Doric Nimrod Air Two Limited

Consolidated Annual Financial Report

From 1 April 2018 to
31 March 2019

CONTENTS

Page	
1	Summary Information
2	Company Overview
5	Chairman’s Statement
7	Asset Manager’s Report
12	Directors
13	Service Providers
15	Management Report
18	Directors’ Report
25	Audit Committee Report
31	Independent Auditor’s Report
39	Consolidated Statement of Comprehensive Income
40	Consolidated Statement of Financial Position
41	Consolidated Statement of Cash Flows
42	Consolidated Statement of Changes in Equity
43	Notes to the Consolidated Financial Statements
71	Key Advisers and Contact Information

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA2
Share Price	183.00 pence (as at 31 March 2019) 185.00 pence (as at 3 July 2019)
Market Capitalisation	GBP 319.6 million (as at 3 July 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 / Share Price	14 July 2011 / 200 pence
Incorporation and Domicile	Guernsey
Aircraft Registration Numbers	A6-EDP, A6-EDT, A6-EDX, A6-EDY, A6-EDZ, A6-EEB, A6-EEC
Asset Manager	Doric GmbH
Corporate and Shareholder Adviser	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Limited
Auditor	Deloitte LLP
Market Makers	Investec Bank finnCap Ltd Jefferies International Ltd Numis Securities Ltd Shore Capital Limited Winterflood Securities Ltd
SEDOL, ISIN	B3Z6252, GG00B3Z62522
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

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 3 July 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 185.00 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.

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 12 years to 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 12 years to 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 12 years to October 2024.

The fourth Asset, MSN 106, was acquired by DNAFA on 1 October 2012 for a purchase price of $234 million.

The fifth Asset, MSN 107, was acquired by DNAFA on 12 October 2012 for a purchase price of $234 million.

The sixth Asset, MSN 109, was acquired by DNAFA on 9 November 2012 for a purchase price of $234 million.

The seventh Asset, MSN 110, was acquired by DNAFA on 30 November 2012 for a purchase price of $234 million.

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 Limited and MSN105 Limited entered into separate loan agreements with a number of banks (see Note 14), 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 percent 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.

Further information about the construction of these leases is available in Note 11 to the financial statements.

Distribution Policy

The Company aims to provide its Shareholders with an attractive total return comprising income from distributions through the period of the Group's ownership of the Assets and capital upon the sale of the Assets.

The Group receives income from the lease rentals paid by Emirates pursuant to the relevant leases. It is anticipated that income distributions will be made quarterly, subject to compliance with applicable laws and regulations. The Company currently targets a distribution of 4.50 pence per Share per quarter. Emirates bears all costs (including maintenance, repair and insurance) relating to the Aircraft during the lifetime of the leases.

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.

Performance Overview

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

During the financial year under review, and in accordance with the Distribution Policy, the Company declared four 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 dividend payments can be found on page 18.

Return of Capital

In respect of any Asset, following a sale of that Asset, the Directors may, either (i) return to Shareholders the net 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 the 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 at the end of the term of the leases (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

I am pleased to present Shareholders with the Company's annual financial report, covering the period from 1 April 2018 until 31 March 2019 (the **"Period**").

I am happy to report that during the Period the Company has performed as anticipated and has declared and paid four 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 by acquiring, leasing and then selling aircraft. The Group owns seven Assets, funded by two equity issues, a note issue and bank debt in 2011 and 2012. Upon the purchase of each Aircraft, the relevant subsidiary entered into a 12 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 lease, 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 lease and all payments thus far by Emirates have been made in accordance with the terms of the lease.

The key development during the Period was the announcement on 14 February 2019 that Airbus will close production of the A380 in 2021. This development means that the total production run for the aircraft will be around 250 units, almost half of which will be operated by Emirates. The A380 remains a unique double-decker aircraft in that it has the capability to carry over 500 passengers on two floors and this can help facilitate growth at slot-constrained airports around the world. It remains the case that a secondary market for the A380 has yet to develop and uncertainty over future residual values remain. . Notwithstanding this, at the time of the announcement by Airbus, His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive, Emirates Airline and Group stated, "For us, the A380 is a wonderful aircraft loved by our customers and our crew. It is a differentiator for Emirates. The A380 will remain a pillar of our fleet well into the 2030s." More recently, the Emirates Annual Financial Report highlighted: "We are strong believers in the A380 programme, despite Airbus' decision to stop production in 2021." The announcement by Airbus has no direct impact on the Group's leases nor its ability to pay targeted distributions. The Group's lease expiries do not begin to fall due until October 2023. Furthermore, the Group's debt structure is such that all debt liabilities will be fully paid off at the end of the ultimate lease (subject only to the continued solvency of Emirates) at which point the Aircraft will be unencumbered.

Nonetheless, the Directors note that following the 14 February 2019 announcement by Airbus regarding the cessation of the A380 programme in 2021, there has been a broadening of opinion between the Company's three independent appraisers with regard to the asset appraisal values as they each continue to assess the consequences, positive and negative, of the Airbus decision.

The Company's share price fell sharply on the day of the announcement, having demonstrated relatively little volatility since launch in 2011, and at the time of writing the share price has stabilised somewhat, at around 185 pence. Further details on the cessation of the A380 programme and Emirates can be found in the Asset Manager's report. The Company's Asset Manager, Doric GmbH ("**Doric**") has been and will continue to be in regular dialogue with Emirates, and the A380 remains intensely popular with passengers.

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

In economic reality and in cash flow terms, the Company has performed well, and as expected.

However, the 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 41 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.

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, including on the topic referenced above, 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 Shareholders for their continuing support of the Company. I look forward to keeping all Shareholders up to date with further progress.

Geoffrey Hall
Chairman
4 July 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 Airline ("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 enhanced equipment trust certificates (the "Certificates" or "EETC") – a form of debt security – in June 2012 in the aggregate face value of USD 587.5 million. DNAFA used the proceeds from both the Equity and the Certificates to finance the acquisition of four new Airbus A380 aircraft leased to Emirates.

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

The seven A380s owned by the Company recently visited Amsterdam, Barcelona, Brisbane, Frankfurt, Johannesburg, London Heathrow, Mauritius, Melbourne, New York, Nice, Osaka, Paris, Rome, Shanghai, Vienna, and Zurich.

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

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
077	14/10/2011	34,211	4,043	8 h 30 min
090	02/12/2011	30,907	5,022	6 h 10 min
105	01/10/2012	28,304	4,498	6 h 20 min
106	01/10/2012	30,875	3,568	8 h 40 min
107	12/10/2012	30,175	3,509	8 h 35 min
109	09/11/2012	27,231	4,292	6 h 20 min
110	30/11/2012	27,541	4,461	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 physical inspections of the aircraft with MSNs 077 and 106 in June 2018 and with MSN 109 in September 2018. Also in September 2018, Doric conducted records audits of the aircraft with MSNs 105, 106 and 107, followed by records audits for MSNs 109 and 110 in November 2018. The records and physical condition of the aircraft were in compliance with the provisions of the respective lease agreements.

Doric, conducted physical inspection of the aircraft with MSNs 090 and 107 in February 2019. The physical condition of the aircraft was in compliance with the provisions of the respective lease agreement.

Additionally, Doric conducted records audits of the aircraft with MSNs 077 and 090 in February 2019. The records of the aircraft were in compliance with the provisions of the respective lease agreements.

2. Market Overview

Following a moderation over the second half of 2018, industry-wide passenger traffic, measured in global revenue passenger kilometres (RPKs), ended the calendar year with an average growth rate of 6.6%. According to the International Air Transport Association (IATA), the slowdown in RPK growth corresponds to ongoing concerns about future global economic expansion. However, RPKs in January grew by the fastest pace since mid-2018 (6.5%). This result lies between the average RPK growth rate seen over the past decade (6.1%) and five-year historical average (7.1%). IATA states that recent developments remain consistent with its forecast passenger growth rate of 6.0% for 2019. Industry-wide capacity, measured in available seat kilometres (ASKs), increased by 6.1% in 2018. This resulted in a 0.3 percentage point increase in worldwide passenger load factors (PLFs) to 81.9%. With the PLF at 79.6% in January, the load factor was essentially unchanged from the same month the year before.

Passenger traffic in the Middle East grew by 4.0% in 2018. This was outpaced by a 4.9% increase in capacity, leading to a 0.6 percentage point decrease in PLF to 74.8%. However, following the adverse impact of a number of policy measures and geopolitical tensions in recent years, IATA notes that a healthy recovery in RPK growth commenced early in 2019 with passenger traffic up 1.5% in January compared to the same month in the year before, after flat growth was observed toward the end of 2018.

Asia/Pacific-based operators remained the top performers in overall market demand in 2018 as RPKs increased by 8.6% compared to the previous year. Europe ranked second with 6.7% followed by Latin America with 6.2%. North America saw an increase of 5.0% while Africa had the slowest growth rate at 2.3%.

3. Lessee – Emirates Key Financials

The 2018/19 financial year, ending on 31 March 2019, marked the 31st consecutive year of profit for the airline. With a net profit of AED 871 million (USD 237 million), the bottom line was down by 69% compared to the previous financial year. This decline in net profit came despite an increase of 6% in revenue to AED 97.9 billion (USD 26.7 billion). Due to a combination of high fuel prices, intensified competition in the lessee's key markets, and an unfavourable currency impact, the airline saw its profit margin decrease to 0.9%, down from 3.0% in the previous year. The past financial year "has been tough, and our performance was not as strong as we would have liked", said His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive of Emirates Airline, commenting on the latest results. He further noted that Emirates' regional competitors "one-point business plan" was "to always undercut Emirates' fares at all costs". The lessee tried to avoid engaging in price wars and was focused "to improve yield, even if it meant conceding market share“.

During the 2018/19 financial year, operating costs increased by 8% compared to the previous year. Fuel represented the largest of the airline's expenses, accounting for 32% of all operating costs. The average price of jet fuel increased 22% plus a 3% higher uplift in line with capacity increases, which resulted in the fuel bill increasing 25% compared to the 2017/18 period, to an amount of AED 30.8 billion (USD 8.4 billion). Additionally, the relative strengthening of the US dollar against currencies in many of the airline's key markets had an AED 572 million (USD 156 million) negative impact compared to the positive currency impact of AED 661 million (USD 180 million) the year before. The number of employees decreased by 3%, a continuation of the development already visible in the previous year. However, productivity measured in revenue per airline employee, increased by 11%.

As of 31 March 2019, Emirates' balance sheet totalled AED 127.4 billion (USD 34.7 billion), largely flat compared with the previous year. Total equity increased to AED 37.7 billion (USD 10.3 billion), resulting in an equity ratio of 29.6%. In the year before, the airline's equity ratio stood at 29.0%. The current ratio stood at 0.83, meaning the airline would be able to meet 83% of its current liabilities by liquidating all its current assets.

