnemann	4	5
No. of meetings during the year	**4**	**5**

The Directors also attended a number of ad-hoc Board and Committee meetings in addition to the regular quarterly meetings specified above.

DIRECTORS' REPORT (CONTINUED)

Directors' Remuneration

The remuneration of the non-executive directors is reviewed on an annual basis and compared with the level of remuneration for directorships of funds with similar responsibilities and commitments.

In March 2016 the board reviewed the current director fee levels (inclusive of all subsidiaries) and whilst it recognised there was a trend for increased fees over the year then ended it was decided to maintain total annual fees as they then stood until the March 2017 review subject to currency movements if any fees are not paid in Sterling. However, it was agreed to restructure and simplify the fees to better reflect the seniority, experience and responsibilities of the board with effect from 1 April 2016. On this basis, the revised base fee for the Chairman was £35,000 (previously £27,500) with the Audit Chairman receiving £25,000 (£22,500) with a base director fee of £20,000 (£20,000). The fees for all subsidiary positions including the leasing companies were set at £5,000 each, reducing the total fee for subsidiaries by £10,000 per annum. The total fees in Sterling terms are £150,000 (£150,000). On appointment of Angela Behrend-Görnemann on 1 May 2016, it was agreed to pay her fees in Euro.

Following the annual review of Directors fees applicable from 1 April 2017, fees were increased by 2.5 per cent per annum. For the period from 1 April 2018, the increase proposed is 2.6%. See Note 20 of the financials for more details.

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

	Year ended 31 December 2017		Year ended 31 December 2016	
	£	**US$ equivalent**	**£**	**US$ equivalent**
Didier Benaroya (until 21 January 2016)	-	-	3,333	4,869
Jonathan Bridel (Chairman)	56,050	74,804	53,125	71,924
Jeremy Thompson (Audit Committee Chairman)	45,825	61,158	44,375	60,185
Angela Behrend-Görnemann (appointed 1 May 2016) and paid in Euros	58,784	78,453	33,333	48,391
	£ 160,659	US$ 214,415	£ 134,166	US$ 185,369

There are no executive director service contracts in issue.

Remuneration Policy

All directors of the Company are non-executive and therefore there are no incentive or performance schemes. Each director's appointment is subject to an appointment letter. Remuneration is paid quarterly in arrears and reflects the experience, responsibility, time, commitment and position on the main board as well as responsibility for sitting on subsidiary boards when required. The Chairman and Audit Chairman (SID) may receive additional remuneration to reflect the increased level of responsibility and accountability. Remuneration may also be payable for specific corporate work if required including a new prospectus. Going forward, the board may appoint an independent consultant to review fees if it is considered an above inflation rise may be appropriate. The maximum amount of directors fees payable in any one year is currently set at £200,000.

DIRECTORS' REPORT (CONTINUED)

Internal Controls and Risk Management Review

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

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

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

Dialogue with Shareholders

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

Board Policy on Tenure and Independence

The Board has not yet formed a policy on tenure, however it does consider the independence of each Director on an annual basis during the performance evaluation process.

Auditor

KPMG, Ireland, Chartered Accountants have indicated their willingness to continue in office. Accordingly a resolution proposing their reappointment will be submitted at the Company's next annual general meeting.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors believe the Group is well placed to manage its business risks successfully as the interest on the Group's loans have been fixed with the bank or via an interest rate swap and the lease rental income and supplemental rental income have been set at an aggregate absolute income stream in excess of the Group's expenses, distributions and financing costs. Accordingly, the Directors have prepared the financial statements on the going concern basis. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

DIRECTORS' REPORT (CONTINUED)

Viability Statement

The Directors have conducted a robust assessment of the viability of the Company over a three year period, taking account of the Company's current position and the potential impact of the principal risks outlined below.

In making this statement, the Directors have considered the resilience of the Company, taking into account its current position, the principal risks facing the Company in severe but reasonable scenarios and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

These factors were subjected to a review of different scenarios based on the key assumptions underlying the forecast. Where appropriate, this analysis was carried out to evaluate the potential impact of the Company's principal risks actually occurring, primarily non payment of leases or significant impairment of aircraft values. The Board of Directors have also considered the investment strategy of the Company and the disclosure made in the Prospectus issued during 2015.

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

The Directors regularly review the timeliness of receipt of the aircraft rental income. The Directors consider quarterly consolidated management accounts that include the cash flow required for dividend purposes and for the purposes of establishing suitable working capital requirements.

The Directors consider that the Notes to the Financial Statements are integral to the support of the Viability Statement. Note 4 discloses the expected rental income up to and in excess of five years hence. Note 18 contains the expected liability flows and when netted off demonstrates significant net cash inflows, prior to any future dividend declarations under normal circumstances.

From the information provided to, and questions posed by the Directors, the Directors have concluded that there is a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 December 2020.

Annual General Meeting

The Annual General Meeting of the Company will be held in Guernsey on 18 July 2018 at East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey. The meeting will be held to receive the Annual Report and Audited Consolidated Financial Statements, re-elect Directors, propose the reappointment of the auditor, authorise the Directors to determine the auditor's remuneration and to approve the Directors' remuneration and policy.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance

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

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

Directors' Share Dealings

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

Board Committees

The Board of Directors has established an audit committee, which operates under detailed terms of reference, copies of which are available on request from the Company Secretary. Details of the Company Secretary are included within the Company information on pages 67 and 68.

Alternative Investment Fund Managers Directive ("AIFMD")

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

For a non-EU AIFM that has over EUR 100m (equivalent to US$ 105m at 31 December 2017) of net assets under management and also utilises leverage, certain Annual Investor Disclosures are required.

For the purpose of AIFMD, the Company is a Self-Managed Alternative Investment Fund Manager with assets above the EUR 100m (equivalent to US$ 105m at 31 December 2017), with leverage, threshold.

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

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

Brexit

The Directors do not expect the decision of the UK to withdraw from the EU to have a significant impact on the Company given the nature of its operations. They will, however, continue to monitor the airline industry and any impact on the Company, including the impact regarding shareholders who may not be entitled to hold non-EU securities, as the process for leaving the EU progresses.

By order of the Board

Jon Bridel	Jeremy Thompson
Director	Director

REPORT OF THE AUDIT COMMITTEE

On the following pages, we present the Audit Committee (the 'Committee') Report for 2017, setting out the Committee's structure and composition, principal duties and key activities during the year. The Committee has reviewed the Company's financial reporting, the independence and effectiveness of the independent auditor (the 'auditor') and the internal control and risk management systems of service providers.

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

Structure and Composition

The Committee is chaired by Mr Thompson and its other members are Mr Bridel and Ms Behrend-Görnemann. The Committee operates within clearly defined terms of reference.

The Committee conducts formal meetings not less than three times a year. There were five meetings during the period under review. All Directors were present and forming part of the quorum. The auditor is invited to attend those meetings at which the annual and interim reports are considered.

