Doric Nimrod Air Two Limited

Half-Yearly Financial Report

For the period from 1 April 2019 to 30 September 2019

CONTENTS

Page

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA2
Share Price	182 pence (as at 30 September 19) 171 pence (as at 19 November 2019)
Market Capitalisation	GBP 295.4 million (as at 19 November 2019)
Current / Future Anticipated Dividend	Current dividends are 4.5 pence per quarter per share (18 pence per annum) and it is anticipated this will continue until the aircraft leases begin to terminate in 2023
Dividend Payment Dates	April, July, October, January
Currency	Sterling
Launch Date/Price	14 July 2011 / 200 pence
Incorporation and Domicile	Guernsey
Aircraft Registration Numbers (Lease Expiry Dates including the 2 year extension)	A6-EDP (14 October 2023), A6-EDT (2 December 2023), A6-EDX (1 October 2024), A6-EDY (1 October 2024), A6-EDZ (12 October 2024), A6-EEB (9 November 2024), A6-EEC (30 November 2024)
Asset Manager	Doric GmbH
Corporate and Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Ltd
Auditor	Deloitte LLP
Market Makers	finnCap Ltd, Investec Bank, Jefferies International Ltd, Numis Securities Ltd, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN, LEI	B3Z6252, GG00B3Z62522, 213800ENH57LLS7MEM48
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

Please note that the Group has determined that the operating leases on the Assets are for 12 years based on an initial term of 10 years followed by an extension term of two years. Should the lessee choose to exit a lease at the end of the initial term of 10 years an early termination payment equal to the present value of the Sterling rent that would have been payable for the extension term of 2 years would be due. For the purpose of this report the leases are all referred to as 12 year leases.

COMPANY OVERVIEW

Doric Nimrod Air Two Limited (LSE Ticker: DNA2) (“**DNA2**” or the “**Company**”) is a Guernsey company incorporated on 31 January 2011.

Pursuant to the Company’s prospectus dated 30 June 2011, the Company on 14 July 2011 raised approximately £136 million by the issue of ordinary preference shares at an issue price of £2 each (the “**Placing**”). The Company’s ordinary preference shares were admitted to trading on the Specialist Fund Segment (“**SFS**”) of the London Stock Exchange’s Main Market on 14 July 2011.

The Company raised a further £188.5 million from a C share fundraising (the “**C Shares**”), which closed on 27 March 2012 with the admission of 100,250,000 convertible preference shares to trading on the SFS.

On 6 March 2013, the Company’s C Shares converted into an additional 100,250,000 ordinary preference shares. These additional ordinary preference shares were admitted to trading on the SFS and rank pari passu with the ordinary preference shares already in issue.

As at 19 November 2019, the last practicable date prior to the publication of this report, the Company’s total issued share capital consisted of 172,750,000 ordinary preference shares (the “**Shares**”) and these Shares were trading at 171 pence per Share.

Investment Objectives and Policy

The Company‘s investment objective is to obtain income returns and a capital return for its shareholders (the “**Shareholders**”) by acquiring, leasing and then selling aircraft (each an “**Asset**” or “**Aircraft**” and together the "**Assets**" or “**Aircraft**”). The Company receives income from the lease rentals paid to it by Emirates Airline (“**Emirates**”), the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates, pursuant to the leases.

Distribution Policy

The Company currently targets a distribution of 4.50 pence 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. There can also be no guarantee that the Company will, at all times, satisfy the solvency test required to be satisfied pursuant to section 304 of The Companies (Guernsey) Law, 2008, as amended (the “**Law**”) enabling the Directors to effect the payment of dividends.

Subsidiaries

The Company has four wholly-owned subsidiaries; MSN077 Limited, MSN090 Limited, MSN105 Limited and Doric Nimrod Air Finance Alpha Limited (“**DNAFA**”) which collectively hold the Assets for the Company (together the Company and the subsidiaries are known as the "**Group**").

The first Asset was acquired by MSN077 Limited on 14 October 2011 for a purchase price of $234 million and has been leased to Emirates for an initial term of 10 years to October 2021, with an extension period of 2 years ending October 2023, with fixed lease rentals for the duration.

The second Asset was acquired by MSN090 Limited on 2 December 2011 for a purchase price of $234 million and has been leased to Emirates for an initial term of 10 years to December 2021, with an extension period of 2 years ending December 2023, with fixed lease rentals for the duration.

The third Asset was acquired by MSN105 Limited on 1 October 2012 for a purchase price of $234 million and has been leased to Emirates for an initial term of 10 years to October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce.

The fourth Asset, MSN106, was acquired by DNAFA on 1 October 2012 for a purchase price of $234 million and has been leased to the Emirates for an initial term of 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce.

The fifth Asset, MSN107, was acquired by DNAFA on 12 October 2012 for a purchase price of $234 million and has been leased to the Emirates for an initial term of 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce.

The sixth Asset, MSN109, was acquired by DNAFA on 9 November 2012 for a purchase price of $234 million and has been leased to the Emirates for an initial term of 10 years ending November 2022, with an extension period of 2 years ending November 2024, in which rental payments reduce.

The seventh Asset, MSN110, was acquired by DNAFA on 30 November 2012 for a purchase price of $234 million and has been leased to the Emirates for an initial term of 10 years ending November 2022, with an extension period of 2 years ending November 2024, in which rental payments reduce.

The fourth, fifth, sixth and seventh Assets were acquired by DNAFA using the proceeds of the issue of the C Shares, together with the proceeds of Equipment Notes (the "**Equipment Notes**") issued by DNAFA. The Equipment Notes were acquired by two separate pass through trusts using the proceeds of their issue of enhanced equipment trust certificates (the "**Certificates**"). The Certificates, with an aggregate face amount of approximately $587.5 million were admitted to the Official List of the UK Listing Authority and to the London Stock Exchange on 12 July 2012. These four Assets were also leased to Emirates for an expected initial term of 12 years to the second half of 2024, with fixed lease rentals for the duration.

In order to complete the purchase of the related Assets, MSN077 Limited, MSN090 and MSN105 Limited entered into separate loan agreements with a number of banks (see note 15), each of which will be fully amortised with quarterly repayments in arrears over 12 years (each of them a "**Loan**", together the "**Loans**"). A fixed rate of interest applies to the Loans except for 50 per cent. of the loan in MSN090 Limited which has a related interest rate swap entered into to fix the interest rate. MSN077 Limited drew down $151,047,509 under the terms of the first loan agreement to complete the purchase of the first Asset; MSN090 Limited drew down $146,865,575 in accordance with the second loan agreement to finance the acquisition of the second Asset and MSN105 Limited drew down $145,751,153 in accordance with the third loan agreement to finance the acquisition of the third Asset. The first loan agreement, the second loan agreement and the third loan agreement are on materially the same terms.

Emirates bears all costs (including maintenance, repair, and insurance) relating to the Aircraft during the lifetime of the leases.

Performance Overview

All payments by Emirates have, to date, been made in accordance with the terms of the respective leases.

During the period under review, and in accordance with the Distribution Policy, the Company declared two interim dividends of 4.50 pence per Share. One interim dividend of 4.50 pence per Share was declared after the reporting period. Further details of these dividend payments can be found on page 28.

Return of Capital

In respect of any Asset, following a sale of that Asset, the Directors may, either (i) return to Shareholders the net capital proceeds, or (ii) re-invest such proceeds in accordance with the Company's investment policy.

The Company intends to return to Shareholders net capital proceeds if and when the Company is wound-up (pursuant to a Shareholder resolution, including the Liquidation Resolution below), subject to compliance with the Company's Articles of Incorporation (the "**Articles**") and the applicable laws (including any applicable requirements of a solvency test contained therein).

Liquidation Resolution

Although the Company does not have a fixed life, the Articles require that the Directors convene a general meeting of the Company in June 2025 where an ordinary resolution will be proposed that the Company proceed to an orderly wind-up (the "**Liquidation Resolution**"). In the event that the Liquidation Resolution is not passed, the Directors will consider alternatives for the future of the Company, including re-leasing the Assets, or selling the Assets and reinvesting the capital received from the sale of the Assets in other aircraft.

CHAIRMAN'S STATEMENT

During the period from 1 April 2019 until 30 September 2019 (the **"Period"**) Doric Nimrod Air Two Limited ("**DNA2**" or the "**Company**") has declared and paid two quarterly dividends of 4.50 pence per share, as expected, equivalent to 18 pence per share per annum.

The Company's investment objective is to obtain income returns and a capital return for its shareholders (the "**Shareholders**") by acquiring, leasing and then selling aircraft. The Company has four wholly-owned subsidiaries; MSN077 Limited, MSN090 Limited, MSN105 Limited and Doric Nimrod Air Finance Alpha Limited "**DNAFA**" (together the Company and the subsidiaries are known as the "**Group**"). The Group owns seven assets (the "**Assets**"), funded by two equity issues, a note issue and bank debt in 2011 and 2012. Upon the purchase of each aircraft (the "**Aircraft**"), the relevant subsidiary entered into a 10 year lease with Emirates Airline ("**Emirates**") with fixed lease rentals for the duration. The debt portion of the funding will be fully amortised over the term of the leases, which will leave the Aircraft unencumbered on the conclusion of the ultimate lease. Emirates bears all costs (including maintenance, repair and insurance) relating to the Aircraft during the lifetime of the leases and all payments thus far by Emirates have been made in accordance with the terms of the respective leases.