Emirates raised AED 14.2 billion (USD 3.9 billion) in the 2018/19 financial year in order to fund fleet replacement and growth, using a combination of term loans, finance and operating leases. This included a Japanese Operating Lease with a Call Option (JOLCO) raising funding of more than USD 1 billion for the financing of its final six Boeing 777-300ER aircraft. Emirates' cash balance amounted to AED 17.0 billion (USD 4.6 billion) at the end of the financial year, down 17% compared to the beginning of the financial year, primarily due to the reduction in profits, payment for the outright purchase of two A380s and the payment of last year's dividend (AED 1 billion or USD 272 million) to the owner of Emirates.

Emirates' overall passenger number remained flat during the 2018/19 financial year with the airline carrying 58.6 million passengers, with a share of 41% flying on an A380. Passenger traffic, measured in RPKs, increased by 2.7%, while capacity, measured in ASKs, grew by 3.6%. This resulted in a passenger load factor of 76.8% compared to last year's 77.5%. The high seat factor on the A380 fleet continues to demonstrate the customer preference for the A380, according to the annual report.

During the 2018/19 financial year, Emirates added 13 new aircraft to its fleet: seven Airbus A380s and six Boeing 777-300ERs, including its last of the 777-300ER type before the first Boeing 777X is scheduled to arrive in 2020. Only one of the aircraft, which joined the fleet, was on an operating lease. The carrier also withdrew 11 aircraft from its fleet, leaving the fleet count (including 12 freighters) at 270 as of 31 March 2019. This fleet roll-over resulted in an average fleet age of 6.1 years, an increase of five months compared to the end of the previous financial year.

Emirates launched three new passenger destinations during the year: London Stansted (UK), Santiago (Chile) and Edinburgh (Scotland, UK), and also reinstated services to Sabiha Gokcen (Turkey). The operator has a proven track record in introducing new routes with the Boeing 777-300ER, generating opportunities for A380 services once the demand has been increased. Furthermore, it added flight capacity to 14 existing destinations and upgraded capacity to six cities by offering a higher frequency with more onward connections. At the end of the 2018/19 financial year Emirates serviced 158 destinations, one more than 12 months before, in 85 countries.

Due to the closure of Dubai International's southern runway for refurbishment work between 16 April and 30 May 2019, Emirates has temporarily grounded 48 aircraft and cut its flight schedule by 25%. Some services have been cancelled, others re-timed or operated with different aircraft to reduce the impact on customers. However, a negative impact on the current year's financial results is expected. Emirates also intends to make other changes to its network later in the year, including deploying the Airbus A380 on services to Boston and Glasgow in the summer.

Emirates entered into a memorandum of understanding with China Southern Airlines (China Southern) to begin codesharing on 18 routes in China, the Middle East and Africa. Subject to government approval, Emirates will place its code on China Southern services to Fuzhou, Chongqing, Kunming, Qingdao, Xiamen, Chengdu, Nanjing and Xian. China Southern will place its code on Emirates' services to Cairo, Dammam, Lagos and Riyadh. The airlines have not yet disclosed a start date for the codesharing.

Emirates has also continued to develop its partnership with flydubai, optimising flight schedules and offering new city-pair connections through Dubai. The codeshare and network optimisation scheme is set to cover 240 destinations by 2022, of which 67 were already available as of 31 March. The two airlines have also combined their loyalty programmes under Emirates Skywards.

In February 2019, Emirates provided an update on its fleet planning: Months of discussions with Airbus and engine manufacturer Rolls-Royce resulted in an agreement to reduce the number of unfilled A380 orders from 53 to 14. The remaining deliveries shall take place by 2021. In parallel the lessee signed a heads of agreement to order 40 Airbus A330-900 and 30 A350-900 with deliveries starting from 2021 and 2024 respectively. Notwithstanding the new order, His Highness Sheikh Ahmed bin Saeed Al Maktoum emphasized that “the A380 will remain a pillar of our fleet well into the 2030s” and that the operator continues to invest in this product.

Emirates Airline’s decision to adjust the number of A380s still up for delivery should encourage the operator to keep already delivered A380 aircraft longer in its fleet. A number of aircraft from the original order was earmarked to replace aircraft leaving the fleet after 12 or more years in service. In order to keep its A380 capacity at least flat, Emirates might be inclined – from an operational as well as from an economic point of view - to extend otherwise expiring lease contracts.

Source: Cirium, Emirates

4. Aircraft – A380

As of mid-March 2019, Emirates operated a fleet of 109 A380s, which currently serve 50 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, New York JFK, Nice, Osaka, Paris, Perth, Prague, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo Narita, Toronto, Vienna, Washington, and Zurich.

As of mid-March 2019, the global A380 fleet consisted of 230 commercially operated planes in service. The fourteen operators are Emirates (109), 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) and Hi Fly (1). Another two are listed as in storage. In addition, two A380s are earmarked for part-out after the owners of the aircraft voted for such a solution.

In February 2019, Airbus announced that it will discontinue its A380 programme in 2021, following a revised agreement with Emirates under which the airline is cutting its A380 order total from 162 to 123 aircraft – leaving just 14 to be delivered to the airline. Another two aircraft will be delivered to All Nippon Airways (ANA) with the airline having taken delivery of its first A380 on 21 March. Therefore, a total of 251 A380s will now ever be manufactured. According to its departing CEO Tom Enders, Airbus no longer has a “substantial A380 backlog and hence no basis to sustain production”. Enders added that – notwithstanding the upcoming production end – Airbus will “continue to fully support the A380 operators”.

Qantas has stated that it remains committed to the 12 superjumbos already in its fleet over the long-term with cabin refurbishments scheduled to commence mid-year.

Air France intends to return three A380s upon expiry of their leases in 2020-2021 and is currently reviewing the status of another two leased A380s. The move comes as part of a fleet optimisation programme and will reduce the number of Airbus A380s from the 10 it currently operates. The remaining A380s will begin retrofitting from 2020 onwards.

Qatar Airways CEO Akbar al-Baker announced that the airline intends to phase out its A380 fleet from 2024. The start of the phase-out coincides with the 10-year anniversary of the A380 at Qatar Airways, which received its first superjumbo in 2014.

Lufthansa disclosed that it will sell six of its 14 A380 jets back to Airbus in 2022 and 2023. The buyback is reportedly part of an agreement between Airbus and Lufthansa Group to order another

20 Airbus A350-900s.

It remains undisputed that the Airbus A380 is a niche asset in a class of its own from its inception. Due to the young age of the fleet the secondary market is yet to develop with the first second-hand A380 making its way to a new operator only a year ago. At this early stage and with only one transaction fully completed, the secondary market is still in its infancy. Whether or not all of the announced A380 returns from Air France, Lufthansa and Qatar will materialize, remains to be seen. In the meantime, potential operators have the chance to test the A380 via a wet lease arrangement over a limited period of time and without making any long-term commitments. This opportunity allows airlines interested in the A380 to explore the full potential of the aircraft and can create additional demand for second hand equipment, once it becomes available

Hi Fly, a Portuguese wet lease operator, stated that its A380 continues to attract significant commercial interest and has a “busy season ahead” this summer. A decision on acquiring more planes will be taken after the completion of a full financial study, it said.

In February 2019, Malaysia Airlines launched a new brand called Amal that will run Malaysia A380 flights from South East Asia to Saudi Arabia for Islamic pilgrimage.

ANA received its first A380 and will deploy it thrice weekly on the Tokyo Narita-Honolulu route from May this year with 11 other services flown by Boeing 787-9s. From July, the second A380 will also join the route as A380 services increase to 10 per week with four 787-9s services. As of yet, ANA has not indicated whether its third A380, due in September, will be used on the Hawaiian route.

Source: Airbus, Cirium, Emirates, Reuters

DIRECTORS

Geoffrey Alan Hall - Chairman (Age 70) (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 currently 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.

Charles Edmund Wilkinson (Age 76) (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 currently Chairman of Doric Nimrod Air One Limited and of 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 (Age 67) (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 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 currently a director of Doric Nimrod Air One Limited, Doric Nimrod Air Three Limited and Amedeo Air Four Plus Limited. He is resident in Guernsey.

SERVICE PROVIDERS

Management and the Delegation of Functions

The Directors, whose details are set out on page 12 are responsible for reviewing the business affairs of the Group in accordance with the Articles and have overall responsibility for the Group's activities including all business decisions, review of performance and authorisation of distributions. All of the Directors are independent and non-executive. The Company has delegated management of the Group's Aircraft to Doric, which is a company incorporated in Germany. Further details are outlined below under the heading Asset Manager. The Directors delegate secretarial and administrative functions to JTC Fund Solutions (Guernsey) Limited ("**JTC**" or the "**Secretary**" or the "**Administrator**") which is a company incorporated in Guernsey and licensed by the Guernsey Financial Services Commission (the "**GFSC**") for the provision of administration services. The registrar function is delegated to Anson Registrars Limited ("**Anson**") which is licensed and regulated by the GFSC.

Asset Manager

Doric has been appointed by the Company to provide asset management services to the Group. Pursuant to the Asset Management Agreement, Doric will: (i) monitor Emirates' and any subsequent lessees' performance of its obligations under the leases and any subsequent leases respectively (which shall include the obligations relating to the maintenance of insurance cover); (ii) provide the Group with information regarding alternatives with respect to any potential sale or re-lease of the Assets; (iii) carry out mid-lease inspections of the Assets; (iv) provide the Group with asset monitoring reports describing the state and any material changes to the state of the Assets; and (v) liaise, as and when necessary, with lenders, on all matters relating to the loans and EETCs, as required.

Doric has further undertaken that it will dedicate sufficient time and resources as it reasonably believes is required from time to time to fulfil any contractual arrangements it enters into with the Company.

Doric Partners LLP ("**Doric LLP**"), a limited liability partnership incorporated in England and Wales and Amedeo Services (UK) Limited ("**Amedeo**") have been appointed by the Company, pursuant to the Amended Liaison Services Agreement to act as Liaison agents. Doric LLP has been appointed to (i) coordinate the provision of services by Doric to the Group under the Asset Management Agreement; and (ii) facilitate communication between the Group and Doric.

The Doric Group is also a member of ISTAT, the International Society of Transport Aircraft Trading.

The Doric Group is a leading provider of products and services for investors in the fields of aviation, shipping, renewable energy and real estate. The Doric Group has an international presence, with offices in Germany, Hong Kong, the United Kingdom, and the United States, and a multinational team which offers access to extensive relationship networks and expert asset knowledge maintaining regulated financial institutions in the United States and Europe. One of the firm's core competencies is its asset management expertise, which is an integrated part of all Doric transactions and a cornerstone of the business. For further information about the Doric Group, please visit www.doric.com.

The aircraft portfolio currently managed by the Doric Group is valued at $7 billion and consists of forty four aircraft under management. These aircraft include commercial airliners ranging from ATR 72-500s and the Airbus A320 family, through the Boeing 737, 777, 787 and Airbus A330/A340 family, up to the Boeing 747-8F and Airbus A380.