Principal Duties
The role of the Committee includes:

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

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

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

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Independent Auditor (continued)

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

Evaluations or Assessments made during the year

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

Significant Areas of Focus for the Financial Statements

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

- Valuation of the Company's Assets
- Lease and loan cash flows
- The financial statements giving a true and fair view and being prepared in accordance with International Financial Reporting Standards and the Companies (Guernsey) Law, 2008

The Company's investment in the four aircraft represents substantially all of the net assets of the Company and as such is the biggest factor in relation to the accuracy of the financial statements. The 31 December 2017 valuations of the four aircraft have been independently obtained from three independent expert valuers (all certified by the International Society of Transport Aircraft Trading 'ISTAT'). Two of the independent expert valuers included encumbered economic full-life valuations in their valuations. These were in excess of the encumbered depreciated value indicated within the Company's Statement of Financial Position. An encumbered valuation assesses the value of an aircraft with a lease attached and therefore incorporates the value of the revenue stream into the aircraft valuation. As a result of the valuations obtained, the Directors determined that no impairment charge was required and resolved to adhere to current estimation for residual value and useful economic life of the aircraft for the purpose of calculating depreciation.

Effectiveness of the Audit

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

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

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

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

Internal Audit

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

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Conclusion and Recommendation

After reviewing various reports such as the operation and risk management framework and performance reports from the directors and the Asset Manager, liaising where necessary with KPMG, and assessing the significant areas of focus for the financial statements listed on page 22, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures).

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

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

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

By order of the Audit Committee

Jeremy Thompson
Audit Committee Chairman

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

Asset risk
The Company's Assets comprise of four Boeing 787-8 aircraft.

The Boeing 787-8 is a new generation aircraft and therefore there is currently insufficient experience and data currently available to be able to give a complete assessment of the long-term use and operation of the aircraft. The Group is exposed to the used aircraft market of the B787-8, which at this time is untested.

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

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

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

Credit risk & Counterparty risk
Credit risk is the risk that a significant counterparty will default on its contractual obligations. The Group's most significant counterparties are Norwegian and Thai Airways as lessees and providers of income and Norddeutsche Landesbank Girozentrale ('NordLB') and DekaBank Deutsche Girozentrale ('DekaBank') as holder of the Group's cash and restricted cash. The lessees do not maintain a credit rating. The credit rating of NordLB is Baa2 (2016: Baa1) and the credit rating of DekaBank is Aa3 (2016: Aa3).

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

There is no guarantee that the business model of Thai Airways will be successful. Failure of any material part of the business model may have an adverse impact on its ability to comply with its obligations under the leases.

Any failure by Norwegian or Thai Airways to pay any amounts when due would have an adverse effect on the Group's ability to comply with its obligations under the loan agreements, could ultimately have an impact on the Company's ability to pay dividends and could result in the lenders enforcing their security and selling the relevant Assets on the market potentially negatively impacting the returns to investors. In mitigation, Norwegian is the second largest airline in Scandinavia and the third largest low-cost airline in Europe and Thai Airways is an International full service carrier.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk

In order to finance the purchase of the Assets, the Group has entered into four separate loan agreements pursuant to which the Group has borrowed an initial amount of US$ 316,600,000 in total. Pursuant to the loan agreements, the lenders are given first ranking security over the Assets. Under the provisions of each of the loan agreements, the Borrowers are required to comply with loan covenants and undertakings. A failure to comply with such covenants or undertakings may result in the relevant lenders recalling the relevant loan. In such circumstances, the Group may be required to sell the relevant Asset to repay the outstanding relevant loan.

More detailed explanations of the above risks can be found within note 18 to the Audited Consolidated Financial Statements on pages 57 to 62 of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 permits the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements are required by law to comply with the Companies (Guernsey) Law, 2008.

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

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements are properly prepared and comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

So far as each of the Directors are aware, there is no relevant information of which the Company's auditor is unaware, and they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Company's auditor is aware of that information.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES

In accordance with the UK's FCA Disclosure and Transparency Rules, the Directors, who are listed on page 13, confirm that to the best of each person's knowledge and belief:

(a) The Directors' Report incorporates a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces; and
(b) The financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group.

Signed on behalf of the Board by

Jon Bridel	Jeremy Thompson
Director	Director

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

1. Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements (the "financial Statements") of DP Aircraft I Limited ("the Company") and subsidiaries (together and hereinafter the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in note 2.

In our opinion, the accompanying financial statements

- give a true and fair view of the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended; and
- have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies (Guernsey) Law, 2008

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey together with International Ethics Standard Board for Accountants Code of Ethics for professional Accountants (IESBA Code) for listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters: our assessment of risks of material misstatements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Valuation of Aircraft and associated aircraft lease premium - $447 million (2016: $470 million)

Refer to page 40 (accounting policy) and pages 49-50 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
Aircraft and aircraft lease premiums make up 89 % of total assets (by value). At the end of each reporting period, an impairment assessment is prepared that compares the current market value of the lease encumbered aircraft ("recoverable value") to the net book value (NBV) of the aircraft and aircraft lease premium in line with relevant accounting standards. If the NBV is not recoverable, a value in use calculation is performed, the value in use is based on the estimation of expected future cash flows to be generated by the aircraft, discounted to a present value. There is a significant risk relating to the valuation of aircraft given the judgemental nature of the matters that require consideration by the Board of Directors.	The procedures we undertook included but were not limited to: • Obtaining and documenting our understanding of the controls over the valuation of aircraft; • We obtained the appraiser valuation reports and (i) assessed whether the methodology and assumptions used for determining recoverable amounts for aircraft were applied consistently across the portfolio. • We tested the accuracy of the impairment assessment model via re-calculation of the recoverable amount of the assets and tested the completeness of the inputs; • We evaluated and challenged the Board of Directors' key judgements and assumptions in determining the recoverable amounts by: (i) comparing them to evidence obtained through external sources where possible, our industry knowledge and market experience; and • We evaluated the competence, capabilities and objectivity of the external independent aircraft appraisers appointed by the Group; and • We assessed the adequacy of the disclosures made by the Group in relation to their description of the judgements, assumptions and estimates made. No material misstatements were noted as part of our testing.

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

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

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

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

Other Information

Directors are responsible for the other information. The other information comprises the information included in the asset manager's report, chairman's statement, AIFMD checklist, highlights summary, fact sheet and the company information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Respective responsibilities and restrictions on use

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

Directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

23 April 2018

Killian Croke
for and on behalf of
KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1

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

Appendix to the Independent Auditor's Report

Further information regarding the scope of our responsibilities as auditor

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Appendix to the Independent Auditor's Report (continued)

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

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

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

KPMG

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 US$	Year ended 31 December 2016 US$
Revenue			
Lease rental income	4	57,330,900	57,208,260
Amortisation of intangible asset – aircraft lease premium	9	(4,362,020)	(4,362,020)
Net Revenue		52,968,880	52,846,240
Expenses			
Asset management fees	21	(958,619)	(935,238)
Asset Manager's performance fee	21	(833,124)	(251,274)
General and administrative expenses	5	(904,127)	(807,553)
Depreciation	9	(19,524,024)	(18,783,026)
		(22,219,894)	(20,777,091)
Operating profit		30,748,986	32,069,149
Finance costs	6	(12,084,659)	(13,170,838)
Finance income		283,394	79,460
Net Finance Costs		(11,801,265)	(13,091,378)
Profit before tax		18,947,721	18,977,771
Taxation	7	(48,170)	(40,586)
Profit for the year		18,899,551	18,937,185
Other Comprehensive Income			
Items that are or may be reclassified to profit or loss			
Cash flow hedges – changes in fair value	19	116,572	(639,574)
Cash flow hedges – reclassified to profit or loss	19	1,714,655	2,667,774
Total Other Comprehensive Income		1,831,227	2,028,200
Total Comprehensive Income for the year		20,730,778	20,965,385
		US$	US$
Earnings per Share for the year – basic and diluted	8	0.09028	0.09046