Whilst I am mindful of reporting a decline in the Company's share price over the Period and year-to-date, Shareholders should be reassured that the Company's Assets continue to be well utilised and that Emirates are meeting all financial obligations on time and in full. However, sentiment and recent news flow relating to the Airbus A380 appears to be persisting as a headwind. The Board is aware that the market is not currently balanced between buyers and sellers nor between ongoing users and those that are likely to or have announced that they will discontinue use of the aircraft. The situation is expected to continue to be fluid and will depend on a number of factors including the position of manufacturer deliveries of new widebody aircraft to airlines, including Emirates, and passenger traffic generally. The Board and its advisors continue to monitor the situation and as part of the lease arrangements are in regular contact with the airline. As reported in my statement accompanying the most recent annual financial report the announcement by Airbus of the cessation of production of new A380s' has no direct impact on the Group's leases nor its ability to pay targeted distributions. Furthermore, the Group's debt structure is such that all loan liabilities will be fully paid off at the end of the respective leases (subject only to the continued solvency of Emirates) at which point the Aircraft will be unencumbered. Recent comments by Emirates with regard to the A380 continue to be supportive in many respects but, in the absence of concrete evidence, the Company and its asset manager, Doric GmbH ("**Doric**"), are somewhat constrained in their ability to report more positive developments at this time. While the Company's first lease expiry does not fall due for almost four years (October 2023) Doric has been and will continue to be in regular dialogue with Emirates about their future fleet planning requirements. Further details on the A380 and Emirates can be found in the Asset Manager's Report.

Doric continues to monitor the leases and to report regularly to the Board. Nimrod Capital LLP ("**Nimrod**"), the Company's Corporate and Shareholder Advisor, continues to liaise between the Board and Shareholders, and also communicates with Shareholders regularly regarding relevant news flow and the Company's Consolidated Financial Statements and quarterly fact sheets.

In economic reality and in cash flow terms, the Company has performed well, and as expected. However, the Consolidated Financial Statements do not, in the Board's view, properly convey this economic reality due to the accounting treatments for foreign exchange, rental income and finance costs, as required by International Financial Reporting Standards ("**IFRS**").

IFRS, with which the Company is fully compliant, requires that transactions denominated in currencies other than the presentation currency (including, most importantly, the cost of the Aircraft) are translated into the presentation currency at the exchange rate ruling at the date of the transaction whilst monetary items (principally the outstanding borrowings) are translated at the rate prevailing on the reporting date. The result is that the figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences. Shareholders will note in the Consolidated Statement of Cash Flows on page 17 the increase in the levels of cash held by the company.

On an on-going basis and assuming the lease and debt payments are made as anticipated, such exchange differences do not reflect the commercial substance of the situation in the sense that the key transactions denominated in US dollars are in fact closely matched. Rental income received in US dollars is used to make debt repayments due which are likewise denominated in US dollars. Furthermore, the US dollar lease rentals and debt repayments are fixed at the outset of the Company's life and are very similar in amount and timing.

In addition to this, lease rental income receivable is credited evenly to the Consolidated Statement of Comprehensive Income over the planned life of each lease. Conversely, the methodology for accounting for interest cost means that the proportion of the debt repayments which is treated as interest, and is debited to the Consolidated Statement of Comprehensive Income, varies over the course of each debt instrument with a higher proportion of interest expense recognised in earlier periods, so that the differential between rental income and interest cost (as reported in the Consolidated Statement of Comprehensive Income) reduces. In reality however, the amount of rental income is fixed so as to closely match the interest and principal components of each debt repayment instalment and allow for payments of operating costs and dividends.

Suzie Procter and Andreas Tautscher were appointed as independent, non-executive directors of the Company on 19 August 2019. The Board are pleased that both Suzie and Andreas have agreed to join the Board. Suzie and Andreas bring significant knowledge and expertise from their respective backgrounds in asset management and banking and from having served on investment company boards. Further, bringing diversity and new perspectives to the Board, and combining these with the continuity provided by its existing directors, should prove valuable to the Company and its shareholders.

The Board encourages Shareholders to read the Company's quarterly fact sheets which we believe provide a great deal of interesting information and we hope these regular reports, in addition to the communication you receive from Nimrod, are useful and informative. We welcome Shareholder engagement and feedback and encourage you to contact Nimrod to request a meeting or relay your feedback.

On behalf of the Board, I would like to thank our service providers for all their help and, most importantly, Shareholders for their continuing support of the Company. I look forward to keeping all Shareholders up to date with further progress.

Geoffrey Hall

Chairman

21 November 2019

ASSET MANAGER'S REPORT

At the request of the Directors of the Company, this commentary has been provided by the Asset Manager of the Company.

1. The Assets

The Company acquired a total of seven Airbus A380-861 aircraft between October 2011 and November 2012. Each aircraft is leased to Emirates – the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates – for an initial term of 12 years from the point of delivery, with fixed lease rentals for the duration. In order to complete the purchase of the first three aircraft, MSN077 Limited, MSN090 Limited and MSN105 Limited entered into three separate loans, each of which will be fully amortised with quarterly repayments in arrear over 12 years.

The net proceeds from the C Share issue (the "**Equity**") were used to partially fund the purchase of four of the seven Airbus A380s. In order to help fund the acquisition of these final four aircraft, DNAFA issued two tranches of EETCs – a form of debt security – in June 2012 in the aggregate face value of USD 587.5 million. The EETCs are admitted to the official list of the Euronext Dublin and to trading on the Main Securities market thereof. DNAFA used the proceeds from both the Equity and the EETCs to finance the acquisition of four new Airbus A380 aircraft leased to Emirates.

The seven Airbus A380 aircraft bearing manufacturer's serial numbers ("**MSN**") 077, 090, 105, 106, 107, 109 and 110.

The seven A380s owned by the Company recently visited Hong Kong, Johannesburg, London, Madrid, Munich, Perth, Singapore, Sydney, and Vienna.

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of September 2019 was as follows:

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
077	14/10/2011	35,241	4,184	8 h 25 min
090	02/12/2011	32,934	5,337	6 h 10 min
105	01/10/2012	30,585	4,865	6 h 15 min
106	01/10/2012	33,213	3,829	8 h 40 min
107	12/10/2012	32,474	3,763	8 h 40 min
109	09/11/2012	29,427	4,628	6 h 20 min
110	30/11/2012	29,626	4,781	6 h 10 min

Maintenance Status

Emirates maintains its A380 aircraft fleet based on a maintenance programme according to which minor maintenance checks are performed every 1,500 flight hours, and more significant maintenance checks ("**C Checks**") at 36-month or 18,000-flight hour intervals, whichever occurs first.

Emirates bears all costs relating to the aircraft during the lifetime of the lease (including maintenance, repairs and insurance).

Inspections

Doric, the asset manager, conducted records audits of the aircraft with MSNs 077 and 090 in February 2019 as well as physical inspections of the aircraft with MSN 090 in February 2019 and with MSN 105 in April 2019. Furthermore, the asset manager conducted a physical inspections of the aircraft with MSN 077 and 106, both in June 2019, and with MSN 109 in July 2019. Additionally, records audits of the aircraft with MSNs 105 and 106 were performed in August 2019. The condition of the aircraft and technical records were in compliance with the provisions of the respective lease agreement.

2. Market Overview

According to the International Air Transport Association ("**IATA**"), industry-wide passenger traffic, measured in global revenue passenger kilometres ("**RPKs**"), grew at a rate of 4.7% between January and July 2019 against the same period in the year before. Growth in RPK has been running below the long-term average rate of 5.5% and IATA expects an annual growth of 5.0% for this year, largely due to declining growth in the Asia Pacific region. IATA notes that this slower growth trend is likely to continue against the backdrop of weaker growth in several large economies and a pick-up in global risks.

Industry-wide capacity, measured in available seat kilometres ("**ASKs**"), increased by 4.1% between January and July 2019 versus the first seven months of the previous year, resulting in a 0.5 percentage point increase in the worldwide passenger load factor ("**PLF**") to 82.6%. So far in 2019, all regions have recorded modest capacity growth and high load factors with July's PLF of 85.7%, a new all-time high for any month of the year.

Passenger traffic in the Middle East increased by 1.5% between January and July 2019 against the same period in the previous year. Capacity grew by 0.7%, which resulted in a 0.7 percentage point increase in PLF to 76.0%. IATA's seasonally-adjusted data show a clear levelling off in passenger traffic volumes since the first half of 2018. This is attributable to the weakness in global trade, volatile oil prices and heightened geopolitical tensions.

European-based operators continue to be the top performers in overall market demand so far in 2019, as RPKs increased by 5.6% compared to the same period in the previous year. Latin America ranked second once again with 5.2% followed closely by the Asia Pacific region with 5.1%. Africa experienced an increase of 4.9% while North America saw positive growth at 4.0%.

3. Lessee – Emirates Key Financials

In the 2018/19 financial year ending on 31 March 2019, Emirates increased revenue by 6% to AED98 billion (USD26.7 billion) compared to the previous financial year. However, as operating costs rose by 8%, Emirates' net profit fell nearly 70% compared to last year to AED871 million (USD237.3 million). The decrease in profit was attributed to higher fuel prices, strong competition, and unfavourable foreign exchange effects.

Emirates overall passenger traffic grew marginally during the 2018/19 financial year with the airline carrying 58.6 million passengers. Passenger traffic, measured in RPKs, increased by 2.7%, while capacity, measured in ASKs, grew by 3.6%. This resulted in a PLF of 76.8% compared to last year's 77.5%.