The Doric Group has twenty two Airbus A380 aircraft currently under management and is therefore considered well positioned to perform the technical asset management of this aircraft type.

Liaison Agent
Amedeo has been appointed by the Company, pursuant to the Liaison Services Agreement, to, when requested by the Board, participate in Board meetings, assist in the review of all asset management matters and provide advice in all asset management related matters. Amedeo is authorised by the Financial Conduct Authority and is part of the Amedeo group of companies.

The Amedeo group is primarily involved in the operating lease and management of widebody aircraft. The aircraft portfolio currently managed by the Amedeo group is valued at over $8billion and consists of fifty aircraft under management. These aircraft include commercial airliners including A380, A350, A330, A321 and Boeing 777, 787 and 747-F. Amedeo is a member of the International Society of Transport Aircraft Trading ("**ISTAT**") and is a Strategic Partner of IATA, the International Air Transport Association.

Corporate and Shareholder Adviser
Nimrod, which is authorised by the Financial Conduct Authority, has been appointed as the Corporate and Shareholder Adviser by the Company.

Nimrod was founded in 2008 as an entirely independent organisation which specialises in generating and sourcing interesting investment funds, themes and solutions managed by experts in their fields for the professional investor marketplace. It has launched nine listed investment companies since its formation and it also provides investment, marketing, distribution and advisory services to investment companies and their board and managers.

Nimrod, together with Doric and Emirates, was awarded the "Innovative Deal of the Year 2010" by the international aviation magazine Airfinance Journal in recognition of the innovative financing of an Airbus A380 leased to Emirates by the first stock market listed aircraft investment vehicle, Doric Nimrod Air One Limited.

Secretary & Administrator
JTC is an independent provider of institutional and private client services to clients in numerous jurisdictions and is a member of the JTC Group. For further information about the JTC Group, please visit www.jtcgroup.com.

JTC is a Guernsey incorporated company and provides administration and secretarial services to the Group pursuant to an Administration and Secretarial Agreement. In such capacity, JTC is responsible for the general secretarial functions required by the Law and assists the Group in its compliance with its continuing legal and regulatory obligations, as well as providing advice on good corporate governance and best practice for a publicly traded company.

JTC is also responsible for the Group's general administrative functions and for the preparation of unaudited half-yearly and audited annual financial reports, subject to the direction and oversight of the Company's Board of directors.

Registrar
Anson is the Company's CREST compliant registrar. The Company's registrar is responsible for the maintenance of the Company's share register and for the processing of dividend payments and stock transfers. Anson is licensed and regulated by the GFSC and further information about Anson may be obtained from their website at www.anson-group.com.

Review
The Board keeps under review the performance of the Asset Manager, Liaison Agent, Corporate and Shareholder Adviser, the Secretary, Administrator and the Registrar and the powers delegated to each service provider. In the opinion of the Board, the continuing appointments of the service providers on the terms agreed is in the best interest of the Company's shareholders as a whole.

A full list of the Company's service providers is set out on page 71.

MANAGEMENT REPORT

A description of important events which have occurred during the financial year under review, 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 are given in the Chairman's Statement, Asset Manager's Report, Statement of Principal Risks and the notes to the consolidated financial statements contained on pages 43 to 70 and are incorporated here by reference.

Principal Risks and Uncertainties

The Board has undertaken a robust assessment of the principal risks facing the Group and has undertaken a detailed review of the effectiveness of its risk management and internal control systems. The Board is comfortable that the risks are being appropriately monitored on a regular basis.

The risks set out below are those which are considered to be the material risks relating to an investment in the Shares but are not the only risks relating to the Shares or the Group. Additional risks and uncertainties of which the Group is presently unaware or that the Group currently believes are immaterial may also adversely affect its business, financial condition, results of operations or the value of the Shares.

The principal risks associated with the Group are:

• **Operational risk:** the Board is ultimately responsible for all operational facets of performance including cash management, asset management, regulatory and listing obligations. The Group has no employees and so enters into a series of contracts/legal agreements with a series of service providers to ensure both operational performance and the regulatory obligations are met. This risk has been mitigated by the Group using well established, reputable and experienced service providers and assessing service providers' continued appointment on at least an annual basis.

• **Investment risk:** there are a number of risks associated with the Group's Assets in relation to the occurrence of technical faults with the Assets or actions by third parties causing both damage to the Assets and also damaging the demand for global air travel. This risk has been mitigated by the lessee's contractual responsibility to insure, repair and maintain the Aircraft for the duration of the leases between the Group and Emirates (the "**Leases**").

• **Borrowings and financing risk:** there is a risk that the Group is exposed to fluctuations in market interest rates and foreign exchange rates. This risk has been mitigated by ensuring that debt repayments are made from lease rental revenues received in the matching currency and by fixing the interest rates on debt and lease rentals.

Emirates is the sole lessee of the Assets and is headquartered in the Middle East. Should Emirates default on the rental payments due to domestic events, events in the wider airline industry or other reasons it is unlikely the Company will be able to meet its targeted dividends or, in the case of ongoing default, continue as a going concern. The risk of default is mitigated by the ability of the Company to sell or re-lease the Asset in the event of a single default.

• **Secondary market risk:** there is a risk that the Group would not be able to achieve the projected resale value of the Assets due to changes in demand for second hand aircraft of the type owned by the Group. The Board monitors, and revises the residual value of the Aircraft on an annual basis.

• **Regulatory risk:** the Group is required to comply with the disclosure guidance and transparency rules of the Financial Conduct Authority and the requirements imposed by the Law and the GFSC. Any failure to comply could lead to criminal or civil proceedings. Although responsibility ultimately lies with the Board, the Secretary also monitors compliance with regulatory requirements.

Data Protection

The Company has implemented measures designed to ensure its compliance with the EU General Data Protection Regulation (EU) 2016/679 and associated legislation in Guernsey. The Company has also issued a privacy notice explaining the data it holds, how the data is processed and its procedures for processing this data. This notice is available for review and download at the Company's website.

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 40. In addition, note 9 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 operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual consolidated financial statements.

Viability Statement

In accordance with provision C.2.2 of The UK Corporate Governance Code, the Directors of the Company have considered the prospects of the Group over a period of five years from present until the liquidation resolution is put to Shareholders six months before the last lease is due to terminate in 2024. In choosing the period of viability for the Group the Board has considered the prospect of Emirates performing their obligations to the end of their leases.

The Board, in assessing the viability of the Group, has paid particular attention to the principal risks faced by the Group as disclosed in the Asset Manager's Report and the notes to the consolidated financial statements, reviewing on an annual basis the risks faced and ensuring that any mitigation measures in place are functioning correctly.

In addition, the Board has considered a detailed cashflow projection for the running costs of the Group and has assumed that Emirates is a going concern. The Group retains sufficient cash to cover the forecast operating costs of the Group until the termination date of the Leases in 2024, assuming receipt of planned rental income.

The Directors believe that their assessment of the viability of the Group over the period chosen was sufficiently robust and encompassed the risks which would threaten the business model, future performance, solvency or liquidity of the Group.

As a result of their review, the Directors of the Company have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due until the last lease is due to terminate in 2024.

Responsibility Statement

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

(a) the financial statements, prepared in accordance with IFRS give a true and fair view of the assets, liabilities, financial position and profits of the Group and performance of the Group;

(b) this Management Report includes or incorporates by reference a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;

(c) the annual report taken as a whole is fair, balanced and understandable and provides the information necessary for the Company's shareholders to assess the Company and the Group's position, performance, business model and strategy; and

(d) the annual report and financial statements include information required by the London Stock Exchange and for ensuring the Company complies with the relevant provisions of the Disclosure Guidance and Transparency Rules (the "**DGTRs**") of the UK's Financial Conduct Authority.

Geoffrey Hall	**Charles Wilkinson**
Chairman	**Director**

4 July 2019

DIRECTOR'S REPORT

The Directors present their report and financial statements of the Group for the financial year ended 31 March 2019.

Principal Activities and Business Review
The principal activity of the Group is to acquire, lease and then sell aircraft. The Directors do not envisage any change in these activities for the foreseeable future. A description of the activities of the Group in the year under review is given in the Chairman's Statement and the Asset Manager's Report respectively on pages 5 to 6 and 7 to 11.

Status
The Company is a Guernsey domiciled company the Shares of which are admitted to trading on the SFS of the London Stock Exchange's Main Market. Its registered number is 52985. The Company operates in accordance with the Law.

Results and Dividends
The results of the Group for the financial year are set out on page 39.

The Company declared dividends during the financial year under review as follows:

Quarter End	Announcement Date	Payment Date	Dividend per Share (pence)
31 March 2018	12 April 2018	30 April 2018	4.50
30 June 2018	11 July 2018	31 July 2018	4.50
30 September 2018	10 October 2018	31 October 2018	4.50
31 December 2018	17 January 2019	31 January 2019	4.50

The Company aims to continue to pay quarterly dividends of 4.50 pence per Share, in line with the Distribution Policy. There is no guarantee that any future dividends will be paid.

Directors
The Directors in office are shown on page 12 and all Directors remain in office as at the date of signing of these financial statements. Further details of the Directors' responsibilities are given on page 23.

Anson is the Company's Registrar, Transfer Agent and Paying Agent. John Le Prevost is a director and controlling shareholder of Anson Group Limited, the holding company of Anson.

Other than the above no Director has a contract of service with the Group, nor are any such contracts proposed.

The following interests in Shares of the Company are held by persons discharging managerial responsibility and their persons closely associated:

	Number of Shares held as at 31 March 2019	Number of Shares held as at 4 July 2019
Charles Wilkinson	75,000	75,000
Geoffrey Hall	75,000	75,000

Other than the above shareholdings and Mr Le Prevost's interest in Anson, none of the Directors nor any persons connected with them had a material interest in any of the Group's transactions, arrangements or agreements during the year and none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group, and which was effected by the Group during the reporting year.

At the financial year end and as at the date of this report, there are no outstanding loans or guarantees between the Group and any Director.

There were no material related party transactions which took place in the financial year under review, other than those disclosed in the Directors' Report and at note 22 to the financial statements.

Substantial Controllers of Voting Rights

The Company has identified the following substantial controlling interests in voting rights attached to the Company's issued share capital in accordance with Chapter 5 of the DGTRs. These are based on notifications made to the Company since inception and may differ substantially from positions recorded on the Company's Share register.

There have been no material changes in the below list of substantial controlling interests between the end of the year under review and 4 July 2019, being the latest practicable date prior to the date of approval of this report.

Controlling Entity	**% of Total Voting Rights**	**Number of Shares**
City of Bradford Metropolitan District Council	10.16%	17,550,000
Schroders plc	7.68%	13,267,887
Quilter Cheviot Limited	5.00%	8,641,973

Corporate Governance

Statement of Compliance with The UK Corporate Governance Code April 2016, as published in June 2016 (the "Code")

As a Guernsey incorporated company and under the DGTRs, the Company was not, for the year under review, required to comply with the Code. The Company has, however, voluntarily committed to comply with the Code or explain any departure. A copy of the Code is available for download from the UK Financial Reporting Council's website (www.frc.org.uk).