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

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

The notes on pages 37 to 66 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 US$	2016 US$
NON-CURRENT ASSETS			
Property, Plant and Equipment – Aircraft	9	410,978,950	430,502,974
Intangible Asset – Aircraft Lease Premium	9	35,103,519	39,465,539
Total non-current assets		446,082,469	469,968,513
CURRENT ASSETS			
Cash and cash equivalents		9,442,220	9,011,045
Restricted cash	10	43,484,175	35,918,011
Trade and other receivables		1,178,711	50,733
Total current assets		54,105,106	44,979,789
TOTAL ASSETS		500,187,575	514,948,302
EQUITY			
Share Capital	14	210,556,652	210,556,652
Retained Earnings	15	676,034	616,483
Hedging Reserve	15	(1,563,055)	(3,394,282)
Total equity		209,669,631	207,778,853
NON-CURRENT LIABILITIES			
Bank borrowings	13	216,136,376	240,239,740
Maintenance reserves	18	30,242,119	22,569,978
Security deposits	11	13,264,420	13,264,420
Derivative instrument liabilities	18	1,563,058	3,394,282
Asset manager performance fee	21	1,433,636	600,512
Total non-current liabilities		262,639,609	280,068,932
CURRENT LIABILITIES			
Bank borrowings	13	24,780,594	23,986,255
Deferred income	4	2,641,658	2,681,426
Trade and other payables	12	456,083	432,836
Total current liabilities		27,878,335	27,100,517
TOTAL LIABILTIES		290,517,944	307,169,449
TOTAL EQUITY AND LIABILITIES		500,187,575	514,948,302

The financial statements on pages 33 to 66 were approved by the Board of Directors and were authorised for issue on 23 April 2018. They were signed on its behalf by:

Jon Bridel	**Jeremy Thompson**
Chairman	**Director**

The notes on pages 37 to 66 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Year ended 31 December 2017 US$	Year ended 31 December 2016 US$
Profit for the year	18,899,551	18,937,185
Adjusted for:		
Depreciation	19,524,024	18,783,026
Amortisation	4,362,020	4,362,020
Amortisation of deferred finance costs	294,455	292,825
Finance costs	11,790,204	12,878,013
Income tax expense	48,170	40,586
Changes in:		
Increase in maintenance provision	7,672,141	10,897,719
(Decrease)/ Increase in deferred income	(39,768)	82,872
Increase in Asset Manager's performance fee	833,124	251,274
Increase in accruals and other payables	64,403	8,026
Increase in receivables	(1,127,978)	(17,733)
Income taxes paid	(48,197)	(17,233)
NET CASH FLOW FROM OPERATING ACTIVITIES	**62,272,149**	**66,498,580**
INVESTING ACTIVITIES		
Restricted cash	(7,566,164)	(10,976,711)
NET CASH FLOW USED IN INVESTING ACTIVITIES	**(7,566,164)**	**(10,976,711)**
FINANCING ACTIVITIES		
Dividends paid	(18,840,000)	(18,840,000)
Bank loan principal repaid	(23,612,667)	(22,520,131)
Bank loan interest paid	(10,066,361)	(10,227,440)
Swap interest paid	(1,755,782)	(2,700,602)
NET CASH FLOW USED IN FINANCING ACTIVITIES	**(54,274,810)**	**(54,288,173)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**9,011,045**	**7,777,349**
Increase in cash and cash equivalents	431,175	1,233,696
CASH AND CASH EQUIVALENTS AT END OF YEAR	**9,442,220**	**9,011,045**

The notes on pages 37 to 66 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Note	Share capital US$	Retained Earnings US$	Hedging Reserve US$	Total Equity US$
As at 1 January 2017		210,556,652	616,483	(3,394,282)	207,778,853
Total comprehensive income for the year					
Profit for the year		-	18,899,551	-	18,899,551
Other comprehensive income		-	-	1,831,227	1,831,227
Total comprehensive income		-	18,899,551	1,831,227	20,730,778
Transactions with owners of the Company					
Dividends	16	-	(18,840,000)	-	(18,840,000)
As at 31 December 2017		210,556,652	676,034	(1,563,055)	209,669,631
As at 1 January 2016		210,556,652	519,298	(5,422,482)	205,653,468
Total comprehensive income for the year					
Profit for the year		-	18,937,185	-	18,937,185
Other comprehensive expense		-	-	2,028,200	2,028,200
Total comprehensive income		-	18,937,185	2,028,200	20,965,385
Transactions with owners of the Company					
Dividends	16	-	(18,840,000)	-	(18,840,000)
As at 31 December 2016		210,556,652	616,483	(3,394,282)	207,778,853

The notes on pages 37 to 66 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1) GENERAL INFORMATION

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

DP Aircraft I Limited (the 'Company') was incorporated on 5 July 2013 with registered number 56941. The Company was listed on the Channel Islands Securities Exchange until 27 May 2015 and is admitted to trading on the Specialist Fund Segment of the London Stock Exchange.

The Share Capital of the Company comprises 209,333,333 Ordinary Shares (2016: 209,333,333) of no par value and one Subordinated Administrative Share of no par value.

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

The financial statements were approved by the Board of Directors and authorised for issue on 20 April 2018.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

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

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

During the year it has been deemed more appropriate to present the amortisation arising on the lease premium under revenue and to present a net revenue subtotal. The prior year Statement of Comprehensive Income also reflects this reclassification. As this is a presentational change only there is no impact the Company's profit and loss, cash flows and equity.

<u>Basis of Measurement</u>

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and designated as hedging instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors believe the Group is well placed to manage its business risks successfully as the interest on the Group's loans have been fixed with the bank or via an interest rate swap and the lease rental income and supplemental rental income have been set at an aggregate absolute income stream in excess of the Group's current expenses, distributions and financing costs. Accordingly, the Directors have prepared the financial statements on the going concern basis. The Directors are not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

New standards, interpretations and amendments effective from 1 January 2017

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that impacted the Group's accounting policies except for: Disclosure Initiative Amendment to IAS7. This amendment requires disclosure of changes in liabilities arising from financing activities. See note 13 for this.

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

There are a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2018 which will be adopted from their effective date. Those which are relevant to the Group's future financial statements are considered below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The package of improvements introduced by IFRS 9 includes a new model for classification and measurement, a single, forward-looking 'expected loss' impairment model for financial assets held at amortised cost and a substantially-reformed approach to hedge accounting. Accounting for financial liabilities is substantially the same. The standard is effective for annual periods beginning on or after 1 January 2018.

IFRS 9 is not expected to require any changes in the classification or measurement of the group's financial instruments. Furthermore, given the Group's only financial assets are restricted cash and cash and cash equivalents, the replacement of the incurred loss model in IAS 39 with a forward looking approach is not expected to have a material or significant impact on the Group.

Hedge accounting under IFRS 9 adopts a more principle based approach than that under IAS 39. The quantitative effectiveness test under IAS 39 has been removed and replaced with a number of other effectiveness requirements which must all be met. The Directors fully expect the interest rate swap derivatives to meet the effectiveness requirements in IFRS 9 and the Group will therefore be able to continue to hedge account for these instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

IFRS 15 Revenues from Contracts with customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations and is effective for annual periods beginning on or after 1 January 2018. As the Group's revenue is solely derived from leases, the application of IFRS 15 is not expected to change the nature or timing of revenue recognised.