The rise in total operating costs was largely due to increasing fuel prices, which grew 22% over the financial year. This came on top of the 15% increase in fuel prices during the previous year. Fuel continued to be the largest cost component, making up 32% of the airline's total operating costs. Additionally, Emirates saw an AED572 million (USD155.9 million) negative impact on its financial results due to the strengthening of the US Dollar against many revenue generating currencies.

As of 31 March 2019, Emirates' balance sheet amounted to AED127.4 billion (USD34.7 billion), largely flat compared to the end of the previous financial year. Total equity increased marginally by 1.9% to AED37.7 billion (USD10.3 billion). The equity ratio remained stable at 29.6%. The airline's cash balance amounted to AED17.0 billion (USD4.6 billion) at the end of the financial year, down by AED3.4 billion (USD921.8 million) compared to the end of the previous financial year.

In the 2018/19 financial year, Emirates received 13 new aircraft – seven A380s and six Boeing 777-300ERs – and retired 11 older aircraft, bringing its fleet total to 270 as of 31 March 2019, including 12 freighters. The fleet roll-over resulted in an average fleet age of 6.1 years. In February 2019, Emirates signed a heads of agreement with Airbus to order 40 A330neos and 30 A350-900s to be delivered from 2021 and 2024 respectively. At the same time it adjusted its A380 order book position and will receive 14 more A380s from 2019 until the end of 2021, taking the total number of A380s delivered to Emirates to 123 aircraft. Emirates' latest report, however, omitted the USD 15 billion agreement for 40 Boeing 787-10 from the 2017 Dubai Air Show, which had previously been included in its 2017/18 financial report.

Emirates' half-year results for 2019/20 are expected to be released in November 2019.

According to Tim Clark, the airline's president, uncertainty over the status of key widebody programmes is preventing Emirates from revamping its orders with Airbus and Boeing. Delays in Boeing's 777X programme with Emirates as launch customer have prevented the airline from entering into discussions around contract adjustments or introducing new aircraft to existing deals. Additionally, Emirates has delayed the firming up of its deal for A330neos and A350s, both of which are exclusively powered by Rolls-Royce, due to concerns about the engines' ability to meet its specific performance requirements. Setbacks in Rolls-Royce's programmes have led Emirates to demand definitive guarantees for trouble-free performance "from day one" before the airline will commit to any further orders.

Weeks before Emirates concluded the first six months of its 2019/20 financial year ending on 30 September 2019 Tim Clark provided some guidance on the expected financial results: "I'm pleased with our performance to date." At the same time he sees "difficulties" on multiple fronts including demand issues in South America with the collapsing peso in Argentina, challenges in Asia with the unrest in Hong Kong and the Brexit discussions in Europe. Emirates had also to manage the closure of one of its two runways at the airline's Dubai hub due to maintenance for a period of six weeks. Clark was in particular pleased with the operation to London, Emirates' strongest A380 destination outside its Dubai hub, reporting a 93% load factor on the nine daily A380 flights the airline runs out of London Heathrow and London Gatwick. The latter airport is serviced by A380s with a 615 seat high-density configuration.

Source: Bloomberg, Cirium

4. Aircraft – A380

As of mid-September, Emirates operated a fleet of 108 A380s, which currently serve 52 destinations within its global network via its hub in Dubai. A380 destinations include: Amsterdam, Athens, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Brisbane, Casablanca, Christchurch, Copenhagen, Dusseldorf, Frankfurt, Guangzhou, Hamburg, Hong Kong, Houston, Johannesburg, Kuala Lumpur, Kuwait, London Gatwick, London Heathrow, Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Moscow, Mumbai, Munich, Muscat, New York JFK, Nice, Osaka, Paris, Perth, Prague, Riyadh, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo Narita, Toronto, Vienna, Washington, and Zurich.

As of mid-September 2019, the global A380 fleet consisted of 231 planes in commercial service. The fourteen operators are Emirates (108), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Air France (10), Qatar Airways (10), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), China Southern Airlines (5), All Nippon Airways (2) and Hi Fly (1). Another six aircraft are listed as in storage, including four from Emirates, which were parked at Dubai-World Central International airport.

During the period under review the first two A380 part-outs have been initiated by Dr Peters Group, which estimates USD 45 million in revenue per aircraft from component sales alone due to the demand for parts from existing A380 operators preparing for upcoming maintenance events. Dr Peters estimates a total revenue as high as USD 80 million per aircraft. The Rolls-Royce Trent 900 engines are currently leased to Rolls-Royce through 2020, after which Dr Peters intends to sell the engines.

Since 1 July, Emirates has been operating its shortest A380 route at just 340km (184nm). Twice-daily flights between Dubai and Oman’s capital Muscat with A380s replacing the Boeing 777-300ERs, which served the route before. The announcement came a month after the launch of A380s operations on another short route between Dubai and the Saudi Arabian capital Riyadh (870km, 470nm). Emirates’ shortest regular route for the A380 was previously Dubai-Kuwait, which covers a distance of roughly 850km (460nm). Emirates stated, "The new A380 services to Muscat demonstrate the airline's agile approach to fleet deployment and its commitment to providing an enhanced on-board experience for its passengers".

In July, Air France announced that it intends to retire its entire Airbus A380 fleet by 2022 and is studying options to replace the double-deck type with twinjets. The airline had previously announced plans to retire at least three of its 10 A380s, but has now approved "in principle" the retirement of the remaining aircraft. Five of the aircraft are owned by Air France, while the rest are on operating leases.

At the end of July, Flynas announced that it operated its first Haj pilgrims flight on A380s wet-leased from Malaysia Airlines. The Saudi carrier anticipates transporting 200,000 pilgrims from 17 countries.

In September, the Portuguese wet-lease operator Hi Fly confirmed its plans to acquire additional second-hand A380 aircraft. Chief executive Paulo Mirpuri stated “as more A380s become available, we will be taking more aircraft", further adding that the market would "say how many". The operator’s current A380 has mainly been used for transatlantic flights, but has also been deployed on routes to South America, Indian Ocean destinations and during Operation Matterhorn involving the repatriation of Thomas Cook holiday makers back to the UK.

Also in September, Emirates’ president Tim Clark stated that the airline is conducting a review of its fleet and network structure as it plans to start a gradual retirement of the A380 from its fleet. Noting that “this aircraft will still be flying in Emirates in 2035” Clark expects Emirates’ A380 fleet to peak shortly and then stabilise at around 115 aircraft, before declining to about 90-100 by the mid-2020s. Two Emirates-owned A380s are earmarked to be withdrawn from service shortly and will serve as a spares source to meet upcoming overhaul requirements for its operational fleet. According to Tim Clark, the A380 will remain a pillar of Emirates’ fleet mix for the next 15 years. However, Emirates has dropped plans to install new first class suites on its A380 aircraft, but will introduce new premium economy seats on its A380s towards the end of next year.

Source: Bloomberg, Cirium, Gulf News

DIRECTORS

Geoffrey Alan Hall - Chairman (Independent non-executive director)

Geoffrey Hall has extensive experience in asset management, having previously been Chief Investment Officer of Allianz Insurance plc, a major UK general insurance company and an investment manager at HSBC Asset Management, County Investment Management, and British Railways Pension Funds. Geoffrey is also a director of Doric Nimrod Air One Limited and Doric Nimrod Air Three Limited.

Geoffrey earned his masters degree in Geography at the University of London. He is an associate of the CFA Society of the UK and is resident in the United Kingdom.

Charles Edmund Wilkinson (Independent non-executive director)

Charles Wilkinson is a solicitor who retired from Lawrence Graham LLP in March 2005. While at Lawrence Graham he specialised in corporate finance and commercial law, latterly concentrating on investment trust and fund work.

Charles is Chairman of Doric Nimrod Air One Limited and Doric Nimrod Air Three Limited and is a director of Landore Resources Ltd, a Guernsey based mining exploration company. He is resident in Guernsey.

John Le Prevost (Independent non-executive director)

John Le Prevost is the Chief Executive Officer of Anson Group Limited and Chairman of Anson Registrars Limited (the Company's Registrar). He has spent over 30 years working in offshore trusts and investment business during which time he was Managing Director of County NatWest Investment Management (Channel Islands) Limited, Royal Bank of Canada's mutual fund company in Guernsey and Republic National Bank of New York's international trust company. He is a director of a number of other companies associated with Anson Group's business as well as being a trustee of the Guernsey Sailing Trust.

John is also a director of Doric Nimrod Air One Limited, Doric Nimrod Air Three Limited, and Amedeo Air Four Plus Limited. He is resident in Guernsey.

Suzanne Elaine Procter (Independent non-executive director – appointed 19 August 2019)

Suzie Procter brings over 37 years' experience in financial markets, with specific expertise in asset management. She was previously a non-executive director of TR Property Investment Trust plc, an investment company listed on the FTSE 250 index. Her executive roles included Partner and member of the Executive Management Committee at Cantillon Capital Management LLC, Managing Director of Lazard Asset Management, Head of Institutional Sales at INVESCO Asset Management, Director and Head of Fixed Income Business at Pictet International Management Ltd and Head of Fixed Income at Midland Montagu Asset Management.

Suzie is also a director of Doric Nimrod Air One Limited and Doric Nimrod Air Three Limited. She is resident in the United Kingdom.