Having reviewed the Code, the Board considers that it has maintained procedures during the year to ensure that it has complied with the Code, other than the following exceptions:

(i) there is no chief executive (since the Company does not have any executive directors);
(ii) there is no senior independent director (since the Company considers that each Director who is not Chairman can effectively fulfil this function);
(iii) there is no remuneration committee (given the small size of the exclusively non-executive and independent Board);
(iv) there is no nomination committee (given the small size of the exclusively non-executive and independent Board);

(v) the Directors have not been appointed for a fixed term given the terms of the Leases between the Group and Emirates are each twelve years, the Board considers that the defined life of the Company means that the Directors should be appointed to serve until the leases end and the Company is liquidated, subject to the Company's Articles which provide that directors are subject to re-election three yearly save that once a director has held office for nine years they will be eligible for re-election each year); and

(vi) there is no internal audit function (as the Company has no executives or employees of its own).

Board Evaluation

The Board has conducted a performance evaluation of itself, its committees and each of the Directors, as required by provision B.6.1 of the Code. This process was led by an external facilitator, Platinum Compliance Guernsey Limited ("**Platinum**"), which has no other connection with the Group. As part of this process Platinum requested each Director to complete a questionnaire, interviewed each Director and the Administrator separately, performed a review of the papers provided to the Directors and attended a meeting with the Board. At the conclusion of its evaluation, Platinum provided the Directors with a report on Board effectiveness and made minor suggestions for improvements thereon, which are being considered by the Directors.

Board Responsibilities

The Board comprised three Directors and their biographies appear on page 12 demonstrating the wide range of skills and experience they each bring to the Board. All the Directors are non-executive and independent, with Geoffrey Hall acting as Chairman.

The Board regularly reviews the balance, knowledge and effectiveness of the Board, to identify if any additional experience or skills are needed and to ensure that the current Directors have sufficient available time to undertake the tasks required and remain independent. The Directors are able and encouraged to provide statements to the Board of their concerns and ensure that any items of concern are recorded in the Board minutes. When undertaking a search for a new director the Board would be mindful of diversity and meritocracy.

The other significant commitments of the current Chairman are detailed in his biography on page 12. The Board was satisfied during the year and remains satisfied that the Chairman's other commitments do not interfere with his day-to-day performance of his duties to the Company and that he has the commitment and time to make himself available at short notice should the need arise.

In accordance with the Company's Articles the Directors shall determine the Directors fees payable provided that the aggregate amount of such fees paid in respect of services rendered to the Company shall not exceed £250,000 per annum. All Directors receive an annual fee and there are no share options or other performance related benefits available to them. All Directors are paid a fee of £23,000 per annum and the Chairman is paid an additional fee of £6,000 per annum. The chairman of the Audit Committee is paid an additional £4,000 per annum. The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office by prior arrangement with the Secretary.

In respect of their capacity as directors of Doric Nimrod Air Finance Alpha Limited, each director receives a fee of £25,000 per annum (£30,000 for the Chairman and Audit Committee chairman of the Company, where appointed) payable by or on behalf of DNAFA. There is no limitation in the articles of incorporation of DNAFA in respect of total directors' fees payable.

The Board meets in Guernsey at least twice per year to consider the business and affairs of the Group, at which meetings the Directors review the Group's assets and all other important issues to ensure control is maintained. The Directors hold either a Board meeting or Dividend Committee meeting in Guernsey each quarter to consider and if thought suitable, approve the payment of a dividend in accordance with the Company's Distribution Policy.

Between these regular meetings the Board keeps in contact by email and telephone as well as meeting to consider specific matters of a transactional nature. Additionally the Directors may hold strategy meetings with its relevant advisors as appropriate.

The Directors are kept fully informed by the Asset Manager and Secretary of all matters that are relevant to the business of the Group and should be brought to the attention of the Directors and/or the Shareholders. All Directors have direct access to the Secretary who is responsible for ensuring that Board procedures are followed and that there are effective information flows both within the Board and between the Committees and the Board.

The Directors also have access to the advice and services of the Asset Manager and Corporate and Shareholder Adviser and may also, in the furtherance of their duties, take independent professional advice at the Company's expense.

In addition to the scheduled meetings held to consider the declaration of dividends, during the year under review the number of Board meetings attended by the Directors was as follows:

Director	**Board Meetings**	**Audit Committee Meetings**	**Dividend Committee Meetings**
Geoffrey Hall	4 of 4	3 of 3	1 of 3
Charles Wilkinson	4 of 4	3 of 3	1 of 3
John Le Prevost	4 of 4	3 of 3	3 of 3

Audit Committee

The Directors are all members of the Audit Committee. The Audit Committee has regard to the Guidance on Audit Committees published by the Financial Reporting Council in September 2012 and most recently updated in April 2016. The Audit Committee examines the effectiveness of the Group's and its service providers' internal control systems as appropriate, the annual and half-yearly reports and financial statements, the auditor's remuneration and engagement, as well as the auditor's independence and any non-audit services provided by them.

The Audit Committee considers the nature, scope and results of the auditor's work and reviews it annually prior to providing a recommendation to the Board on the re-appointment or removal of the auditor. When evaluating the external auditor the Audit Committee has regard to a variety of criteria including industry experience, independence, reasonableness of audit plan, ability to deliver constructive criticism, effectiveness of communication with Board and the Group's service providers, quality control procedures, effectiveness of audit process and added value beyond assurance in audit opinion.

Auditor independence is maintained through limiting non-audit services to specific audit-related work that falls within defined categories; for example certain agreed upon procedures performed in respect of the Company's C share conversion, the provision of advice on the application of IFRS or formal reports for any stock exchange purposes. All engagements with the auditor are subject to pre-approval from the Audit Committee and fully disclosed within the annual financial report for the relevant period. A new lead audit partner is appointed every five years and the Audit Committee ensures the auditor has appropriate internal mechanisms in place to ensure its independence.

The Audit Committee has recommended to the Board that the re-appointment of Deloitte LLP as the Group's external auditor be proposed to Shareholders at the 2019 annual general meeting. The Audit Committee will consider arranging for the external audit contract to be tendered in 2021 (being ten years from the initial appointment) with the aim of ensuring a high quality and effective audit.

The Audit Committee meets in Guernsey at least twice per year, shortly before the Board meets to consider the Group's half-yearly and annual financial reports, and reports to the Board with its deliberations and recommendations and also has an annual planning meeting with the auditor. The Audit Committee operates within clearly defined terms of reference based on the Institute of Chartered Secretaries and Administrators recommended terms and provides a forum through which the Group's external auditor reports to the Board. The Audit Committee can request information from the Group's service providers with the majority of information being directly sourced from the Asset Manager, the Secretary and Administrator and the external auditor. The terms of reference of the Audit Committee are available on the Company's website and on request from the Secretary.

Each year the Board examines the Audit Committee's performance and effectiveness, and ensures that its tasks and processes remain appropriate. Key areas covered included the clarity of the Audit Committee's role and responsibilities, the balance of skills among its members and the effectiveness of reporting its work to the Board. The Board is satisfied that all members of the Audit Committee have relevant financial experience and knowledge and ensure that such knowledge remains up to date. Overall the Board considers that the Audit Committee has the right composition in terms of expertise and has effectively undertaken its activities and reported them to the Board during the year under review.

During the financial year the Audit Committee met to consider the annual financial report for the year ended 31 March 2018 and the half-yearly financial report for the period ended 30 September 2018. The Audit Committee also met in January 2019, with the auditor in attendance, to approve the 2019 audit plan.

Dividend Committee

The Dividend Committee consists of any one Director, who has been given full power and authority to consider and, if thought suitable, declare and approve the payment of a dividend in accordance with the Company's Distribution Policy, provided that all Directors had been provided with prior notice of the proposal to declare each dividend and no Director had raised any objection to the declaration of each dividend.

Internal Control and Financial Reporting

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

The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

The Board on an annual basis conducts a full review of the Group's risk management systems including consideration of a risk matrix which covers various areas of risk including corporate strategy, accuracy of published information, compliance with laws and regulations, relationships with service providers and business activities.

Asset Management services are provided to the Company by Doric. Corporate and shareholder advisory services are provided to the Company by Nimrod. Administration and secretarial duties for the Group are performed by JTC.

The Directors of the Group clearly define the duties and responsibilities of their agents and advisors. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved and the Board monitors their on-going performance and contractual arrangements. The Board also specifies which matters are reserved for a decision by the Board and which matters may be delegated to its agents and advisers.

Anti Bribery Policy
The Directors have undertaken to operate the business in an honest and ethical manner and accordingly take a zero-tolerance approach to bribery and corruption. The key components of this approach are implemented as follows:

- The Board is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.
- The Group will implement and enforce effective procedures to counter bribery.
- The Group requires all its service providers and advisors to adopt equivalent or similar principles.

Dialogue with Shareholders
All holders of Shares in the Company have the right to receive notice of, and attend, the general meetings of the Company, during which members of the Board will be available to discuss issues affecting the Group.

The primary responsibility for Shareholder relations lies with the Company's Corporate and Shareholder Adviser. In addition the Directors are always available to enter into dialogue with Shareholders and the Chairman is always willing to meet Shareholders as the Company believes such communication to be important. The Company's Directors can be contacted at the Company's registered office or via the Secretary.

Climate change

Whilst the Group has a limited carbon footprint in respect of its day to day activities, the Group leases its aircraft to Emirates and notes the actions by Emirates in relation to climate change via publications issued by Emirates. The Board notes that Emirates Group recognises that environmental responsibility is core to their long-term business success. The Emirates environmental policy is available on their website.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable Guernsey law and regulations.

Under the Law the Directors are required to prepare financial statements for each financial year. The Directors have chosen to prepare the Group's financial statements in accordance with IFRS.

Under the Law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Law.

They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm in accordance with the provisions of Section 249 of the Law that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and the Audit Committee has recommended their reappointment. A resolution proposing their reappointment will be submitted at the forthcoming annual general meeting to be held pursuant to section 199 of the Law.

Geoffrey Hall	**Charles Wilkinson**
Chairman of the Board	**Director**

Signed on behalf of the Board on 4 July 2019

AUDIT COMMITTEE REPORT

Membership
Charles Wilkinson – Chairman of the Audit Committee
Geoffrey Hall – Chairman of the Board
John Le Prevost – Non-executive Director

Key Objective
The provision of effective governance over (i) the appropriateness of the Group's financial reporting including the adequacy of related disclosures, (ii) the performance of the Group's external auditor, (iii) monitoring of the systems of internal controls operated by the Company and (iv) the Group's principal service providers and the management of the Company's regulatory compliance activities.