IFRS 16 Leases

IFRS 16 Leases is the IASB's replacement of IAS 17 Leases which eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. The standard's approach to lessor accounting is substantially unchanged from IAS 17 and as such is not expected to have a significant impact on the Group. The standard is effective for annual periods beginning on or after 1 January 2019.

b) Basis of consolidation

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

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

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

c) Taxation

The Company and the Guernsey subsidiaries are exempt from taxation in Guernsey and are charged an annual exemption fee of £1,200 (2016: £1,200). This is treated as an operating expense.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Property, plant and equipment – Aircraft and related lease premium

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

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

The two aircraft leased to Norwegian Air Shuttle ASA were acquired in 2014 and had a useful economic lease life of 12 years at acquisition. The two aircraft leased to Thai Airways International were acquired in 2015 and had a useful lease life of 12 years at acquisition.

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

In accordance with IAS 16 - Property, Plant and Equipment, the Group's aircraft that are to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the aircraft may not be recoverable. An impairment review involves consideration as to whether the carrying value of an aircraft including related assets is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) 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.

Derivative financial instruments

The Group has two interest rate swaps in order to provide for fixed-rate interest to be payable in respect of two of the bank loans, matching the timing of the scheduled fixed rental payments under the two leases. Interest rate swaps have been entered into to provide for certainty of cash flow and elimination of volatility.

On initial designation of the derivative as a hedging instrument the Group 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 Group 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 cash flows 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 consolidated statement of comprehensive income, to the extent they are effective. The fair value of the derivative instruments are recorded as "derivative liabilities" or "derivative assets" in the consolidated statement of financial position.

The swap interest charged in the year is reclassified from other comprehensive income and recognised in profit or loss.

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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

Financial Assets – Loans and receivables

i. 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.

ii. 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 and includes monies received in relation to maintenance provisions and security deposits.

iii. 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.

Financial Liabilities at amortised cost

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (continued)

Financial Liabilities at amortised cost (continued)

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

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

Fair value measurement

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

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

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

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

f) Share capital

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

g) Asset Manager's disposal fee provision

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

h) Dividends

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

Dividends become an obligation when the payment of the dividend is no longer at the discretion of the Company and are therefore recognised when they are paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

j) Expenses

Expenses are accounted for on an accruals basis.

k) Finance costs and finance income

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

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

l) 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.

m) Segmental reporting

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3) SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

a) Depreciation of aircraft

As described in Note 2, the Group depreciates the Assets on a straight line basis over the remaining lease life and taking into consideration the estimated residual value at the end of the lease term. In making a judgement regarding these estimates the Directors will consider previous sales of similar aircraft and other available aviation information. The Group engage three Independent Expert Valuers each year to provide a valuation of the Assets and take into account the average of the three valuations provided. The Group expects that, in performing their valuations, the Independent Expert Valuers will have regard to factors such as 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 lessees. Accordingly, any early termination of the leases may impact on the valuation of the Assets. As at 31 December 2017 there was no indication of impairment in the Group's Assets (2016: nil).

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

The full life inflated value is the appraiser's opinion of the underlying economic value of the aircraft in an open, unrestricted, stable market environment with a reasonable balance of supply and demand, and assumes full consideration of its "highest and best use". An aircraft's full life value is founded in the historical trend of values and in the projection of value trend and presumes an arm's-length, cash transaction between willing, able and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time available for marketing. The full life inflated values used within the financial statements match up the four lease termination dates and have been discounted by the inflation rate incorporated into the valuations. The residual value of the aircraft does not represent the current fair value of the aircraft.

The residual value estimates at the end of the leases for the aircraft as at 31 December was US$249,761,681 (31 December 2016: US$256,535,600).

b) Derivative fair value

The Directors estimate the fair value of derivative contracts based on valuation techniques. These techniques are significantly affected by the assumptions used which are observable expect for credit valuation adjustments and derivative valuation adjustments, including discount rates and estimates of future cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

4) LEASE RENTAL INCOME

	Year ended 31 December 2017 U$	Year ended 31 December 2016 US$
Deferred income brought forward	2,681,426	2,598,554
Lease rental income received	57,291,132	57,291,132
Deferred income carried forward	(2,641,658)	(2,681,426)
Total lease rental income	**57,330,900**	**57,208,260**

All lease rental income is derived from two customers located in Norway and Thailand and all four Assets are Boeing 787-8 aircraft. During the year ended 31 December 2017 the Group earned the following amounts of rental income from these two customers:

	Year ended 31 December 2017 U$	Year ended 31 December 2016 US$
Norway	29,873,220	29,750,580
Thailand	27,457,680	27,457,680
Total lease rental income	**57,330,900**	**57,208,260**

The contracted cash lease rental payments to be received under non-cancellable operating leases at the reporting date are:

31 December 2017	Next 12 months US$	2 to 5 years US$	After 5 years US$	Total US$
Boeing 787-8 Serial No: 35304	14,886,012	59,544,048	36,735,823	111,165,883
Boeing 787-8 Serial No: 35305	14,947,440	59,789,760	39,180,721	113,917,921
Boeing 787-8 Serial No: 35320	13,745,640	54,982,560	53,837,090	122,565,290
Boeing 787-8 Serial No: 36110	13,712,040	54,848,160	51,420,150	119,980,350
	57,291,132	**229,164,528**	**181,173,784**	**467,629,444**

31 December 2016	Next 12 months US$	2 to 5 years US$	After 5 years US$	Total US$
Boeing 787-8 Serial No: 35304	14,886,012	59,544,048	51,621,835	126,051,895
Boeing 787-8 Serial No: 35305	14,947,440	59,789,760	54,128,161	128,865,361
Boeing 787-8 Serial No: 35320	13,745,640	54,982,560	67,582,730	136,310,930
Boeing 787-8 Serial No: 36110	13,712,040	54,848,160	65,132,190	133,692,390
	57,291,132	**229,164,528**	**238,464,916**	**524,920,576**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

5) GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2017 US$	Year ended 31 December 2016 US$
Legal and professional fees	301,787	294,935
Directors fees and expenses (note 20)	223,684	187,767
Administration fees (note 21)	187,586	168,418
Insurance	114,977	47,743
Audit fees	63,304	66,602
Foreign exchange gains	(949)	-
Other fees and expenses	13,738	42,088
Total general and administrative expenses	**904,127**	**807,553**

6) FINANCE COSTS

	Year ended 31 December 2017 US$	Year ended 31 December 2016 US$
Loan interest paid and payable	10,075,549	10,210,239
Amortisation of deferred finance costs	294,455	292,825
Total finance costs at effective interest rate	10,370,004	10,503,064
Cash flow hedges reclassified from other comprehensive income	1,714,655	2,667,774
Total finance costs	**12,084,659**	**13,170,838**

7) TAXATION

With the exception of DP Aircraft Ireland Limited and DP Aircraft UK Limited, all companies within the Group are exempt from taxation in Guernsey and are charged an annual exemption fee of £1,200 each (2016: £1,200).