Andreas Josef Tautscher (Independent non-executive director – appointed 19 August 2019)

Andreas Tautscher brings over 30 years' financial services experience. He serves as a non-executive director and member of the Audit Committee of BH Global Limited, a Guernsey closed-ended investment company whose shares are traded on the Main Market of the London Stock Exchange. He is also a director and CEO of Altair Group, a leading independent director services business in the Channel Islands. From 1994 to 2018 Andreas held various roles at

Deutsche Bank and was most recently CEO of the Channel Islands and Head of Financial Intermediaries for EMEA. He was previously a non-executive director of the Virgin Group. Andreas qualified as a Chartered Accountant in 1994.

Andreas is also a director of Doric Nimrod Air One Limited and Doric Nimrod Air Three Limited. He is resident in Guernsey.

INTERIM MANAGEMENT REPORT

A description of important events which have occurred during the period from 1 April 2019 until 30 September 2019 (the "**Period**"), their impact on the performance of the Group as shown in the Consolidated Financial Statements and a description of the principal risks and uncertainties facing the Group is given in the Chairman's Statement, Asset Manager's Report, and the Notes to the Consolidated Financial Statements contained on pages 19 to 43 and are incorporated here by reference.

There were no material related party transactions which took place in the Period, other than those disclosed at note 22 of the Notes to the Consolidated Financial Statements.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company for the remaining six months of the financial year are unchanged from those disclosed in the Company's Annual Financial Report for the year ended 31 March 2019.

Going Concern

The Group's principal activities are set out within the Company Overview on pages 2 to 4. The financial position of the Group is set out on page 16. In addition, note 19 of the Notes to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit risk and liquidity risk.

The interest rate under each loan or Equipment Note issue has been fixed and the fixed rental income under the relevant lease has been coordinated with the debt repayments therefore the rent income should be sufficient to repay the loans and Equipment Notes and provide surplus income to pay for the Group's expenses and permit payment of dividends.

After making reasonable enquiries, and taking into account the cash flow characteristics as described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in its operational existence to the first lease maturity in October 2023. Accordingly, they continue to adopt the going concern basis of accounting in preparing these Consolidated Financial Statements.

Responsibility Statement

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

(a) the Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards ("IFRS") give a fair, balanced and understandable view of the assets, liabilities, financial position and profits of the Company and performance of the Company; and

(b) this Interim Management Report includes or incorporates by reference:

a. an indication of important events that have occurred during the Period and their impact on the Consolidated Financial Statements;
b. a description of the principal risks and uncertainties for the remaining six months of the financial year; and
c. confirmation that there were no related party transactions in the Period that have materially affected the financial position or the performance of the Company during that Period.

Signed on behalf of the Board of Directors of the Company on 21 November 2019.

Geoffrey Hall

Chairman

21 November 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2019 to 30 September 2019

	Notes	1 Apr 2019 to 30 Sep 2019 GBP	1 Apr 2018 to 30 Sep 2018 GBP
INCOME			
A rent income	4	48,082,215	45,548,185
B rent income	4	18,266,980	18,266,980
Bank interest received		60,870	64,171
		66,410,065	63,879,336
EXPENSES			
Operating expenses	5	(1,744,363)	(1,714,867)
Depreciation of Aircraft	10	(23,140,129)	(26,006,678)
		(24,884,492)	(27,721,545)
Net profit for the Period before finance costs and foreign exchange losses		41,525,573	36,157,791
Finance costs	11	(8,574,113)	(10,001,225)
Net profit for the Period after finance costs and before foreign exchange losses		32,951,460	26,156,566
Unrealised foreign exchange loss	7	(24,255,465)	(33,026,212)
Profit / (Loss) for the Period		8,695,995	(6,869,646)
Other Comprehensive Income		-	-
Total Comprehensive Income / (Loss) for the Period		8,695,995	(6,869,646)
		Pence	**Pence**
Earnings / (Loss) per Ordinary Preference Share for the Period - Basic and Diluted	9	5.03	(3.98)

In arriving at the results for the financial period, all amounts above relate to continuing operations.

The notes on pages 19 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019

	Notes	30 Sep 2019 GBP	31 Mar 2019 GBP
NON-CURRENT ASSETS			
Aircraft	10	735,322,802	758,462,933
Financial assets at fair value through profit or loss		-	176,039
		735,322,802	758,638,972
CURRENT ASSETS			
Accrued income		4,532,896	7,771
Receivables	13	63,795	52,497
Cash and cash equivalents	17	29,486,205	28,236,268
		34,082,896	28,296,536
TOTAL ASSETS		769,405,698	786,935,508
CURRENT LIABILITIES			
Borrowings	15	84,454,333	80,363,628
Deferred income		7,840,789	7,840,789
Payables - due within one year	14	57,196	64,522
		92,352,318	88,268,939
NON-CURRENT LIABILITIES			
Borrowings	15	203,462,970	231,338,802
Deferred income		153,399,113	140,337,025
Financial liabilities at fair value through profit or loss		52,060	-
		356,914,143	371,675,827
TOTAL LIABILITIES		449,266,461	459,944,766
TOTAL NET ASSETS		320,139,237	326,990,742
EQUITY			
Share capital	16	319,836,770	319,836,770
Retained earnings		302,467	7,153,972
		320,139,237	326,990,742
		Pence	**Pence**
Net Asset Value per Share based on 172,750,000 (Mar 2018: 172,750,000) shares in issue		185.32	189.29

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 21 November 2019 and are signed on its behalf by:

Geoffrey Hall
Director

Charles Wilkinson
Director

The notes on pages 19 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period from 1 April 2019 to 30 September 2019

	Notes	1 Apr 2019 to 30 Sep 2019 GBP	1 Apr 2018 to 30 Sep 2018 GBP
OPERATING ACTIVITIES			
Profit / (loss) for the period		8,695,995	(6,869,646)
Movement in deferred income		1,233,326	1,255,368
Movement in rental income received in advance		-	(1,069,187)
Interest received		(60,870)	(64,171)
Accrued interest		7,771	-
Depreciation of Aircraft	10	23,140,129	26,006,678
Loan interest payable	11	7,834,843	9,611,697
Movement in interest rate swap	11	228,099	(121,643)
Increase in payables		(7,326)	(208,879)
Decrease in receivables		(11,298)	(88,846)
Foreign exchange movement	7	24,255,465	33,026,212
Amortisation of debt arrangement costs	11	511,171	511,171
NET CASH FROM OPERATING ACTIVITIES		65,827,305	61,988,754
INVESTING ACTIVITIES			
Interest received		60,870	64,171
Decrease in short-term investments		-	(436,239)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		60,870	(372,068)
FINANCING ACTIVITIES			
Dividends paid	8	(15,547,500)	(15,547,500)
Repayments of capital on borrowings		(41,920,233)	(37,606,962)
Repayments of interest on borrowings		(7,658,692)	(9,344,640)
NET CASH USED IN FINANCING ACTIVITIES		(65,126,425)	(62,499,102)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		28,236,268	24,440,324
Increase / (decrease) in cash and cash equivalents		761,750	(882,416)
Effects of foreign exchange rates		488,187	464,169
CASH AND CASH EQUIVALENTS AT END OF PERIOD	17	29,486,205	24,022,077

The notes on pages 19 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 1 April 2019 to 30 September 2019

	Notes	Share Capital GBP	Retained Earnings GBP	Total GBP
Balance as at 1 April 2019		319,836,770	7,153,972	326,990,742
Total Comprehensive Income for the period		-	8,695,995	8,695,995
Dividends paid	8	-	(15,547,500)	(15,547,500)
Balance as at 30 September 2019		319,836,770	302,467	320,139,237

		Share Capital GBP	Retained Earnings GBP	Total GBP
Balance as at 1 April 2018		319,836,770	11,544,395	331,381,165
Total Comprehensive Loss for the period		-	(6,869,646)	(6,869,646)
Dividends paid	8	-	(15,547,500)	(15,547,500)
Balance as at 30 September 2018		319,836,770	(10,872,751)	308,964,019

The notes on pages 19 to 43 form an integral part of these Consolidated Financial Statements.

1. GENERAL INFORMATION

The Consolidated Financial Statements incorporate the results of Doric Nimrod Air Two Limited (the "**Company**"), MSN077 Limited, MSN090 Limited, MSN105 Limited and Doric Nimrod Air Finance Alpha Limited (together "**Subsidiaries**") (together the Company and the Subsidiaries are known as the "**Group**").

The Company was incorporated in Guernsey on 31 January 2011 with registered number 52985. The address of the registered office is given on page 44. Its share capital consists of one class of ordinary preference shares ("**Shares**") and one class of subordinated administrative shares ("**Administrative Shares**"). The Company's Shares have been admitted to trading on the Specialist Fund Segment (the "**SFS**") of the London Stock Exchange.

The Company's investment objective is to obtain income returns and a capital return for its holders of Shares of the Company ("Shareholders")by acquiring, leasing and then selling (each an "**Asset**" or "**Aircraft**" and together the **"Assets"** or "**Aircraft**"). The principal activities of the Group are set out in the Chairman's Statement on pages 5 to 6 and Interim Management Report for period from 1 April 2019 until 30 September 2019 (the "**Period**") on pages 13.

2. ACCOUNTING POLICIES

The significant accounting policies adopted by the Group are as follows:

(a) Basis of Preparation

The consolidated financial statements have been prepared in conformity with the International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union ("**EU**"), and applicable Guernsey law. The financial statements have been prepared on a historical cost basis.