Responsibilities
The key duties of the Audit committee (the "**Committee")** are as follows:

- reviewing the Group's financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices including critical accounting policies and practices;
- advising the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy;
- overseeing the relationship with the external auditor and reviewing the effectiveness of the external audit process; and
- monitoring the systems of internal controls operated by the Group and by the Group's principal service providers.

Committee Meetings
The Committee meet in Guernsey at least twice a year. The Committee reports to the Board as part of a separate agenda item, on its activities and on matters of particular relevance to the Board in the conduct of its work. During the financial year under review the Committee formally reported to the Board on two occasions.

Main Activities of the Committee during the financial year
The Committee assisted the Board in carrying out its responsibilities in relation to financial reporting requirements, compliance and the assessment of internal controls. The Committee also managed the Group's relationship with the external auditor.

Fair, Balanced and Understandable
In order to comply with The UK Corporate Governance Code, the Board requested that the Committee advises them on whether it believes the annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy.

The Committee engaged with the Group's auditor and the Group's administrator in order to ensure that the financial statements were fair, balanced and understandable.

Financial Reporting and Significant Issues

The Committee's primary role in relation to financial reporting is to review, with its service providers and the external auditor, the appropriateness of the half-year and annual financial statements, the significant financial reporting issues and accounting policies and disclosures in the financial statements. The Committee has considered the key risks identified as being significant to these accounts and the most appropriate treatment and disclosure of any new significant issues identified during the audit and half-year reviews as well as any recommendations or observations made by the external auditor, Deloitte LLP ("**Deloitte**"). To aid its review the Committee considered reports prepared by external service providers, including Doric and Nimrod, and reports from Deloitte on the outcome of their annual audit. The significant issues considered by the Committee in relation to the 2019 accounts and how these were addressed are detailed below:

Significant issues for the Period	**How the Committee addressed these significant issues**
Residual value of aircraft assets The non-current assets of the Group comprise of seven Airbus A380 aircraft (the **"Assets"**). An annual review is required of the residual value of the Assets as per IAS 16 *Property, Plant and Equipment,* which defines residual value as *"the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life."* The Group's estimation technique is to make reference to the most recently produced forecast base values (excluding inflation), not an estimate of the amount that would currently be achieved, and so this is not a direct application of the IAS 16 definition. This approach has been taken because a current market value in today's prices for a twelve year old A380 does not exist at the reporting date.	The Group has engaged three internationally recognised expert appraisers to provide the Group with third party consultancy valuation services. In the absence of sales data for similar used assets, appraisers are heavily reliant on databases containing historical data points of aircraft sales relating to large commercial aircraft. Interpretation of historical data is the basis for the current market value and provides, together with the expected developments in the future, the foundation for their opinions on future values. Furthermore, the appraisers' valuations take into account specific technical and economic developments as well as general future trends in the aviation industry and the macro-economic outlook. The Group has used the average forecast base values of the three independent appraisers, excluding inflation as a guide to determine the residual values as required by IAS 16 Property, Plant and Equipment. 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. A decrease in USD terms in the residual values of the aircraft from the prior year, has resulted in an adjustment made to depreciation in the current year, details of which have been disclosed in Note 9.

Significant issues for the Period	How the Committee addressed these significant issues
	The Asset Manager has confirmed that in the year ending 31 March 2019 there were no changes to the methodology used to determine the residual values. As updated investment valuations of all Assets as at the year end were commissioned and received from third party professional valuers and analysed by the Asset Manager and the directors, the Committee believes that those valuations are appropriate for use in preparing the financial statements. Therefore, the average residual values excluding inflation used in the accounts are based on these appraisals. Upon review of the advice they have received from Doric and the appraisers, the Committee is of the opinion that, the current estimate of the residual values excluding inflation of the Assets is a reasonable approximation of the residual value of the aircraft within the IAS 16 definition.
Recording foreign exchange gains/losses IFRS require that certain transactions denominated in currencies other than the presentation currency (including, most importantly, the cost of the Assets) be translated into the presentation currency at the exchange rate ruling transaction date whilst monetary balances (principally the outstanding borrowings) are translated at the rate prevailing on the reporting date. The resultant figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences. During the year the Group recorded a significant foreign exchange rate loss due to the depreciation of Sterling against US dollars and the consequent increase in the Sterling value of the US dollar denominated debt.	In assessing foreign exchange, the Committee has considered the issue at length and is of the opinion that, 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 pay debt repayments due which are likewise denominated in US dollars. US dollar lease rentals and debt repayments are furthermore fixed at the outset of the Group's life and are very similar in amount and timing. The Committee concluded that the matching of the lease rentals to settle debt repayments therefore mitigates risks of foreign exchange fluctuations. The Committee carefully considered the disclosure in Note 19(b) to the Consolidated Financial Statements to ensure that the reality of the Group's foreign exchange risk exposure is properly explained.

Significant issues for the Period	How the Committee addressed these significant issues
Consideration of any triggers for impairment IAS 36 Impairment of Assets requires that a review for impairment be carried out by the Group when there is an indication of impairment of an asset and if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review will compare the carrying amount of the asset with its recoverable amount, which is the higher of its value if sold (if known) and its value in use.	The Committee has considered the issue at length and accordingly an impairment review has been undertaken as at 31 March 2019. Refer to Note 3 for further detail on the factors triggering the review and the sensitivity analysis performed on the discount rates and residual value inputs.
Risk of default by the Lessee on lease rentals receivable Emirates are the sole lessee of the Assets. Should Emirates default on the rental payments, it is unlikely the Group will be able to meeting its targeted dividend or, in the case of ongoing default, continue as a going concern.	The Committee received quarterly reports from Doric during the year which comment on the performance of Emirates. Doric has advised that Emirates has continued to perform well. The Committee concluded that it would continue to receive quarterly reports from Doric on the performance of Emirates and would continue to monitor Emirates' overall performance. The Committee carefully considered the disclosure in note 19(c) to the consolidated financial statements to ensure that this concentration of credit risk is properly reflected

We note that the auditor also considers the recognition of rental income and the accounting for debt within their key audit matters. These items have been considered by the Committee in the current year, but, as there have been no changes in respect of these risks they have not been a primary area of focus of the Committee in the current year.

Going Concern

After making enquiries, the Committee has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Committee believes the Group is well placed to manage its business risks successfully as the interest on the Group's Loans and Equipment Notes has been fixed and the fixed rental income under the operating lease means that the rentals 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. Accordingly, the Committee has adopted the going concern basis in preparing the financial information.

Internal Controls

The Committee has made due enquiry of the internal controls of the Administrator. The Committee is satisfied with the controls currently implemented by the Administrator. However it has requested that the Administrator keeps the Committee informed of any developments and improved internal control procedures.

The most recent report on the Internal control of JTC's administration services, prepared in accordance with the International Standard on Assurance Engagement 3402 ("**ISAE 3402**"), for the period from 1 February 2018 to 31 March 2019 supported by a bridging letter for the period from 1 April 2019 to 20 May 2019 has been provided to the Committee.

Internal Audit

The Group has no employees and operates no systems of its own, relying instead on the employees and systems of its external service providers. Following a recommendation from the Committee, the Board has therefore taken the decision that it would be of insufficient benefit for the Group to engage an internal auditor.

External Audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee received from the Deloitte a detailed audit plan identifying their assessment of the key risks. For the financial year under review, the primary risks identified were in respect of valuation and ownership of the Group's Assets, the recording of lease rental income and accounting for fixed rate debt using the effective interest rate method.

Using its collective skills, the Committee evaluates the effectiveness of the audit process in addressing the matters raised through the reporting it received from Deloitte at the conclusion of the audit. In particular the Committee formally appraise Deloitte against the following criteria:

- Independence
- Ethics and conflicts
- Knowledge and experience
- Challenge
- Promptness
- Cost
- Overall quality of service

In addition the Committee also seeks feedback from the Administrator on the effectiveness of the audit process.

For the financial year under review, the Committee was satisfied that there had been appropriate focus on the primary areas of audit risk and assessed the quality of the audit process to be good. The Committee discussed their findings with Deloitte and agreed how future external audits could be improved.

The Committee holds meetings with the external auditor to provide additional opportunity for open dialogue and feedback from the auditor. Should it be necessary, Committee members meet with the external auditor without the Administrator and Asset Manager being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with the Administrator, confirmation that there has been no restriction in scope placed on them by the Administrator on the independence of their audit and how they have exercised professional scepticism.

Appointment and Independence

The Committee considers the reappointment of the external auditor, including the rotation of the audit partner, each year and also evaluates their independence on an on-going basis.

The external auditor is required to rotate the audit partner responsible for the audit every five years. The current lead audit partner has been in place since August 2016 with her first audit reporting period being the year to 31 March 2017. This is her third year of involvement.

Deloitte has been the Group's external auditor since October 2012. The Committee has provided the Board with its recommendation to the Company's Shareholders on the reappointment of Deloitte as external auditor for the year ending 31 March 2020. Accordingly a resolution proposing the reappointment of Deloitte as the Company's auditor will be put to the Company's Shareholders at the 2019 annual general meeting.

There are no contractual obligations restricting the Committee's choice of external auditor. The Committee continues to consider the audit tendering provisions outlined in the revised Code, of which it is very supportive. The Committee will consider arranging for the external audit contract to be tendered in 2021 (being ten years from the date of initial appointment of Deloitte) with the aim of ensuring a high quality and effective audit.

Non-Audit Services
To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No changes have been made to this policy during the year. This policy specifies that Deloitte should only be engaged for non-audit services where there is considered to be a very low threat to auditor independence.

Deloitte is prohibited from providing any other services without the Committee's prior approval. In reaching such a determination the Committee will take into consideration whether it is in the best interests of the Group that such services should be supplied by the Group's external auditor (rather than another service provider) and, if so whether any safeguards regarding auditor objectivity and independence in the conduct of the audit should be put in place, whether these would be effective and how such safeguards should be disclosed.

Committee Evaluation
The Committee's activities formed part of the review of Board effectiveness performed in the year under review.

An internal evaluation of the Committee's effectiveness will be carried out in 2019.