DP Aircraft Ireland Limited and DP Aircraft UK Limited are subject to taxation at the applicable rate in Ireland and the United Kingdom respectively. The amount of taxation paid during the year ended 31 December 2017 was US$ 48,197 (2016: US$ 17,233). The Directors do not expect the taxation payable to be material to the Group.

A taxation reconciliation has not been presented in these financial statements as the effective tax rate is 0.2% (2016: 0.2%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

8) EARNINGS PER SHARE

	Year ended 31 December 2017 US$	Year ended 31 December 2016 US$
Profit for the year	18,899,551	18,937,185
Weighted average number of shares	209,333,333	209,333,333
Earnings per share	**0.09028**	**0.09046**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

	Aircraft US$	Lease Premium US$	Total US$
COST			
As at 1 January and 31 December 2017	**476,751,161**	**46,979,793**	**523,730,954**
ACCUMULATED DEPRECIATION / AMORTISATION			
As at 1 January 2017	46,248,187	7,514,254	53,762,441
Charge for the year	19,524,024	4,362,020	23,886,044
As at 31 December 2017	**65,772,211**	**11,876,274**	**77,648,485**
CARRYING AMOUNT			
As at 31 December 2017	**410,978,950**	**35,103,519**	**446,082,469**

COST			
As at 1 January and 31 December 2016	**476,751,161**	**46,979,793**	**523,730,954**
ACCUMULATED DEPRECIATION / AMORTISATION			
As at 1 January 2016	27,465,161	3,152,234	30,617,395
Charge for the year	18,783,026	4,362,020	23,145,046
As at 31 December 2016	**46,248,187**	**7,514,254**	**53,762,441**
CARRYING AMOUNT			
As at 31 December 2016	**430,502,974**	**39,465,539**	**469,968,513**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

9) PROPERTY, PLANT, EQUIPMENT & INTANGIBLE ASSETS – AIRCRAFT & LEASE PREMIUM (CONTINUED)

The estimated residual value of the Boeing 787-8 Assets as at the end of their respective leases in 2025 and 2026 have been supported by independent experts as at 31 December 2017. The residual value will depend upon a variety of factors including actual or anticipated fluctuations in the results of the airline industry, market perception of the airline industry, general economic and social and political development, changes in industry conditions, fuel prices or rates of inflation.

The future cash in-flows for the Assets (excluding the assets residual value in the event of a sale) have been fixed at a set rate as agreed between the Group and the lessees.

The loans entered into by the Group to complete the purchase of the first two aircraft are cross collateralised. Each of the loans are secured by way of security taken over each of the first aircraft and the second aircraft.

The loans entered into by the Group to complete the purchase of the second two aircraft are cross collateralised. Each of the loans are secured by way of security taken over each of the third aircraft and the fourth aircraft.

10) RESTRICTED CASH

	2017 US$	2016 US$
Security deposits	13,355,045	13,291,363
Maintenance reserves	30,129,130	22,626,648
Total restricted cash	**43,484,175**	**35,918,011**

11) SECURITY DEPOSITS

	2017 US$	2016 US$
Security deposits:		
Refundable to Norwegian	6,400,000	6,400,000
Refundable to Thai Airways	6,864,420	6,864,420
Total security deposits	**13,264,420**	**13,264,420**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

12) TRADE AND OTHER PAYABLES

	2017 US$	2016 US$
Swap interest payable	60,791	101,917
Accruals and other payables	342,226	277,823
Taxation payable	53,066	53,096
Total trade and other payables	**456,083**	**432,836**

13) BANK BORROWINGS

	2017 US$	2016 US$
Current liabilities: bank interest payable and bank borrowings	24,780,594	23,986,255
Non-current liabilities: bank borrowing	216,136,376	240,239,740
Total liabilities	**240,916,970**	**264,225,995**
The borrowings are repayable as follows:		
Interest payable	382,774	373,587
Within one year	24,397,820	23,612,668
In two to five years	109,886,121	106,051,575
After five years	106,250,255	134,188,165
Total bank borrowings	**240,916,970**	**264,225,995**

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

	2017 US$	2016 US$
Opening balance	263,852,408	286,079,714
Repayment of loan	(23,612,667)	(22,520,131)
Amortisation of deferred finance costs	294,455	292,825
Principal bank borrowings	**240,534,196**	**263,852,408**
Interest payable	382,774	373,587
Total bank borrowings	**240,916,970**	**264,225,995**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

13) BANK BORROWINGS (CONTINUED)

The table below sets out an analysis of net debt and the movements in net debt for the year ended 31 December 2017:

	Cash and cash equivalents	Principal	Interest	Derivative Instrument*	Net Debt
At 1 January 2017	9,011,045	(263,852,408)	(373,587)	(3,496,199)	(258,711,149)
Cash flows	431,175	23,612,667	10,066,361	1,755,782	35,865,985
Non cash:-					
Fair value movement	-	-	-	1,831,227	1,831,227
Amortisation of deferred finance costs	-	(294,455)	-	-	(294,455)
Interest charge	-	-	(10,075,549)	(1,714,655)	(11,790,204)
At 31 December 2017	9,442,220	(240,534,196)	(382,775)	(1,623,845)	(233,098,596)

*Including interest payable of US$60,793 (2016: US$101,917)

Loans

During the year ended 31 December 2015 the Company utilised the proceeds from the placing and the proceeds of two separate loans from DekaBank as facility agent of US$ 78,500,000 each to fund the purchase of two Boeing 787-8 aircraft. The balance on the loans at 31 December 2017 was US$ 127,666,181 (2016: US$ 139,298,922).

During the period ended 31 December 2014 the Company utilised the proceeds from the initial public offering and the proceeds of two separate loans from NordLB as facility agent of US$ 79,800,000 each to fund the purchase of two Boeing 787-8 aircraft. The balance on the loans at 31 December 2017 was US$ 112,868,015 (2016: US$ 124,553,486).

All of the loans will be fully amortised with monthly repayments in arrears over the term until the scheduled expiry of each respective lease. There have been no defaults or breaches under the loan agreements (2016: none).

Structure and term

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

13) BANK BORROWINGS (CONTINUED)

Interest

Interest on each DekaBank loan is payable in arrears on the last day of each interest period, which is one month long. Interest on the loan accrues at a fixed rate of 4.10 per cent including a margin of 1.95 per cent per annum. If any amount is not paid by the Borrower when due under the loan agreements, interest will accrue on such amount at the then current rate applicable to the loan plus 2.0 per cent per annum.

Interest on each NordLB loan is payable in arrears on the last day of each interest period, which is one month long (the 'Interest Period'). Interest on each Loan accrues at a floating rate of interest which is calculated using LIBOR for the length of the Interest Period and a margin of 2.6 per cent per annum (the 'Loan Margin') ('Loan Floating Rate'). For the purposes of calculating the Loan Floating Rate, if on the date when LIBOR is set prior to the beginning of an Interest Period it is not possible for LIBOR to be determined by reference to a screen rate at the time that LIBOR is to be set for that Interest Period (a 'Market Disruption Event'), the amount of interest payable to each affected Loan Lender during the Interest Period will be the aggregate of each Lender's cost of funds during that monthly period and the Loan Margin. If any amount is not paid by the Borrower when due under the Loan Transaction Documents, interest will accrue on such amount at the then current rate applicable to the Loan plus 2.0 per cent per annum. The Group has entered into ISDA-standard hedging arrangement with NordLB as hedging provider in connection with the Loans, in order to provide for a fixed interest rate of 5.06% and 5.08% to be payable in respect of the loans throughout the whole term.