This report is to be read in conjunction with the annual financial report for the year ended 31 March 2019 which is prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as adopted by the EU and any public announcements made by the Group during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below:

(b) Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current period

The following Standard and Interpretation issued by the International Accounting Standards Board (**"IASB"**) and International Financial Reporting Standards Interpretations Committee (**"IFRIC"**) has been adopted in the current period. The adoption has not had any impact on the amounts reported in these financial statements and is not expected to have any impact on future financial periods:

- IFRS 16 Leases - The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Accordingly, the Company is not required to make any adjustments on transition to IFRS 16 and accounts for its leases in accordance with IFRS 16 from the date of initial application.

2. ACCOUNTING POLICIES (continued)

(b) Adoption of new and revised Standards (continued)

New and Revised Standards in issue but not yet effective

At the date of approval of these financial statements there were no standards and interpretations in issue but not yet effective, which were considered to be material to the Group.

(c) Basis of Consolidation

The Consolidated Financial Statements incorporate the results of the Company and its Subsidiaries. The Company owns 100 per cent. of all the shares in the Subsidiaries, and has the power to govern the financial and operating policies of the Subsidiaries so as to obtain benefits from their activities. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

(d) Taxation

The Company and its Subsidiaries have been assessed for tax at the Guernsey standard rate of 0 per cent.

(e) Share Capital

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

(f) Expenses

All expenses are accounted for on an accruals basis.

(g) Interest Income

Interest income is accounted for on an accruals basis.

(h) Foreign Currency Translation

The currency of the primary economic environment in which the Group operates (the functional currency) is Pound Sterling ("**Sterling**" or "**£**") which is also the presentation currency.

Transactions denominated in foreign currencies are translated into Sterling 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 the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income.

(i) Cash and Cash Equivalents

Cash at bank and short term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as call deposits, short term deposits with a term of no more than three months from the start of the deposit and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(j) Segmental Reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being acquiring, leasing and selling various Airbus A380-861 aircraft.

2. ACCOUNTING POLICIES (continued)

(k) 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 loan and Equipment Notes interest has been fixed and the fixed A and B rental income under the operating leases with Emirates (the "**Leases**") means that the rents should be sufficient to repay the debt and provide surplus income to pay for the Group's expenses and permit payment of dividends. Accordingly, the Directors have adopted the going concern basis in preparing the Consolidated Financial Statements. Management is not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

(l) Leasing and Rental Income

The leases relating to the Assets have been classified as operating leases as the terms of the leases do not transfer substantially all the risks and rewards of ownership to the lessee. The Assets are shown as non-current assets in the Consolidated Statement of Financial Position. Further details of the leases are given in note 12.

Rental income and advance lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised on a straight-line basis over the lease term.

(m) Property, Plant and Equipment - Aircraft

In line with IAS 16 Property Plant and Equipment, each Asset is initially recorded at the fair value of the consideration paid. The cost of the Asset is made up of the purchase price of the Asset plus any costs directly attributable to bringing it into working condition for its intended use. Costs incurred by the lessee in maintaining, repairing or enhancing the Aircraft are not recognised as they do not form part of the cost to the Group. Accumulated depreciation and any recognised impairment losses are deducted from cost to calculate the carrying amount of the Asset.

Depreciation is recognised so as to write off the cost of the each Asset less the estimated residual value over the estimated useful life of the Asset of 12 years, using the straight line method. The estimated residual value of the seven planes ranges from £72.3 million to £75.5 million (2018: £67.2 million to £70.1 million). Residual values have been arrived at by taking the average amount of three independent external valuers and after taking into account disposition fees. The Directors consider that the use of forecast base values excluding inflation best approximates residual value as required by IAS 16 Property, Plant and Equipment. The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed annually and is an estimate of the fair amount the entity would receive today if the Assets were already of the age and condition expected at the end of their useful life. Useful life is also reviewed annually and for the purposes of the financial statements represents the likely period of the Group's ownership of these Assets. Depreciation starts when the Asset is available for use.

At each audited Consolidated Statement of Financial Position date, the Group reviews the carrying amounts of its Aircraft to determine whether there is any indication that those Assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the Asset is estimated to determine the extent of the impairment loss (if any). Further details are given in note 3.

2. ACCOUNTING POLICIES (continued)

(m) Property, Plant and Equipment – Aircraft (continued)

Recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the Asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an Asset is estimated to be less than its carrying amount, the carrying amount of the Asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the Asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the Asset in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

(n) Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. 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.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:
- Amortised cost;
- Fair value through other comprehensive income ("**FVOC**I"); or
- Fair value through profit or loss ("**FVTPL**").

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Group only has financial assets that are classified as amortised cost.

i) Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method. The effective interest method calculates the amortised cost of financial instruments and allocates the interest over the period of the instrument.

The Group's financial assets held at amortised cost include trade and other receivables and cash and cash equivalents.

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets held at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2. ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

ii) Financial liabilities held at amortised cost

Financial liabilities consist of payables and borrowings. The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All financial liabilities are initially measured at fair value, net of transaction costs. All financial liabilities are recorded on the date on which the Group becomes party to the contractual requirements of the financial liability. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of the financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

iii) Financial Assets and Financial Liabilities at fair value through profit or loss

(a) Classification

The Group classifies its derivative i.e. the interest rate swap, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are designated by the Board of Directors at fair value through profit or loss. The Group does not classify any derivatives as hedges in a hedging relationship.

(b) Recognition/derecognition

Financial assets or liabilities are recognised on the trade date - the date on which the Group commits to enter into the transactions. Financial assets or liabilities are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

(c) *Measurement*

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income in the year in which they arise.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates

Residual Value and Useful Life of Aircraft

As described in note 2 (m), the Group depreciates the Assets on a straight line basis over the estimated useful life of the Assets after taking into consideration the estimated residual value. IAS 16 Property, Plant and Equipment requires residual value to be determined as an estimate of the amount that the Group would currently obtain from disposal of the Asset, after deducting the estimated costs of disposal, if the Asset were of the age and condition expected at the end of its useful life. However, there are currently no aircraft of a similar type of sufficient age for the Directors to make a direct market comparison in making this estimation. After consulting with the Company's Advisors, the Directors have concluded that forecast base values (determined annually) for the Aircraft at the end of its useful life (excluding inflationary effects) best represents residual value, as required by a strict interpretation of relevant accounting standards. In estimating residual value, the Directors refer to forecast base values (excluding inflationary effects) for the Asset obtained from three independent expert aircraft valuers.

The estimation of residual value remains subject to uncertainty. If the estimate of residual value had decreased by 20 per cent. with effect from the beginning of this period, the net profit for the period and closing shareholders' equity would have decreased by approximately £3.3 million (30 Sep 2018: £6.6 million). An increase in residual value by 20 per cent. would have had an equal but opposite effect. This reflects the range of estimates of residual value that the Directors believe would be reasonable at this time. The useful life of each Asset, for the purpose of depreciation of the asset under IAS 16, is estimated based on the expected period for which the Group will own and lease the Aircraft. The Board of Directors expects that the Aircraft will have a working life far in excess of this period.

Judgements

Operating Lease Commitments - Group as Lessor

The Group has entered into operating leases on seven (30 Sep 2018: seven) Assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these Assets and accounts for the contracts as operating leases.

The Group has determined that the operating leases on the Assets are for 12 years based on an initial term of 10 years followed by an extension term of 2 years. Should the lessee choose to exit a lease at the end of the initial term of 10 years an early termination payment equal to the present value of the Sterling rent that would have been payable for the extension term of 2 years would be due.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Impairment
As described in note 2 (m), an impairment loss exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The Directors review the carrying amount of its Assets at each audited Statement of Financial Position date and monitor the Assets for any indications of impairment as required by IAS 16 Property, Plant and Equipment and IAS 36 Impairment of Assets.

In assessing value-in-use, the estimated future cash flows expected to be generated by the assets (ie the income streams associated with the lease and the expected future market value of the Aircraft at the end of the lease) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the Assets.

In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Such valuation reflects the highest and best use of the Assets given the fact that the Aircraft are held for use in a leasing business.

Factors that are considered important which could trigger an impairment review include, but are not limited to, significant decline in the market value beyond that which would be expected from the passage of time or normal use, significant changes in the technology and regulatory environments, evidence from internal reporting which indicates that the economic performance of the Assets are, or will be, worse than expected.

The Board together with the Asset Manager believed that it was prudent to conduct an impairment test as at the 31 March 2019 year end as the below items may result in pricing changes for the current portfolio of Aircraft:

- As further Airbus A380 aircraft reach comparable 12 year ages and exit their first lease agreements further market data may become available to Doric and the asset valuers.
- Lack of publicly available secondary market data for the specific aircraft.
- Changing technologies, market innovation and changes to key production programs as well as the success and / or failure as well as the timing of new aircraft model launches.
- Information regarding Airbus cancellation of the A380 programme, creating uncertainty as to the liquidity of the future market for sale or re-lease.

The assessment was performed by comparing the net book value of the Aircraft to the higher of its respective fair value less costs to sell and value-in-use. In determining the value-in-use, the gross value of future contractual cash flows including a residual value assumption was discounted to present value, using the Group's discount rate, as the cash flows are contractual. Any assumptions with regards to issues in counterparty credit risk would be reflected in the discount rate used to calculate the net present value of future contractual cash flows. There are no indications at this time that Emirates will default or that any of the Aircraft will not be marketable post lease. In determining the fair value less costs to sell, the current market value of the Aircraft was used, less estimated costs to dispose of the Aircraft.