Charles Wilkinson
Chairman of the Audit Committee
4 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORIC NIMROD AIR TWO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Doric Nimrod Air Two Limited the parent company and its subsidiaries (the 'group'):

- **give a true and fair view of the state of the group's affairs as at 31 March 2019 and of the group's profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.**

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation and ownership of aircraft; • Recognition of lease rental income; and • Accounting for debt using the effective interest method. All key audit matters are consistent with the prior year.
Materiality	The materiality that we used for the group financial statements in the current year was £6,429,000 which was determined on the basis of forecasted shareholders' equity.
Scoping	The consolidated financial statements of the Group incorporate its special purpose subsidiaries through which aircraft are held and through which debt finance has been obtained. Whilst statutory audits of the financial statements of each of these subsidiaries are not required, they are included within the scope of our audit of the consolidated financial statements. Audit work to respond to the risks of material misstatement was performed by the same audit engagement team.
Significant changes in our approach	There have been no significant changes in our approach from prior year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 2(l) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 15-16 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 16 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 16 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We state whether we have anything material to add or draw attention to in relation to that statement that would be required by Listing Rule 9.8.6R(3) if the company had a premium listing and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and ownership of aircraft	
Key audit matter description	Included on the Group's statement of financial position as at 31 March 2019 are aircraft assets amounting to £758 million (2018: £805 million) as disclosed in Note 9 to the financial statements. As explained in Note 2(n), the Group's accounting policy is to measure its aircraft assets at depreciated historic cost less impairment. The assets are being depreciated on a straight-line basis over terms of the leases to an estimated residual value at the end of that period. As stated in Note 3,

	estimation of aircraft residual value is a source of uncertainty and is a key determinant in preparing the financial statements. A number of factors, including but not limited to, Airbus' decision to discontinue the delivery of new A380s, prompted management to perform an impairment review in current year. Refer to the considerations by the audit committee on residual value and impairment as discussed on pages 26 to 28. The valuation and ownership of aircraft was deemed to be a key audit matter as: • the selected useful life or residual values used in determining depreciation might not be appropriate as the estimation of aircraft useful life and residual value is a key judgement area; • an indicator of impairment of the assets might arise in which case an impairment review should be performed and the value of the assets written down to recoverable amount if less than carrying value. Judgement is required in assessing whether an indicator of impairment exists and estimation is required on key inputs of the impairment review model such as the terminal value, discount rate, future cash flows and fair value less costs to sell; and • the economic substance of the original aircrarft acquisition transactions might not have been fully considered, such that assets that do not belong to the Group might be recognised in the financial statements. In addition, aircraft assets might be recognised when the Group does not have proper legal title.
How the scope of our audit responded to the key audit matter	Our procedures included: • critically assessing the conclusions reached by the Board of Directors ("Board") on the appropriateness of the selected residual values and evaluating their consistency with available market information, including forecast valuations obtained by the Group from expert aircraft valuers and the terms of the aircraft lease agreements. We considered the qualifications and experience of the valuers engaged by management. We also considered the adequacy of disclosure related to this estimation uncertainty set out in Note 3; • engaging our internal aircraft valuation specialists in reviewing the Board and asset manager's conclusions on the assessments made on residual values used at year end; • engaging our internal aircraft valuation specialists in assessing the reasonableness of assumptions and methodology used by a sample of expert appraisers, in their estimation of forecast residual values and current market value estimates; • reviewing and challenging the reasonableness of key inputs noted above, assumptions and methodoly used in the assessment of impairment. This was achieved through our inspection of supporting evidence and through our consideration of internal and external factors which affect the impairment review process on the group's aircraft; • engaging our valuation specialists to assess the reasonableness of the discount rate used in the determination of value in use considered as part of the impairment review process ;and • reviewing the original purchase agreements for consistency with the assets owned and obtaining certificate of registration directly from 'The International Registry for International Interests in Mobile Equipment' to confirm ownership. In addition, we reassesed our evaulation of the economic substance of the original purchase transactions in order to identify any instances in which the assets might have inappropriately been recognised.
Key observations	Having carried out the mentioned procedures, we concluded that the useful life selected and residual values used are appropriate. In addition, the Board's assessment that recoverable amount of the aircract was more than carrying value and thus no impairment write down was required as at 31 March 2019 was considered to be appropriate and reasoanable.

Having considered both the economic substance of transactions and the legal form, we concluded that assets recorded in the financial statements are owned by the Group.

Recognition of lease rental income

Key audit matter description

The Group's leases have been classified as operating leases and as such rental income which amounts to £128.8 million (2018: £128.6 million) should be recognised on a straight-line basis over the lease term, which differs from the profile of actual rental payments. As set out in Note 4 of the financial statements, a significant portion of these lease rentals are receivable in US Dollars and must be appropriately translated into the Sterling functional and presentation currency. The recognition of revenue also requires consideration of all terms of the signed lease contracts. As stated in Note 3, classification of leases as operating leases is a key source of uncertainty in preparing the financial statements.The recognition of revenue is a key audit matter as:

- revenue might not be properly recorded in accordance with requirements of lease contracts and in accordance with the straight-line basis;
- related deferred or accrued income might not be recognised appropriately; and
- revenue transactions and related amortisation of deferred income are significant to the Group's financial performance, hence any material misstatements in revenue will have a direct impact on reported comprehensive income.

How the scope of our audit responded to the key audit matter

Our procedures included:

- consideration on whether the classification of the leases as operating is appropriate with reference to the lease terms and the nature of the asset and the requirements of IAS 17: Leases;
- developing independent expectations of lease income for the year based on total lease rentals receivable, the lease term and the applicable foreign exchange rates during the year. We also traced a sample of rental income receipts to bank statements;
- recalculating deferred and accrued rental income recognised in the Consolidated Statement of Financial Position and testing accuracy of related translation differences; and
- tracing all rental income receipts to bank statements.

Key observations

Having performed the procedures above, we concluded that classification of the leases is appropriate and that revenue recognition is in line with the terms of the signed lease contract and is in line with IAS17:Leases.

We also concluded that deferred and accrued income balances recorded were appropriate as they were not materially different from results of our recalculations.

Accounting for debt using the effective interest method

Key audit matter description

In order to part-finance the acquisition of assets the Group obtained fixed and floating rate debt. As at 31 March 2019 the value of the total debt held by the Group was £312 million (2018: £362 million) as disclosed in Note 14 to the financial statements. The debt is amortising over the lease term. As set out in Note 2(o) to the financial statements, the debt instruments are carried at amortised cost with interest expense recognised at the effective interest rate. The debt might not be properly accounted for using the effective interest rate method or adequate disclosures might not be made in the financial statements. The Group has a floating rate loan and a related interest rate swap contract to hedge the

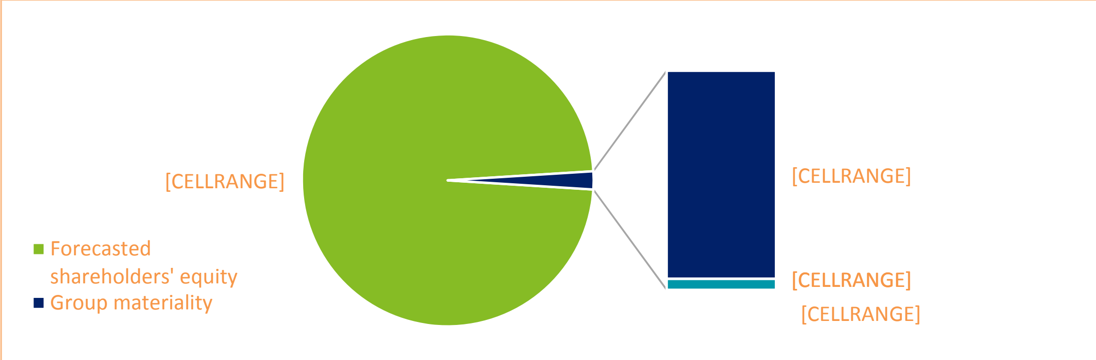
	cash flow interest rate risk. The interest rate swap contract might not be appropriately accounted for at fair value in the consolidated financial statements.
How the scope of our audit responded to the key audit matter	Our procedures included: • reviewing the debt amortisation schedules prepared by management to recalculate the effective interest rates on the loans and checked whether they are consistent with the repayment schedules; • obtaining direct confirmation of the principal balances outstanding and recalculating accrued interest using the effective interest rate; • developing an expectation of the interest charges for the period using the average outstanding principal balances during the period and the effective interest rates; and • utilising our internal financial instruments valuation specialists to perform an independent valuation of the swap on the floating rate loan to determine if management's valuation fell within a reasonable range.
Key observations	Having carried out the procedures, we concluded that the debt was appropriately valued in line with the effective interest rate method and related interest calculations were within our expectation. We conclude that the interest rate swap contract was apropriately valued at year end.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£6,492,000 (2018: £7,040,000)
Basis for determining materiality	2% (2018: 2%) of forecasted shareholders' equity. The determined materiality represents 1.99% of the shareholder's equity at 31 March 2019.
Rationale for the benchmark applied	Our materiality is based on shareholders' equity of the Group. Comprehensive income is significantly influenced by fluctuations in exchange rates, hence it will not be a stable benchmark to use in our determination of materiality. We consider shareholders' equity to be the most important balance on which the shareholders would judge the performance of the Company.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.32m (2018: £0.35m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The Group is administered by a third party Guernsey regulated service provider, as part of our audit we assessed the design, implementation and operating effectiveness of controls established at the service provider for the purposes of our audit.

The consolidated financial statements of the Group incorporate its special purpose subsidiaries through which aircraft are held and through which debt finance has been obtained. Whilst statutory audits of the financial statements of each of these subsidiaries are not required, they are included within the scope of our audit of the consolidated financial statements conducted using the Group materiality set out above. Audit work on each entity within the Group was performed by the same audit team. The Group is treated as a single entity for financial reporting purposes hence component materiality was not used.

Other information

We have nothing to report in respect of these matters.

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement that would be required if the company had a premium listing relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicola Sarah Paul
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
5 July 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	Notes	Year ended 31 Mar 2019 GBP	Year ended 31 Mar 2018 GBP
INCOME			
A rent income	4	92,400,342	92,155,469
B rent income	4	36,434,140	36,434,141
Bank interest received		115,696	78,296
		128,950,178	128,667,906
EXPENSES			
Operating expenses	5	(3,451,480)	(3,421,706)
Depreciation of Aircraft	9	(46,153,816)	(51,873,285)
		(49,605,296)	(55,294,991)
Net profit for the year before finance costs and foreign exchange (losses) / gains		79,344,882	73,372,915
Finance costs	10	(19,492,939)	(22,340,336)
Net profit for the year after finance costs and before foreign exchange (losses) / gains		59,851,943	51,032,579
Unrealised foreign exchange (loss) / gain	19b	(33,147,366)	55,639,024
Profit for the year		26,704,577	106,671,603
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		26,704,577	106,671,603
		Pence	**Pence**
Earnings per Ordinary Share for the year - Basic and Diluted	8	15.46	61.75

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

The notes on pages 43 to 70 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	31 Mar 2019 GBP	31 Mar 2018 GBP
NON-CURRENT ASSETS			
Aircraft	9	758,462,933	804,616,747
Financial assets at fair value through profit and loss	19	176,039	378,813
		758,638,972	804,995,560
CURRENT ASSETS			
Accrued income		7,771	3,333,270
Receivables	12	52,497	46,078
Short-term investments		-	3,026,711
Cash and cash equivalents	17	28,236,268	24,440,324
		28,296,536	30,846,383
TOTAL ASSETS		786,935,508	835,841,943
CURRENT LIABILITIES			
Borrowings	14	80,363,628	73,380,012
Rental income received in advance		-	1,069,187
Deferred income		7,840,789	8,917,107
Payables - due within one year	13	64,522	267,141
		88,268,939	83,633,447
NON-CURRENT LIABILITIES			
Borrowings	14	231,338,802	288,456,196
Deferred income		140,337,025	132,371,135
		371,675,827	420,827,331
TOTAL LIABILITIES		459,944,766	504,460,778
TOTAL NET ASSETS		326,990,742	331,381,165
EQUITY			
Share capital	15	319,836,770	319,836,770
Retained earnings		7,153,972	11,544,395
		326,990,742	331,381,165
		Pence	**Pence**
Net Asset Value per Ordinary Share based on 172,750,000 (Mar 2018: 172,750,000) shares in issue		189.29	191.83