Cross Collateralisation

The DekaBank loans entered into by the Group to complete the purchase of the third and fourth Assets are cross collateralised. Each of the third and fourth loans is secured by way of security taken over the third and fourth Assets and enforce security over both Assets. This means that a default on one loan places both of the Assets at risk.

Similarly the NordLB loans entered into by the Group to complete the purchase of the first two Assets are cross collateralised. Each of the first and second loans is secured by way of security taken over the first and second Assets and enforce security over both Assets. This means that a default on one loan places both of the Assets at risk.

Following the enforcement of security and sale of the aircraft, the remaining proceeds, if any, may be substantially lower than investors' initial investment in the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

14) SHARE CAPITAL

Authorised share capital

The Company's authorised share capital is unlimited.

Year ended 31 December 2017

Issued and fully paid:	Subordinated Administrative Share	Ordinary Shares	Total
	Number	Number	Number
Shares as at 1 January 2017 and 31 December 2017	**1**	**209,333,33**	**209,333,334**
	US$	**US$**	**US$**
Share capital as at 1 January 2017 and 31 December 2017	**1**	**210,556,65**	**210,556,652**

Year ended 31 December 2016

Issued and fully paid:	Subordinated Administrative Share	Ordinary Shares	Total
	Number	Number	Number
Shares as at 1 January 2016 and 31 December 2016	**1**	**209,333,33**	**209,333,334**
	US$	**US$**	**US$**
Share capital as at 1 January 2016 and 31 December 2016	**1**	**210,556,65**	**210,556,652**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

14) SHARE CAPITAL (CONTINUED)

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 by ordinary resolution, subject to or in default of any such direction, as the Directors may determine.

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

15) RESERVES

The movements in the Group's reserves are shown on page 36.

Retained earnings comprises any surplus arising from the profit for the year or period and is taken to this reserve which may be utilised for the payment of dividends.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

16) DIVIDENDS

During the year ended 31 December 2017 the Company declared and paid the following dividends:

Dividend reference period	Shares	Dividend per share US$	Paid US$	Payment date
Quarter ended 31 December 2016	209,333,333	0.0225	4,710,000	13 February 2017
Quarter ended 31 March 2017	209,333,333	0.0225	4,710,000	19 May 2017
Quarter ended 30 June 2017	209,333,333	0.0225	4,710,000	18 August 2017
Quarter ended 30 September 2017	209,333,333	0.0225	4,710,000	17 November 2017
			18,840,000	

A quarterly dividend of US$ 4,710,000 (US$ 0.0225 per share) for the quarter ended 31 December 2017 was paid on 15 February 2018. In accordance with IAS 10, this dividend has not been recognised in these financial statements. A dividend becomes an obligation of the Company when its payment is no longer at the discretion of the Company. Dividends are therefore recognised when they are paid.

During the year ended 31 December 2016 the Company declared and paid the following dividends:

Dividend reference period	Shares	Dividend per share US$	Paid US$	Payment date
Quarter ended 31 December 2015	209,333,333	0.0225	4,710,000	12 February 2016
Quarter ended 31 March 2016	209,333,333	0.0225	4,710,000	20 May 2016
Quarter ended 30 June 2016	209,333,333	0.0225	4,710,000	15 August 2016
Quarter ended 30 September 2016	209,333,333	0.0225	4,710,000	14 November 2016
			18,840,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

17) INVESTMENT IN SUBSIDIARY UNDERTAKINGS

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

Name	Date of Incorporation	Country of Incorporation	Proportion of ownership interest at 31 December 2016
DP Aircraft Guernsey I Limited	10 July 2013	Guernsey	100%
DP Aircraft Guernsey II Limited	10 July 2013	Guernsey	100%
DP Aircraft Guernsey III Limited	21 May 2015	Guernsey	100%
DP Aircraft Guernsey IV Limited	21 May 2015	Guernsey	100%
DP Aircraft Ireland Limited	27 June 2013	Republic of Ireland	100%
DP Aircraft UK Limited	14 April 2015	United Kingdom	100%

18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	2017 US$	2016 US$
Financial assets		
Cash and cash equivalents	9,442,220	9,011,045
Restricted cash	43,484,175	35,918,011
Trade and other receivables (excluding prepayments)	1,142,672	-
Loans and receivables at amortised cost	**54,069,067**	**44,929,056**
Financial liabilities		
Bank borrowings	240,916,970	264,225,995
Maintenance provision	30,242,119	22,569,978
Security deposit	13,264,420	13,264,420
Trade and other payables (excluding tax)	403,017	379,740
Financial liabilities measured at amortised cost	**284,826,526**	**300,440,133**
Interest rate swaps	1,563,058	3,394,282
Financial liabilities designated as hedging instruments	**1,563,058**	**3,394,282**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital Management

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

Income distributions are generally 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 US$ 0.0225 per Share per quarter. There can be no guarantee that dividends will be paid to Shareholders and, if dividends are paid, as to the timing and amount of any such dividend. Any distribution of dividend to Shareholders will be subject always to compliance with the Companies (Guernsey) Law, 2008.

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

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 and Thai Airways as lessees and providers of income. There are lease income receivables at 31 December 2017 of US$ 1,142,672 (2016: US$ nil). Cash and restricted cash is all held at NordLB and DekaBank. The lessees do not maintain a credit rating. The credit rating of NordLB is Baa2 (2016: Baa1) and the credit rating of DekaBank is Aa3 (2016: Aa3).

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 and Thai Airways under the leases. A failure by Norwegian or Thai Airways to comply with their 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 Group.

In advance of the commencement of the lease terms under the leases, both Norwegian and Thai 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 or Thai Airways.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

Market risk – interest rate risk

Interest rate risk arises on the Group's various interest bearing assets and liabilities from changes in the general economic conditions of the market from time to time. In respect of the floating rate loans advanced by NordLB for the purchase of the first two Assets, the Directors have sought to mitigate this risk by swapping the interest on each loan from a floating rate of interest to a fixed rate of interest. The floating rate of interest is calculated using LIBOR for the length of the interest period and a margin of 2.6 per cent per annum and has been swapped for a fixed rate of 5.06 per cent and 5.08 per cent for the duration of the loans. The Group has entered into ISDA-standard hedging arrangements with NordLB as hedging provider in order to provide for fixed-rate interest for 12 years to be payable in respect of the loan, funded by the fixed rental payments under the corresponding lease. The interest rate swaps are not under a single master netting agreement. As at 31 December 2017 the fair value of the interest rate swaps was a liability of US$ 1,563,058 (2016: US$ 3,394,282).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk – interest rate risk (continued)

A 0.25% increase or decrease in interest rates would not have a material impact on the Group due to the derivatives fixing the interest rates paid by the group and the intention to hold the interest rate swaps until maturity.