The Asset Manager considered that 6.5 per cent. was the most appropriate discount rate for the following reasons;

- the discount rate should be a rate commensurate with what a normal market participant would consider to be the risk inherent in the assets; and
- the Aircraft are with Emirates, who are considered to have a low credit risk profile.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Impairment (continued)
Based on the impairment review performed, the Directors were of the opinion that no impairment loss was required to be recognised at 31 March 2019.

In addition, these values were tested for their sensitivity to the discount rate and the residual value, the following being the two largest inputs into the calculation:

- Discount rates at -1 per cent. and +1 per cent. intervals have been tested on either side of the Group discount rate (6.5 per cent.); and
- A reduction of the residual value used in the calculation by 10 per cent. and 20 per cent. respectively.

The sensitivity test exhibited that the recoverable amount was greater than the net book value at the 2019 financial year end for the Aircraft, except when using an 8.5 per cent. or higher discount rate and a 20 per cent. or higher reduction in residual value, a situation the Asset Manager considers highly unlikely. As such, no impairment is identified.

The Board has considered the carry book value of its Aircraft and discussed whether in light of recent announcements since 1 April 2019, whether an impairment review needs to be carried out again at this juncture. On the advice of its Asset Manager, the conclusion reached was that whilst it would be wise not to lay too great a reliance on the current carry book value as a measure of net asset value for investment purposes, there were still too few new data points available on which a new appraisal at this time can be justified. The Company will again be carrying out a full and thorough appraisal of residual values come the next March financial year end

4. RENTAL INCOME

	1 Apr 2019 to 30 Sep 2019 GBP	1 Apr 2018 to 30 Sep 2018 GBP
A rent income	49,750,958	47,238,971
Revenue received but not yet earned	(18,738,083)	(18,012,021)
Revenue earned but not yet received	13,138,205	12,390,100
Amortisation of advance rental income	3,931,135	3,931,135
	48,082,215	45,548,185
B rent income	17,831,562	17,831,562
Revenue earned but not yet received	438,821	438,821
Revenue received but not yet earned	(3,403)	(3,403)
	18,266,980	18,266,980
Total rental income	66,349,195	63,815,165

4. RENTAL INCOME (continued)

Rental income is derived from the leasing of the Assets. Rent is split into A rent, which is received in US dollars ("$") and B rent, which is received in Sterling. Rental income received in US dollars is translated into the functional currency (Sterling) at the date of the transaction.

A and B rental income receivable will decrease / increase respectively, 10 years from the start of each lease. An adjustment has been made to spread the actual total income receivable over the term of the lease on an annual basis. In addition, advance rentals received have also been spread over the full term of the leases.

5. OPERATING EXPENSES

	1 Apr 2019 to 30 Sep 2019 GBP	1 Apr 2018 to 30 Sep 2018 GBP
Corporate shareholder and advisor fee (note 22)	422,864	413,558
Asset Management fee (note 22)	1,022,472	999,972
Liaison agency fees (note 22)	5,794	5,644
Administration fees	94,510	97,864
Bank interest and charges	811	935
Accountancy fees	16,257	15,923
Registrars fee (note 22)	7,839	5,259
Audit fee	23,425	23,550
Directors' remuneration (note 6)	93,217	82,143
Directors' and Officers' insurance	15,904	18,619
Legal and professional expenses	31,854	31,473
Annual fees	1,186	5,205
Travel costs	1,615	3,379
Other operating expenses	6,615	11,343
	1,744,363	1,714,867

6. DIRECTORS' REMUNERATION

Under their terms of appointment, each Director is paid a fee for their services as a director of the Company at a fee of £48,000 per annum, except for the Chairman, who receives £59,000 per annum and the Chair of Audit, who receives £57,000 per annum.

7. UNREALISED FOREIGN EXCHANGE LOSSES

	1 Apr 2019 to 30 Sep 2019 GBP	1 Apr 2018 to 30 Sep 2018 GBP
Cash at bank	488,187	464,169
Deferred income	(7,295,870)	(13,090,374)
Borrowings	(17,447,781)	(20,400,007)
	(24,255,465)	(33,026,212)

8. DIVIDENDS IN RESPECT OF EQUITY SHARES

Dividends in respect of Shares	1 Apr 2019 to 30 Sep 2019	
	GBP	Pence per share
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
	15,547,500	9.00

Dividends in respect of Shares	1 Apr 2018 to 30 Sep 2018	
	GBP	Pence per share
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
	15,547,500	9.00

9. EARNINGS / (LOSS) PER SHARE

Earnings / (Loss) per Share ("**EPS**" / "**LPS**") is based on the net profit for the Period attributable to the Shareholders of £8,695,995 (30 Sep 2018: net loss for the period of £6,869,646) and 172,750,000 (30 Sep 2018: 172,750,000) Shares being the weighted average number of Shares in issue during the Period.

There are no dilutive instruments and therefore basic and diluted EPS / (LPS) are identical.

10. PROPERTY, PLANT AND EQUIPMENT - AIRCRAFT

	Aircraft GBP
COST	
As at 1 Apr 2019	1,039,148,191
As at 30 Sep 2019	1,039,148,191
ACCUMULATED DEPRECIATION	
As at 1 Apr 2019	280,685,260
Depreciation charge for the period	23,140,129
As at 30 Sep 2019	303,825,389
CARRYING AMOUNT	
As at 30 Sep 2019	735,322,802
As at 31 Mar 2019	758,462,933

The Group believes that the use of forecast base values excluding inflation best approximates residual value as required per IAS 16 Property, Plant and Equipment (refer to note 3). The Group is depreciating its Aircraft so as to ensure that the carrying value of its Aircraft at the termination of its respective leases equals the uninflated residual dollar value determined at 31 March 2019 in accordance with the methodology set out in note 3, translated into sterling at the exchange rate prevailing at 31 March 2019.

The Group can sell the Assets during the term of the leases (with the lease attached and in accordance with the terms of the transfer provisions contained therein).

Under IAS 17 the direct costs attributed in negotiating and arranging the operating leases have been added to the carrying amount of the leased asset and therefore will be recognised as an expense over the lease term. The costs have been allocated to each Aircraft based on the proportional cost of the Asset.

Refer to note 3 for details on the impairment review and sensitivities conducted.

11. FINANCE COSTS

	1 Apr 2019 to 30 Sep 2019 GBP	1 Apr 2018 to 30 Sep 2018 GBP
Amortisation of debt arrangements costs	511,171	511,171
Loan interest	7,834,843	9,611,697
Fair value adjustment on financial assets and liabilities at fair value through profit and loss	228,099	(121,643)
	8,574,113	10,001,225

12. OPERATING LEASES

The amounts of minimum future lease receipts at the reporting date under non-cancellable operating leases are detailed below:

30 September 2019	**Next 12 months GBP**	**1 to 5 years GBP**	**After 5 years GBP**	**Total GBP**
Aircraft - A rental receipts	97,255,789	213,071,003	-	310,326,792
Aircraft - B rental receipts	35,663,124	143,482,934	-	179,146,058
	132,918,913	356,553,937	-	489,472,850

31 March 2019	**Next 12 months GBP**	**1 to 5 years GBP**	**After 5 years GBP**	**Total GBP**
Aircraft - A rental receipts	94,493,629	245,193,774	1,518,840	341,206,243
Aircraft - B rental receipts	35,663,124	145,593,346	15,721,150	196,977,620
	130,156,753	390,787,120	17,239,990	538,183,863

The operating leases are for seven Airbus A380-861 aircraft. The terms of the leases are as follows:

MSN077 - term of the lease is for 12 years ending October 2023. The initial lease is for 10 years ending October 2021, with an extension period of 2 years ending October 2023, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease term must be paid even if the option is not taken.

MSN090 - term of the lease is for 12 years ending December 2023. The initial lease is for 10 years ending December 2021, with an extension period of 2 years ending December 2023, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease term must be paid even if the option is not taken.

MSN105 - term of the lease is for 12 years ending October 2024. The initial lease is for 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease term must be paid even if the option is not taken.

MSN106 - term of the lease is for 12 years ending October 2024. The initial lease is for 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease term must be paid even if the option is not taken.

12. OPERATING LEASES (continued)

MSN107 - term of the lease is for 12 years ending October 2024. The initial lease is for 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease term must be paid even if the option is not taken.

MSN109 - term of the lease is for 12 years ending November 2024. The initial lease is for 10 years ending November 2022, with an extension period of 2 years ending November 2024, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 year lease term must be paid even if the option is not taken.

MSN110 - term of the lease is for 12 years ending October 2024. The initial lease is for 10 years ending October 2022, with an extension period of 2 years ending October 2024, in which rental payments reduce. The present value of the remaining rentals in the extension period at the end of the initial 10 period lease term must be paid even if the option is not taken.

At the end of each lease the lessee has the right to exercise an option to purchase the Asset if the Group chooses to sell the Asset. If a purchase option event occurs the Group and the lessee will be required to arrange for a current market value appraisal of the Asset to be carried out by three independent appraisers. The purchase price will be equal to the average valuation of those three appraisals.

13. RECEIVABLES

	30 Sep 2019 GBP	31 Mar 2019 GBP
Prepayments	21,888	16,585
Sundry debtors	35,912	35,912
Interest receivable	5,995	-
	63,795	52,497

The above carrying value of receivables is equivalent to fair value.

14. PAYABLES (amounts falling due within one year)

	30 Sep 2019 GBP	31 Mar 2019 GBP
Accrued administration fees	18,393	18,456
Accrued audit fee	23,425	28,110
Other accrued expenses	15,378	17,956
	57,196	64,522

The above carrying value of payables is equivalent to the fair value.