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

Geoff Hall
Director

Charles Wilkinson
Director

The notes on pages 43 to 70 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2019

	Notes	Year ended 31 Mar 2019 GBP	Year ended 31 Mar 2018 GBP
OPERATING ACTIVITIES			
Profit for the year		26,704,577	106,671,603
Movement in deferred income		3,438,752	3,826,192
Movement in rental income received in advance		(1,069,187)	1,069,187
Interest received		(115,696)	(78,296)
Accrued interest		(7,771)	-
Depreciation of Aircraft	9	46,153,816	51,873,285
Loan interest payable	10	18,270,616	21,699,598
Movement in interest rate swap	10	202,774	(378,813)
(Decrease)/increase in payables		(202,620)	415
(Increase)/decrease in receivables		(6,419)	223,221
Foreign exchange movement	19b	33,147,366	(55,639,024)
Amortisation of debt arrangement costs	10	1,019,549	1,019,551
NET CASH FROM OPERATING ACTIVITIES		127,535,757	130,286,919
INVESTING ACTIVITIES			
Interest received		115,696	78,296
Decrease in short-term investments	16	3,026,711	693,590
NET CASH FROM INVESTING ACTIVITIES		3,142,407	771,886
FINANCING ACTIVITIES			
Dividends paid	7	(31,095,000)	(31,095,000)
Repayments of capital on borrowings	20	(78,223,949)	(74,444,864)
Payments of interest on borrowings	20	(18,041,712)	(22,315,451)
NET CASH USED IN FINANCING ACTIVITIES		(127,360,661)	(127,855,315)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		24,440,324	22,095,157
Increase in cash and cash equivalents		3,317,503	3,203,490
Exchange rate adjustment		478,441	(858,323)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	28,236,268	24,440,324

The notes on pages 43 to 70 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Notes	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 Income for the year		-	26,704,577	26,704,577
Dividends paid	7	-	(31,095,000)	(31,095,000)
Balance as at 31 March 2019		319,836,770	7,153,972	326,990,742

	Notes	Share Capital GBP	Retained Earnings GBP	Total GBP
Balance as at 1 April 2017		319,836,770	(64,032,208)	255,804,562
Total Comprehensive Income for the year		-	106,671,603	106,671,603
Dividends paid	7	-	(31,095,000)	(31,095,000)
Balance as at 31 March 2018		319,836,770	11,544,395	331,381,165

The notes on pages 43 to 70 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 64. Its share capital consists of one class of Ordinary Preference Shares (**"Ordinary Shares"**) and one class of Subordinated Administrative Shares (**"Administrative Shares"**). The Company's Ordinary Shares have been admitted to trading on the Specialist Fund Segment of the London Stock Exchange's Main Market (the **"SFS"**).

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft. The principal activities of the Group are set out in the Chairman's Statement on pages 5 to 6 and Management Report on pages 16 to 18.

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 IFRS as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") and applicable Guernsey law. The financial statements have been prepared on a historical cost basis.

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

(b) Adoption of new and revised Standards

New and amended IFRS Standards that are effective for current year

The following Standards or Interpretations have been adopted in the current period. Their adoption has not had any impact on the amounts reported in these Consolidated Financial Statements and is not expected to have any impact on future financial periods, except where stated otherwise:

- IFRS 9, 'Financial Instruments - Classification and Measurement, Impairment of Financial Assets, Hedge Accounting'. Effective for accounting periods commencing on or after 1 January 2018 and is endorsed by the EU.

- IFRS 15 and amendments to IFRS 15 Revenue from contracts with customers - The standard and amendments are effective for annual periods beginning on or after 1 January 2018 and is endorsed by the EU.

2 ACCOUNTING POLICIES

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

(i) Impact of initial application of IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 'Financial Instruments' from 1 April 2018 did not result in any adjustments to the amounts recognised in the financial statements and accordingly there was no impact on the retained earnings as at 1 April 2018. The new accounting policies reflecting the new IFRS 9 terminology are set out in Note 2 (o) below.

Classification Financial Assets and of Financial Liabilities
IFRS 9 contains three principal classification categories for financial assets and liabilities: measured at amortised cost, fair value through other comprehensive income ("**FVOCI**") and fair value through profit or loss ("**FVTPL**"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Based on the Group's assessment, this standard does not have a material impact on the classification of financial assets and financial liabilities of the Group. This is because:

- the interest rate swap in MSN090 Limited is currently measured at FVTPL due to it being designated into this category as it is managed on a fair value basis in accordance with a documented investment strategy. The interest rate swap does not meet the SPPI criterion (solely payments of principal and interest) and accordingly it will be mandatorily measured at FVTPL under IFRS 9; and

- financial instruments currently measured at amortised cost are accrued income, short-term investments, cash and cash equivalents, receivables, borrowings, deferred income and payables. These instruments meet the solely principal and interest criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

Impairment of Financial Assets
IFRS 9 replaces the "incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group has chosen to apply the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Based on the Group's assessment, changes to the impairment model do not have a material impact on the financial assets of the Group. This is because:

- the interest rate swap is measured at FVTPL and the impairment requirements do not apply to such instruments;

2 ACCOUNTING POLICIES

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

(i) Impact of initial application of IFRS 9 Financial Instruments (continued)

Impairment of Financial Assets (continued)

- the accrued income and receivables at amortised cost are short-term (i. e. no longer than 12 months) and considered to be of high credit quality as the Group selected a lessee with a strong balance sheet and financial outlook which has no history of defaulting on any rental payments.

- while short-term investments and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is expected to be small as the instruments are held with regulated entities subject to prudential supervision, or with high credit ratings assigned by international credit rating agencies.

Hedge Accounting
The interest swap is currently measured at FVTPL due to the Company designating it as such. Accordingly, the IFRS 9 hedge accounting-related changes do not have an impact thereon and it will continue to be measured at FVTPL under IFRS 9.

(ii) Impact of application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts', related interpretations. The only contractual receipts which the Group currently has are rental income from Emirates leasing its Aircraft. Rental income is currently recognised in accordance with IAS 17 (which will be replaced by IFRS 16 which is specifically excluded from IFRS 15. The adoption of IFRS 15 'Revenue from Contracts with Customers' from 1 April 2018 does thus not materially impact the financial statements.

(iii) Impact of adoption of IFRIC 22: Foreign Currency transactions and advance consideration

IFRIC 22 'Foreign currency transactions and advance consideration' - this IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice, is effective for annual periods beginning on or after 1 January 2018 and is endorsed by the EU. The adoption of this standard did not have an impact as the Group did not participate in any foreign currency transactions involving an advance payment or receipt in current year.

New and Revised Standards in issue but not yet effective

The following Standards or Interpretations that are expected to affect the Group have been issued but not yet adopted by the Group. Other Standards or Interpretations issued by the IASB and IFRIC are not expected to affect the Group.

2 ACCOUNTING POLICIES

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

New and Revised Standards in issue but not yet effective (continued)

IFRS 16 Leases - specifies how an IFRS reporter will recognise, measure, present and disclose 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. This standard is effective for annual periods beginning on or after 1 January 2019 and is endorsed by the EU.

The Directors have considered the above and are of the opinion that the above Standards and Interpretations are not expected to have an impact on the Group's financial statements except for the presentation of additional disclosures and changes to the presentation of components of the financial statements. These items will be applied in the first financial year for which they are required.

(c) Basis of Consolidation

The consolidated financial statements incorporate the results of the Company and its Subsidiaries. The Company owns 100 percent 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 percent.

(e) Share Capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary 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.

2 ACCOUNTING POLICIES (continued)

(h) Foreign Currency Translation

The currency of the primary economic environment in which the Group operates (the functional currency) is Pounds Sterling ("**£**" or "**Sterling**"), 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) Short-term Investments

Short-term investments which are held to maturity are carried at amortised cost. Short-term investments are defined as call deposits, short term deposits with a term of more than 3 months, but less than 12 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

(k) 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.

(l) 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 rental income under the operating 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.

(m) 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 11.

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.

2 ACCOUNTING POLICIES (continued)

(n) 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 aircraft range 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 Group 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. Due to a change in estimate of residual value for the aircraft in the current year, there has been a £5,718,444 decrease in the annual depreciation for the current year as a result. Depreciation starts when the Asset is available for use.

At each 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 any 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.

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 years. A reversal of an impairment loss is recognised immediately in profit or loss.

2 ACCOUNTING POLICIES (continued)

(o) 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 ("FVOCI"); 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)

(o) 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.

The impact of the adoption of the above standard is disclosed in Note 2(b).

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 (n), 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 for the year, the Directors have made reference to forecast base values (excluding inflationary effects) for the Aircraft obtained from three independent expert aircraft valuers.

The estimation of residual value remains subject to uncertainty. If the estimate of residual value had been decreased by 20 percent with effect from the beginning of this year, the net profit for the year and closing shareholders’ equity would have been decreased by approximately £16.5 million (31 March 2018: £13.2 million). An increase in residual value by 20 percent 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 estimated useful lives of the Assets are based on the expected period for which the Group will own and lease the Aircraft.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Judgements

Operating Lease Commitments - Group as Lessor

The Group has entered into operating leases on seven (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 a penalty equal to the remaining 2 years would be due.

Impairment

As described in Note 2(n), 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 believes that it would be prudent to conduct an impairment test in the current year 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 is 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.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Judgements

Impairment (continued)

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 considers that 6.5% is 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
- As the Aircraft is with Emirates, who is considered to have a low credit risk profile.

Based on the impairment review performed, the Directors are of the opinion that no impairment loss is required to be recognised in the current year.

In addition, these values have been 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% and +1% intervals have been tested on either side of the Group discount rate (6.5%); and
- A reduction of the residual value used in the calculation by 10% and 20% respectively.