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

31 December 2017	Fixed rate instruments US$	Variable rate instruments US$	Non-interest bearing instruments US$	Total US$
Restricted cash	-	43,484,175	-	43,484,175
Cash and cash equivalents	-	9,442,220	-	9,442,220
Trade receivables	-	-	1,142,672	1,142,672
Total financial assets	**-**	**52,926,395**	**1,142,672**	**54,069,067**
Trade and other payables	-	-	(403,017)	(403,017)
Maintenance reserves	-	-	(30,242,119)	(30,242,119)
Security deposits	-	-	(13,264,420)	(13,264,420)
Notional interest rate swap	(113,955,281)	113,955,281	-	-
NordLB loans	-	(112,868,014)	(196,916)	(113,064,930)
DekaBank loans	(127,666,181)	-	(185,858)	(127,852,039)
Total financial liabilities	**(241,621,462)**	**1,087,267**	**(44,292,330)**	**(284,826,525)**
Total interest rate sensitivity gap	**(241,621,462)**	**54,013,662**		

31 December 2016	Fixed rate instruments US$	Variable rate instruments US$	Non-interest bearing instruments US$	Total US$
Restricted cash	-	35,918,012*	-	35,918,012
Cash and cash equivalents	-	9,011,045*	-	9,011,045
Total financial assets	**-**	**44,929,057**	**-**	**44,929,057**
Trade and other payables	-	-	(379,740)	(379,740)
Maintenance reserves	-	-	(22,569,978)	(22,569,978)
Security deposits	-	-	(13,264,420)	(13,264,420)
Notional interest rate swap	(126,098,956)	126,098,956	-	-
NordLB loans	-	(124,553,486)	(190,641)	(124,744,127)
DekaBank loans	(139,298,922)	-	(182,946)	(139,481,868)
Total financial liabilities	**(265,397,878)**	**1,545,469**	**(36,587,725)**	**(300,440,133)**
Total interest rate sensitivity gap	**(265,397,878)**	**46,474,527**		

*During the current year the restricted cash and cash and cash equivalents have been classified as variable rate instruments as this better reflects their nature. The prior year disclosure has been restated to reflect this.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk – foreign currency risk

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

Liquidity risk

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

Liquidity risk management

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

No right of redemption or repurchase

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

Liquidity Reserve

In accordance with the Group'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 and currently total US$14,889,438 (2016: US$14,906,792). The Liquidity Reserve is intended to fund contingencies and to be available to the Group, in addition to the security deposits paid by Norwegian and Thai Airways under the leases, to aid the Group in meeting its loan repayments in the event of a default by Norwegian or Thai Airways and/or to meet costs incurred in connection with a subsequent remarketing of the Assets. In the event of a default on the bank borrowings the accumulation of surplus lease rental by the Group in the Liquidity Reserve will be suspended. In the event of a re-lease of the Assets, the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Liquidity Proposal

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

The following table details the contractual maturity analysis of the Group's financial liabilities. The amounts are contractual undiscounted cash flows and therefore will not agree directly to the balances in the statement of financial position. Operating lease income is not a financial instrument, however, it has been included in the tables below to illustrate the Group's excess liquidity.

31 December 2017	Next 12 months US$	2-5 years US$	After 5 years US$	Total US$
Bank borrowings and interest	(35,421,377)	(141,540,087)	(115,780,764)	(292,742,228)
Interest rate swaps	(2,522,033)	(6,917,250)	(1,461,123)	(10,900,406)
Maintenance provision	-	-	(30,242,119)	(30,242,119)
Security deposit	-	-	(13,264,420)	(13,264,420)
Trade and other payables	(403,017)	-	-	(403,017)
Total financial liabilities	**(38,346,427)**	**(148,457,337)**	**(160,748,426)**	**(347,552,190)**
Operating lease income (note 4)	57,291,132	229,164,528	181,173,784	467,629,444
Liquidity excess prior to ongoing expenses and distributions	**18,944,705**	**80,707,191**	**20,425,358**	**120,077,254**

31 December 2016	Next 12 months US$	2-5 years US$	After 5 years US$	Total US$
Bank borrowings and interest	(35,434,812)	(141,599,583)	(151,142,644)	(328,177,039)
Interest rate swaps	(2,789,841)	(8,207,325)	(2,693,081)	(13,690,247)
Maintenance provision	-	-	(22,569,978)	(22,569,978)
Security deposit	-	-	(13,264,420)	(13,264,420)
Trade and other payables	(379,740)	-	-	(379,740)
Total financial liabilities	**(38,604,393)**	**(149,806,908)**	**(189,670,123)**	**(378,081,424)**
Operating lease income (note 4)	57,291,132	229,164,528	238,464,916	524,920,576
Liquidity excess prior to ongoing expenses and distributions	**18,686,739**	**79,357,620**	**48,794,793**	**146,839,152**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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

19) FAIR VALUE MEASUREMENT

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

Financial assets and financial liabilities at amortised cost

The fair value of cash and cash equivalents, trade and other receivables, restricted cash and interest payable approximate their carrying amounts due to the short term maturities of these instruments.

The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt of similar returns and remaining maturities and therefore the carrying value approximates fair value.

The fair value of fixed rate borrowings is estimated by discounting future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of the loans is US$ 121,610,356 (2016: US$ 136,180,566).

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

Financial liabilities designated as hedging instruments

The fair value of the Group’s derivative interest rate swaps are determined by reference to the mid-point on the yield curves prevailing on the reporting date and represent the net present value of the differences between the contracted and the valuation rate when applied to the projected balances to the period from the reporting date to the contracted expiry date.

The interest rate swaps are valued on a recurring basis and have been categorised within level 2 of the fair value hierarchy required by IFRS 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

19) FAIR VALUE MEASUREMENT (CONTINUED)

Financial liabilities designated as hedging instruments (continued)

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

As at 31 December 2017	Next 12 months US$	2 to 5 years US$	After 5 years US$	Total US$
Floating rate receivable	3,079,476	8,445,930	1,783,678	13,309,084
Fixed rate payable	(5,601,509)	(15,363,180)	(3,244,801)	(24,209,490)
Interest rate swaps	(2,522,033)	(6,917,250)	(1,461,123)	(10,900,406)

As at 31 December 2016	Next 12 months US$	2 to 5 years US$	After 5 years US$	Total US$
Floating rate receivable	3,406,498	10,021,245	3,287,839	16,715,582
Fixed rate payable	(6,196,339)	(18,228,570)	(5,980,920)	(30,405,829)
Interest rate swaps	(2,789,841)	(8,207,325)	(2,693,081)	(13,690,247)

As at 31 December 2017, the aggregate loss on the fair value of the interest rate swaps was US$ 1,563,058 (31 December 2016: US$ 3,394,282).

Transfers between levels

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

There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the year ended 31 December 2017 or in the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

20) RELATED PARTY TRANSACTIONS

Up to 1 April 2016 the directors received the following fees:

- Jon Bridel - Chairman: £27,500 plus £20,000 for the four subsidiary companies;
- Jeremy Thompson: £22,500 plus £20,000 for the subsidiary companies; and
- Didier Benarova: £20,000 plus £20,000 for four subsidiary companies, £5,000 for the Irish Lessor and £5,000 for the UK Lessor until 21 January 2016.

Between 1 April 2016 and 31 March 2017 the Directors received the following fees:

- Jon Bridel - Chairman: £35,000 plus £20,000 for the four subsidiary companies;
- Jeremy Thompson: £25,000 plus £20,000 for the subsidiary companies; and
- Angela Behrend-Görnemann: £20,000* plus £20,000* for four subsidiary companies, £5,000* for the Irish Lessor and £5,000* for the UK Lessor from 1 May 2016.