15. BORROWINGS

	30 Sep 2019 GBP	31 Mar 2019 GBP
Bank loans	123,501,249	134,276,763
Equipment Notes	169,302,642	182,823,428
	292,803,891	317,100,191
Associated costs	(4,886,588)	(5,397,761)
	287,917,303	311,702,430
Current portion	84,454,333	80,363,628
Non-current portion	203,462,970	231,338,802

Notwithstanding the fact that £41.9 million (31 March 2019: £78.2 million) debt was repaid during the Period, as per the Consolidated Statement of Cash Flows, the value of the borrowings has only decreased by £23.8 million (31 March 2019: £50.1 million) due to the 5.7 per cent. decrease in the Sterling / US dollar exchange rate for the period from 1 April 2019 to 30 September 2019.

The amounts below detail the future contractual undiscounted cash flows in respect of the loans and equipment notes, including both the principal and interest payments, and will not agree directly to the amounts recognised in the Consolidated Statement of Financial Position:

	30 Sep 2019 GBP	31 Mar 2019 GBP
Amount due for settlement within 12 months	97,090,281	94,337,592
Amount due for settlement after 12 months	221,143,848	254,241,591

The loan to MSN077 Limited was arranged with Westpac Banking Corporation ("**Westpac**") for $151,047,059 and runs for 12 years until October 2023 and has an effective interest rate of 4.590 per cent.

The loan to MSN090 Limited was arranged with The Australia and New Zealand Banking Group Limited ("**ANZ**") for $146,865,575 and runs for 12 years until December 2023 and has an effective interest rate of 4.558 per cent.

The loan to MSN105 Limited was arranged with ICBC, BoC and Commerzbank for $145,751,153 and runs for 12 years until October 2024 and has an effective interest rate of 4.780 per cent.

15. BORROWINGS (continued)

Each loan is secured on one Asset. No significant breaches or defaults occurred in the Period. The loans are either fixed rate over the term of the loan or have an associated interest rate swap contract issued by the lender in effect fixing the loan interest over the term of the loan. Transaction costs of arranging the loans have been deducted from the carrying amount of the loans and will be amortised over their respective lives.

In order to finance the acquisition of the fourth, fifth, sixth and seventh Assets, Doric Nimrod Air Finance Alpha Limited ("**DNAFA**") used the proceeds of the May 2012 offering of Pass Through Certificates (the “**Certificates**"). The Certificates have an aggregate face amount of approximately $587.5 million, made up of "Class A" certificates and "Class B" certificates. The Class A certificates in aggregate have a face amount of $433,772,000 with an interest rate of 5.125 per cent. and a final expected distribution date of 30 November 2022. The Class B certificates in aggregate had a face amount of $153,728,000 with an interest rate of 6.5 per cent. and were repaid on 30 May 2019. There is a separate trust for each class of Certificates. The trusts used the funds from the Certificates to acquire equipment notes. The equipment notes were issued to Wilmington Trust, National Association as pass through trustee in exchange for the consideration paid by the purchasers of the Certificates. The equipment notes were issued by DNAFA and the proceeds from the sale of the equipment notes financed a portion of the purchase price of the four Airbus A380-861 aircraft, with the remaining portion being financed through contribution from the Company of the C Share issue proceeds. The holders of the equipment notes issued for each aircraft will have the benefit of a security interest in such aircraft.

In the Directors' opinion and with reference to the terms mentioned, the above carrying values of the bank loans and equipment note are approximate to their fair value.

16. SHARE CAPITAL

The Share Capital of the Group is represented by an unlimited number of shares of no par value being issued or reclassified by the Group as Shares, C Shares or Administrative Shares (together the “**Share Capital**”.

Issued	**Administrative Shares**	**Shares**	**C Shares**
Issued shares as at 30 Sep 2019 and 31 Mar 2019	2	172,750,000	-

Issued	**Administrative Shares GBP**	**Shares GBP**	**C Shares GBP**	**Total GBP**
Share Capital				
Total Share Capital as at 30 Sep 2019 and as at 31 Mar 2019	2	319,836,770	-	319,836,770

16. SHARE CAPITAL (continued)

Members holding Shares are entitled to receive and participate in any dividends out of income attributable to the Shares; other distributions of the Group available for such purposes and resolved to be distributed in respect of any accounting period; or other income or right to participate therein.

Upon winding up, Shareholders are entitled to the surplus assets attributable to the Shares class remaining after payment of all the creditors of the Group. Members have the right to receive notice of and to attend, speak and vote at general meetings of the Group.

On 6 March 2013, 100,250,000 C Shares were converted into Shares with a conversion of 1:1.

The holders of Administrative Shares are not entitled to receive, and participate in, any dividends out of income; other distributions of the Group available for such purposes and resolved to be distributed in respect of any accounting period; or other income or right to participate therein. On a winding up, holders are entitled to a return of capital paid up on them after the Ordinary Shares have received a return of their capital paid up but ahead of the return of all additional capital to the holders of Shares.

The holders of Administrative Shares shall not have the right to receive notice of and no right to attend, speak and vote at general meetings of the Group, except for the Liquidation Proposal Meeting (general meeting convened six months before the end term of the Leases where the Liquidation Resolution will be proposed) or if there are no Shares in existence.

17. CASH AND CASH EQUIVALENTS

	30 Sep 2019 GBP	31 Mar 2019 GBP
Cash at bank	16,402,127	15,383,001
Cash deposits	13,084,078	12,853,267
	29,486,205	28,236,268

Cash and cash equivalents are highly liquid, readily convertible and are subject to insignificant risk of changes in value.

18. FINANCIAL INSTRUMENTS

The Group’s main financial instruments comprise:

(a) Cash and cash equivalents that arise directly from the Group's operations;

(b) Loans secured on non-current assets; and

(c) Interest rate swap

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's objective is to obtain income and returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft.

The following table details the categories of financial assets and liabilities held by the Group at the reporting date:

	30 Sep 2019 GBP	31 Mar 2019 GBP
Financial assets		
Interest rate swap	-	176,039
Financial assets at fair value through profit or loss	-	176,039
Cash and cash equivalents	29,486,205	28,236,268
Receivables (excluding prepayments)	41,907	35,912
Financial assets at amortised cost	29,528,112	28,272,180
Financial liabilities		
Interest rate swap	52,060	-
Financial liabilities at fair value through profit or loss	52,060	-
Payables	57,196	64,522
Debt payable	292,803,891	317,100,191
Financial liabilities measured at amortised cost	292,861,087	317,164,713

The Group has adopted IFRS 13, 'Fair value measurement' and this standard requires the Group to price its financial assets and liabilities using the price in the bid-ask spread that is most representative of fair value for both financial assets and financial liabilities. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The level of the fair value hierarchy of an instrument is determined considering the inputs that are significant to the entire measurement of such instrument and the level of the fair value hierarchy within those inputs are categorised.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1: Quoted price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The interest rate swap is the only financial instrument held at fair value through profit or loss and is considered to be level 2 in the Fair Value Hierarchy.

Derivative financial instruments

The following table shows the Group's derivative position:

30 Sep 2019	Financial liability at fair value GBP	Notional amount USD	Maturity
Interest Rate Swap			
MSN090 Loan	(52,060)	22,332,736	04 Dec 2023

31 Mar 2019	Financial asset at fair value GBP	Notional amount USD	Maturity
Interest Rate Swap			
MSN090 Loan	176,039	26,206,638	04 Dec 2023

The main risks arising from the Group's financial instruments are capital management risk, foreign currency risk, credit risk, liquidity risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below:

(a) Capital Management
The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.

The Group's Board of Directors reviews the capital structure on a bi-annual basis.

Equity includes all capital and reserves of the Group that are managed as capital.

No changes were made in the objectives, policies or processes for managing capital during the Period (None for the period from 1 April 2018 to 30 September 2018).

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign Currency Risk

The Group's accounting policy under IFRS requires the use of a Sterling historic cost of the assets and the value of the US dollar debt as translated at the spot exchange rate on every Statement of Financial Position date. In addition US dollar operating lease receivables are not immediately recognised in the Consolidated Statement of Financial Position and are accrued over the period of the leases. The Directors consider that this introduces an artificial variance due to the movement over time of foreign exchange rates. In actuality, the US dollar operating leases should offset the US dollar payables on amortising loans. The foreign exchange exposure in relation to the loans is thus almost entirely hedged.

Lease rentals (as detailed in notes 4 and 12) are received in US dollar and Sterling. Those lease rentals received in US dollar are used to pay the debt repayments due, also in US dollar (as detailed in note 15). Both US dollar lease rentals and debt repayments are fixed and are for similar sums and similar timings. The matching of lease rentals to settle debt repayments therefore minimises risks caused by foreign exchange fluctuations.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	30 Sep 2019 GBP	31 Mar 2019 GBP
Debt (US dollar) - Liabilities	(292,803,891)	(317,100,191)
Financial (liabilities) and assets at fair value through profit or loss	(52,060)	176,039
Cash and cash equivalents (US dollar) - Asset	7,556,511	9,572,709

The following table details the Group's sensitivity to a 25 per cent. (31 March 2019: 25 per cent.) appreciation and depreciation in Sterling against the US dollar. 25 per cent. (31 March 2019: 25 per cent.) represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 25 per cent. (31 March 2019: 25 per cent.) change in foreign currency rates. A positive number below indicates an increase in profit and other equity where Sterling strengthens 25 per cent. (31 March 2019: 25 per cent.) against the US dollar. For a 25 per cent. (31 March 2019: 25 per cent.) weakening of the Sterling against the US dollar, there would be a comparable but opposite impact on the profit and other equity:

	30 Sep 2019 GBP	31 Mar 2019 GBP
Profit or loss	57,059,888	61,470,289
Assets	(1,500,890)	(1,949,749)
Liabilities	58,560,778	63,420,038

On the eventual sale of the Assets, the Company will be subject to foreign currency risk if the sale is made in a currency other than Sterling. Transactions in similar assets are typically priced in US dollars.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The credit risk on cash transactions is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, or with high credit ratings assigned by international credit rating agencies.