*Ms Behrend-Görnemann receives her fee in Euros at the previously agreed GBP/EUR exchange rate of 1.30 resulting in an annual overall fee of €65,000 per annum which commenced from her date of appointment on 1 May 2016.

Following the Directors annual review of the Directors’ fees and subsequent approval at the Company’s AGM on 17 July 2017, with effect from 1 April 2017 the Directors receive the following fees:

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

During the year ended 31 December 2017 Directors’ remuneration totalled US$ 214,415 (year ended 31 December 2016: US$ 185,369) with US$ 55,741 due at the year-end (2016: US$ 48,822).

For the period from 1 April 2018, the director’s fee increase proposed is 2.6%.

Director’s shareholdings in the Company are detailed in the Directors’ Report and received dividends of $2,025 during the year (2016: $2,025).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

21) MATERIAL CONTRACTS

Asset Management Agreement

The Asset Management Agreement, dated 19 September 2013, between the Company and DS Aviation was amended on 5 June 2015 to reflect the acquisition of the two new aircraft.

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

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

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

(i) an amount will be deducted in respect of each Asset sold prior to the expiry of its lease, equal to the net present value of the aggregate amount of dividends per share that were targeted to be paid but were not paid as a result of the early divestment of the relevant Asset; and

(ii) a further amount will be deducted, in respect of each Asset sold prior to the expiry of its lease, equal to the amount by which the proportion of the non-dividend component of the relevant percentage hurdle attributable to the relevant Asset would need to be reduced in order to meet its net present value.

The disposal fee is a cash-settled payment to the Asset Manager. In determining the provision for the financial statements, the Directors have estimated the fee that will be payable on disposal of the assets. This is then being discounted and is then recognised straight line over the period until the estimated payment date. The provision for the disposal fee at 31 December 2017 was US$ 1,433,636 (2016: US$ 600,512) and the discount rate used was 2.34% (2016: 7.74%).

The directors regularly consider the discount rate and the underlying forecasted cash flows used in calculating the disposal fee provision. During the year the Directors deemed a lower discount rate to be more appropriate as this better reflected the risks of the underlying cashflows. This has resulted in a higher charge for the year than if the previous higher discount rate had been used.

The Asset Manager is paid a base fee which is US$ 21,354 per month in respect of the first two Assets increasing by 2.5% per annum and US$ 16,666 per month in respect of the second two Assets increasing by 2.5% per annum from May 2016. In the year ended 31 December 2017 Asset Management fees totalled US$ 958,619 (2016: US$935,238) of which US$ 81,011 were due at 31 December 2017 (2016: US$79,035).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

21) MATERIAL CONTRACTS (CONTINUED)

Administration Agreement

2017

In accordance with the Administration Agreement dated 19 September 2013 between the Company and Fidante Partners (Guernsey) Limited, the administrator received a secretarial fee of £25,000 during 2017. In addition, the Administrator also received an additional £1,640 for each ad hoc board meeting of the Company that was held outside of the quarterly board meetings and £1,640 for each board meeting of each wholly owned Guernsey subsidiary.

The Company paid the Administrator a fee of £16,000 for the year ended 31 December 2017 in respect of the preparation of the annual and half year financial statements, together with a minimum administration fee of £1,250 per month.

On 19 July 2016 the Administration Agreement was novated to Aztec Financial Services (Guernsey) Limited with all terms of the agreement remaining unchanged.

In the year ended 31 December 2017 total fees paid to the administrator were US$ 101,815 (2016 US$ 90,484) of which US$ 24,524 were due at 31 December 2017 (2016: US$ 12,075).

2018

Following a review of the work performed by the Administrator, the first detailed review since 2015, it was clear that the initial fee failed to address the work load resulting from increasing the fleet size from two to four aircraft and the added complexity associated with the addition of further subsidiary companies. As a result the Company has agreed to increase the Administration fees as follows:

With effect from 1 January 2018 the Company Secretary will receive a fixed fee of £50,000 per annum. Any additional ad hoc meetings are to be charged on a time spent basis. The Company Administrator will receive a fixed administration fee of the Company of £50,000 per annum plus an additional fixed fee of £6,000 for each of the wholly owned Guernsey subsidiaries. This will equate to the total fees paid to the administrator being circa US$ 167,345 (GBP/USD exchange rate of 1.35 as at 31 December 2017).

Additional work in excess of the above is to be charged on a time spent basis or at a rate agreed between the parties from time to time.

Directors' fees

Details of the fees paid to the Directors are included in note 20.

22) SUBSEQUENT EVENTS

On 18 January 2018 the Company declared a quarterly dividend in respect of the quarter ended 31 December 2017 of US$ 0.0225 per ordinary share to holders of shares on the register at 26 January 2018. The ex-dividend date was 25 January 2018 with payment on 15 February 2018.

On 18 April 2018 the Company declared a quarterly dividend in respect of the quarter ended 31 March 2018 of US$ 0.0225 per ordinary share to holders of shares on the register at 27 April 2018. The ex-dividend date will be 26 April 2018 with payment expected on 17 May 2018.

COMPANY INFORMATION

Directors	Jonathan Bridel Jeremy Thompson Angela Behrend-Görnemann
Registered Office	East Wing Trafalgar Court Les Banques St Peter Port Guernsey GY1 3PP Channel Islands
Asset Manager	DS Aviation GmbH & Co. KG Stockholmer Allee 53 44269 Dortmund Germany
Solicitors to the Company (as to English law)	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ United Kingdom
Advocates to the Company (as to Guernsey law)	Ogier Ogier House St Julian's Avenue St Peter Port Guernsey GY1 1WA Channel Islands
Auditor	KPMG, Chartered Accountants 1 Harbourmaster Place IFSC Dublin 1 Ireland
Administrator and Company Secretary	Aztec Financial Services (Guernsey) Limited East Wing Trafalgar Court Les Banques St Peter Port Guernsey GY1 3PP Channel Islands

COMPANY INFORMATION (CONTINUED)

Corporate Broker	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR United Kingdom

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

APPENDIX 1 – ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

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

APPENDIX 1 – ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (CONTINUED)

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

APPENDIX 1 – ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (CONTINUED)

REGULATORY REFERENCE AIFMD Article 23(1)	DOCUMENT NAME, PAGE AND REFERENCE
(n) where available, the historical performance of the AIF;	Not applicable.
(o) the identity of any prime broker;	Prospectus, page 152 (o).
a description of any material arrangements of the AIF with its prime brokerage firm and the way any conflicts of interest are managed;	Prospectus, page 152 (o).
the provision in the contract with the depositary on the possibility of transfer and reuse of AIF assets; and	Prospectus, page 151 (a).
information about any transfer of liability to the prime brokerage firm that may exist; and	Prospectus, page 152 (o).
(p) a description of how and when the information required under Art. 23(4) and Art. 23(5) of the AIFMD will be disclosed.	Information may be disclosed in the Company's annual report or by the Company publishing the relevant information on the Company's website (http://www.dpaircraft.com) or by the Company issuing an announcement via a Regulatory Information Service.
AIFMD Article 23(5)	
(a) any changes to the maximum level of leverage which the AIFM may employ on behalf of the AIF as well as any right of the reuse of collateral or any guarantee granted under the leveraging arrangement;	Not applicable as no changes to the maximum level of leverage.
(b) the total amount of leverage employed by that AIF.	The total leverage employed at 31 December 2017 is US$ 242,969,330.