The Group's financial assets exposed to credit risk are as follows:

	30 Sep 2019 GBP	31 Mar 2019 GBP
Interest rate swap	(52,060)	176,039
Receivables (excluding prepayments)	41,907	35,912
Cash and cash equivalents	29,486,205	28,236,268
	29,476,052	28,448,219

Surplus cash in the Company is held in Barclays. Surplus cash in the Subsidiaries is held in accounts with Barclays, Westpac and ANZ, which have credit ratings given by Moody's of A2, Aa3 and Aa3 respectively. Moody's considers the outlook of the banks' current ratings to be stable.

There is a contractual credit risk arising from the possibility that the lessee may default on the lease payments. This risk is mitigated, as under the terms of the lease agreements between the lessee and the Group, any non-payment of the lease rentals constitutes a "**Special Termination Event"**, under which the lease terminates and the Group may either choose to sell the Asset or lease the Assets to another party.

At the inception of each lease, the Group selected a lessee with a strong statement of financial position and financial outlook. The financial strength of Emirates is regularly reviewed by the Board and the Asset Manager.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The Group's main financial commitments are its ongoing operating expenses, loan repayments to Westpac, ANZ, ICBC, BoC and Commerzbank, and repayments on equipment notes.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which established an appropriate liquidity management framework at the incorporation of the Group, through the timings of lease rentals and debt repayments. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by monitoring forecast and actual cash flows, and by matching profiles of financial assets and liabilities.

The table below details the residual contractual maturities of financial liabilities, including estimated interest payments. The amounts below are contractual undiscounted cash flows, including both the principal and interest payments, and will not agree directly to the amounts recognised in the statement of financial position:

30 Sep 2019	**1-3 months GBP**	**3-12 months GBP**	**1-2 years GBP**	**2-5 years GBP**	**Over 5 years GBP**
Financial liabilities					
Payables - due within one period	57,196	-	-	-	-
Bank loans	11,007,353	33,022,060	70,839,679	18,157,441	-
Equipment Notes	26,544,171	26,516,696	132,146,729	-	-
	37,608,720	59,538,756	202,986,408	18,157,441	-

31 Mar 2019	**1-3 months GBP**	**3-12 months GBP**	**1-2 years GBP**	**2-5 years GBP**	**Over 5 years GBP**
Financial liabilities					
Payables - due within one period	64,522	-	-	-	-
Bank loans	10,377,397	31,132,190	41,509,587	60,891,851	2,257,123
Equipment Notes	27,802,972	25,025,033	49,971,715	99,611,315	-
	38,244,891	56,157,223	91,481,302	160,503,166	2,257,123

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows. It is the risk that fluctuations in market interest rates will result in a reduction in deposit interest earned on bank deposits held by the Group. The MSN090 Limited loan which is at a variable rate, has an associated interest rate swap contract issued by the lender in effect fixing the loan interest over the term of the loan.

The Group mitigates interest rate risk by fixing the interest rate on its debts with the exception of MSN090 Limited, which has an associated interest rate swap as mentioned above. The lease rentals are also fixed.

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

	Variable interest GBP	Fixed interest GBP	Non-interest bearing GBP	Total GBP
30 Sep 2019				
Financial assets				
Receivables (excluding prepayments)	-	-	41,907	41,907
Cash and cash equivalents	29,486,205	-	-	29,486,205
Total Financial Assets	29,486,205	-	41,907	29,528,112
Financial liabilities				
Interest rate swap	52,060	-	-	52,060
Payables	-	-	57,196	57,196
Bank loans	-	123,501,249	-	123,501,249
Equipment Notes	-	169,302,642	-	169,302,642
Total Financial Liabilities	52,060	292,803,891	57,196	292,913,147
Total interest sensitivity gap	29,434,145	292,803,891		

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Interest Rate Risk (continued)

	Variable interest GBP	Fixed interest GBP	Non-interest bearing GBP	Total GBP
31 Mar 2019				
Financial Assets				
Interest rate swap	176,039	-	-	
Receivables (excluding prepayments)	-	-	35,912	35,912
Cash and cash equivalents	28,236,268	-	-	28,236,268
Total Financial Assets	28,412,307	-	35,912	28,448,219
Financial liabilities				
Payables	-	-	64,522	64,522
Bank loans	-	134,276,763	-	134,276,763
Equipment notes	-	182,823,428	-	182,823,428
Total Financial Liabilities	-	317,100,191	64,522	317,164,713
Total interest sensitivity gap	28,412,307	317,100,191		

If interest rates had been 50 basis points higher throughout the Period and all other variables were held constant, the Group's net assets attributable to Shareholders as at 30 September 2019 would have been £147,171 (31 March 2019: £142,062) greater due to an increase in the amount of interest receivable on the bank balances.

If interest rates had been 50 basis points lower throughout the Period and all other variables were held constant, the Group's net assets attributable to Shareholders as at 30 September 2019 would have been £147,171 (31 March 2019: £142,062) lower due to a decrease in the amount of interest receivable on the bank balances.

20 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table discloses the effects of the amendments to IAS 7 Statement of Cash Flows which requires additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

	30 Sep 2019 GBP	30 Sep 2018 GBP
Opening Balance	317,100,191	368,253,519
Cash flows paid - capital	(41,920,232)	(37,606,962)
Cash flows paid - interest	(7,658,692)	(9,344,640)
Non-cash flows		
- Interest accrued	7,834,843	9,611,697
- Effects of foreign exchange	17,447,781	20,400,007
Closing Balance	292,803,891	351,313,621

21 ULTIMATE CONTROLLING PARTY

In the opinion of the Directors, the Group has no ultimate controlling party.

22 RELATED PARTY TRANSACTIONS

Under the Asset Management Agreement, the Company will pay Doric GmbH ("**Doric**") a management and advisory fee of £250,000 per annum per Asset (adjusted annually for inflation from 2013 onwards, at 2.25 per cent. per annum), payable quarterly in arrears (the "**Annual Fee**").

During the Period, the Group incurred £1,028,910 (30 September 2018: £1,000,126) of expenses with Doric which consisted of asset management fees of £1,022,472 (30 September 2018: £999,972) as shown in note 5, liaison agency fees of £5,794 (30 September 2018: £5,644) and reimbursed expenses of £644 (30 September 2018: £154). At 30 September 2019, £1,786 (31 March 2019: £7,580) was prepaid to this related party.

Nimrod Capital LLP ("**Nimrod**") is the Company's Corporate and Shareholder Advisor.

During the Period, the Group incurred £424,224 (30 September 2018: £421,236) of expenses with Nimrod, of which £nil (31 March 2019: £nil) was outstanding to this related party at 30 September 2019. £422,864 (30 September 2018: £413,558) of expenses related to corporate shareholder and advisor fees as shown in note 5 and £1,360 (30 September 2018: £7,678) related to reimbursed expenses.

John Le Prevost is a director of Anson Registrars Limited ("**Anson**"), the Group's registrar, transfer agent and paying agent. During the Period, the Group incurred £7,839 (30 September 2018: £5,259) with Anson as shown in note 5, of which £1,155 (31 March 2019: £1,445) was outstanding as at 30 September 2019.

23 SUBSEQUENT EVENTS

On 10 October 2019, a further dividend of 4.5 pence per Share was declared and this was paid on 31 October 2019.

On 17 October 2019 MSN077 Ltd received a lease extension notice from Emirates according to which it makes use of its 24 month extension option, resulting in a lease end date of 14 October 2023.

ADVISORS AND CONTACT INFORMATION

KEY INFORMATION

Exchange: Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker: DNA2
Listing Date: 14 July 2011
Financial Year End: 31 March
Base Currency: Pound Sterling
ISIN: GG00B3Z62522
SEDOL: B3Z6252
LEI: 213800ENH57LLS7MEM48
Country of Incorporation: Guernsey
Registration number: 52985

MANAGEMENT AND ADMINISTRATION

Registered Office
Doric Nimrod Air Two Limited
Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 2HT

Company Secretary and Administrator
JTC Fund Solutions (Guernsey) Limited
Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 2HT

Asset Manager
Doric GmbH
Berliner Strasse 114
63065 Offenbach am Main
Germany

Liaison Agent
Amedeo Services (UK) Limited
29-30 Cornhill
London
EC3V 3NF

Corporate and Shareholder Advisor
Nimrod Capital LLP
3 St Helen's Place
London
EC3A 6AB

Lease and Debt Arranger
Doric Asset Finance GmbH & Co. KG
Berliner Strasse 114
63065 Offenbach am Main
Germany

Solicitors to the Company
(as to English Law)
Herbert Smith Freehills LLP
Exchange House
Primrose Street
London
EC2A 2EG

Advocates to the Company
(as to Guernsey Law)
Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey GY1 4BZ

Registrar
Anson Registrars Limited
Ground Floor, Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 2HT

Auditor
Deloitte LLP
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3HW