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

4 RENTAL INCOME

	Year ended 31 Mar 2019 GBP	Year ended 31 Mar 2018 GBP
A rent income	96,610,111	96,752,677
Revenue received but not yet earned	(36,557,688)	(35,756,039)
Revenue earned but not yet received	24,507,130	23,318,042
Amortisation of advance rental income	7,840,789	7,840,789
	92,400,342	92,155,469
B rent income	35,663,124	35,663,125
Revenue earned but not yet received	791,433	791,433
Revenue received but not yet earned	(20,417)	(20,417)
	36,434,140	36,434,141
Total rental income	128,834,482	128,589,610

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

	Year ended 31 Mar 2019 GBP	Year ended 31 Mar 2018 GBP
Corporate shareholder and adviser fee (Note 22)	831,769	813,466
Asset management fee (Note 22)	2,011,194	1,972,016
Liaison agency fee (Note 22)	11,390	12,317
Administration fees	193,080	203,494
Bank interest and charges	1,385	1,421
Accountancy fees	31,845	31,105
Registrars fee (Note 22)	14,321	18,639
Audit fee	47,650	45,200
Directors' remuneration (Note 6)	164,143	211,344
Directors' and Officers' insurance	37,245	35,679
Legal and professional expenses	67,841	45,853
Annual fees	12,910	11,411
Travel costs	6,230	1,877
Other operating expenses	20,477	17,884
	3,451,480	3,421,706

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 £23,000 per annum, except for the Chairman, who receives an additional £6,000 per annum. The chairman of the audit committee of the Company (where appointed) receives an additional £4,000 for his services in this role.

In respect of their capacity as directors of DNAFA each director receives a fee of £25,000 per annum (£30,000 for the Chairman and Audit Committee chairman of the Company, where appointed) payable by or on behalf of DNAFA.

7 DIVIDENDS IN RESPECT OF EQUITY SHARES

Dividends in respect of Ordinary Shares	**Year ended 31 Mar 2019**	
	GBP	**Pence per share**
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
Third interim dividend	7,773,750	4.50
Fourth interim dividend	7,773,750	4.50
	31,095,000	18.00

Dividends in respect of Ordinary Shares	**Year ended 31 Mar 2018**	
	GBP	**Pence per Ordinary Share**
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
Third interim dividend	7,773,750	4.50
Fourth interim dividend	7,773,750	4.50
	31,095,000	18.00

8 EARNINGS PER SHARE

Earnings per Share (''EPS'') is based on the net profit for the year attributable to holders of Ordinary Shares in the Company (“**Shareholders**”) of £26,704,577 (31 March 2018: £106,671,603) and 172,750,000 (31 March 2018: 172,750,000) Ordinary Shares being the weighted average number of Ordinary Shares in issue during the year.

There are no dilutive instruments and therefore basic and diluted EPS are identical.

9 PROPERTY, PLANT AND EQUIPMENT - AIRCRAFT

	Aircraft GBP
COST	
As at 1 Apr 2018	1,039,148,193
As at 31 Mar 2019	1,039,148,193
ACCUMULATED DEPRECIATION	
As at 1 Apr 2018	234,531,444
Depreciation charge based on previous residual values	51,872,260
Adjustment due to change in US dollar residual values	54,791
Adjustment due to FX movements on residual values	(5,773,235)
Depreciation charge for the year	46,153,816
As at 31 Mar 2019	280,685,260
CARRYING AMOUNT	
As at 31 Mar 2019	758,462,933
As at 31 Mar 2018	804,616,747

The Company 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 combined effect of translating residual values at the Sterling / US Dollar exchange rate prevailing at 31 March 2019 of 1.3035 (31 March 2018: 1.4018) and a 0.13 per cent. decrease in average appraised residual values in US Dollar terms, resulted in a £5,718,444 decrease in the annual depreciation charge for the current year.

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 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.

10 FINANCE COSTS

	Year ended 31 Mar 2019 GBP	Year ended 31 Mar 2018 GBP
Amortisation of debt arrangements costs	1,019,549	1,019,551
Loan interest	18,270,616	21,699,598
Fair value adjustment on financial assets at fair value through profit and loss	202,774	(378,813)
	19,492,939	22,340,336

11 OPERATING LEASES

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

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

31 March 2018	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft - A rental receipts	90,483,971	309,669,766	7,609,688	407,763,425
Aircraft - B rental receipts	35,663,124	145,556,350	51,421,270	232,640,744
	126,147,095	455,226,116	59,030,958	640,404,169

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 two 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 two 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 September 2024. The initial lease is for 10 years ending September 2022, with an extension period of two years ending September 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 August 2024. The initial lease is for 10 years ending August 2022, with an extension period of two years ending August 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.

11 OPERATING LEASES (continued)

MSN107 - term of the lease is for 12 years ending September 2024. The initial lease is for 10 years ending September 2022, with an extension period of two years ending September 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 September 2024. The initial lease is for 10 years ending September 2022, with an extension period of two years ending September 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 two 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.

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.

12 RECEIVABLES

	31 Mar 2019 GBP	31 Mar 2018 GBP
Prepayments	16,585	10,166
Sundry debtors	35,912	35,912
	52,497	46,078

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

13 PAYABLES (amounts falling due within one year)

	31 Mar 2019 GBP	31 Mar 2018 GBP
Accrued administration fees	18,456	15,042
Accrued audit fee	28,110	27,020
Accrued asset manager and corporate and shareholder adviser fees	-	206,779
Other accrued expenses	17,956	18,300
	64,522	267,141

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

14 BORROWINGS

	31 Mar 2019 GBP	31 Mar 2018 GBP
Bank loans	134,276,763	156,906,919
Equipment Notes	182,823,428	211,346,600
	317,100,191	368,253,519
Associated costs	(5,397,761)	(6,417,311)
	311,702,430	361,836,208
Current portion	80,363,628	73,380,012
Non-current portion	231,338,802	288,456,196

Notwithstanding the fact that £78.2 million (31 March 2018: £74.4 million) capital was repaid during the year, as per the Cash Flow Statement, the value of the borrowings has decreased by a further £50.1 million due to the 7.54 percent decrease in the Sterling / US dollar exchange rate for the year ended 31 March 2019. See note 19.

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 Statement of Financial Position:

	31 Mar 2019 GBP	31 Mar 2018 GBP
Amount due for settlement within 12 months	94,337,592	90,338,878
Amount due for settlement after 12 months	254,241,591	324,135,374

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 percent.

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 4.5580 percent.

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 4.7800 percent

Each loan is secured on one Asset. No significant breaches or defaults occurred in the year. 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.

14 BORROWINGS (continued)

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 percent and a final expected distribution date of 30 November 2022. The Class B certificates in aggregate have a face amount of $153,728,000 with an interest rate of 6.5 percent and a final expected distribution date of 30 May 2019. There is a separate trust for each class of Certificate. 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 notes are approximate to their fair value.

15 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 Ordinary Shares, C Shares or Administrative Shares.

Issued	**Administrative Shares**	**Ordinary Shares**	**C Shares**
Issued shares as at 31 March 2019 and 31 March 2018	2	172,750,000	-

Issued Ordinary Share Capital	**Administrative Shares GBP**	**Ordinary Shares GBP**	**C Shares GBP**	**Total GBP**
Total Share Capital as at 31 March 2019 and as at 31 March 2018	-	319,836,770	-	319,836,770

Members holding Ordinary Shares are entitled to receive and participate in any dividends out of income attributable to the Ordinary 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.

15 SHARE CAPITAL (continued)

Upon winding up, Ordinary Shareholders are entitled to the surplus assets attributable to the Ordinary Share 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 Ordinary 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 Ordinary 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 Ordinary Shares in existence.

16 SHORT-TERM INVESTMENTS

	31 Mar 2019 GBP	31 Mar 2018 GBP
Short-term investments	-	3,026,711

The Group has previously entered into short-term investments with various financial institutions. These investments were managed by Royal London Asset Management C.I. Limited ("RLAM") and consisted of call deposits with a term of more than 3 months, but less than 12 months from the start of the deposit. Short-term investments were highly liquid, readily convertible and were subject to insignificant risk of changes in value. These short-term investments were closed with the financial institutions during the current year.

17 CASH AND CASH EQUIVALENTS

	31 Mar 2019 GBP	31 Mar 2018 GBP
Cash at bank	15,383,001	14,908,327
Cash deposits	12,853,267	9,531,997
	28,236,268	24,440,324

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; and

(b) Loans secured on non-current assets.

(c) Interest rate swap

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's objective is to obtain income 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:

	31 Mar 2019 GBP	31 Mar 2018 GBP
Financial assets		
Interest rate swap	176,039	378,813
Financial assets at fair value through profit or loss	176,039	378,813
Cash and cash equivalents	28,236,268	24,440,324
Short-term investments	-	3,026,711
Receivables	35,912	35,912
Financial assets at amortised cost	28,272,180	27,502,947
Financial liabilities		
Payables	64,522	267,141
Debt payable	317,100,191	368,253,519
Financial liabilities measured at amortised cost	317,164,713	368,520,660

In accordance with IFRS 13, 'Fair value measurement' 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.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

The interest rate swap is considered to be level 2 in the Fair Value Hierarchy. The following tables show the Group's financial assets and liabilities as at 31 March 2019 and 31 March 2018 based on hierarchy set out in IFRS:

31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**GBP**	**GBP**	**GBP**	**GBP**
Financial assets at fair value through profit and loss				
Interest rate swap	-	176,039	-	176,039

31 March 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**GBP**	**GBP**	**GBP**	**GBP**
Financial assets at fair value through profit and loss				
Interest rate swap	-	378,813	-	378,813

Derivative financial instruments

The following tables show the Group's derivative position as at 31 March 2019 and 31 March 2018:

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

31 March 2018 **Interest Rate Swap**	**Financial asset at fair value GBP**	**Notional amount US dollar**	**Maturity**
MSN090 Loan	378,813	33,686,206	04 Dec 2023

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 14, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.

The Group's Board 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 years ended 31 March 2019 and 2018.

(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 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 11) 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 14). 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:

	31 Mar 2019 GBP	31 Mar 2018 GBP
Debt (US dollar) - Liabilities	(317,100,191)	(368,253,519)
Financial assets at fair value through profit and loss	176,039	378,813
Short-term investments (US dollar) – Asset	-	1,073,376
Cash and cash equivalents (US dollar) – Asset	9,572,709	8,726,300

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign Currency Risk (continued)

The following table details the Group's sensitivity to a 25 percent (31 March 2018: 25 percent) appreciation and depreciation in Sterling against the US dollar. 25 percent (31 March 2018: 25 percent) 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 percent (31 March 2018: 25 percent) change in foreign currency rates. A positive number below indicates an increase in profit and other equity where Sterling strengthens 25 percent (31 March 2018: 25 percent) against the US dollar. For a 25 percent (31 March 2018: 25 percent) weakening of Sterling against the US dollar, there would be a comparable but opposite impact on the profit and other equity:

	31 Mar 2019 GBP	31 Mar 2018 GBP
Profit or loss	61,470,289	71,690,769
Assets	(1,949,749)	(1,959,935)
Liabilities	63,420,038	73,650,704

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

(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 are 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:

	31 Mar 2019 GBP	31 Mar 2018 GBP
Interest rate swap	176,039	378,813
Receivables (excluding prepayments)	35,912	35,912
Short-term investments	-	3,026,711
Cash and cash equivalents	28,236,268	24,440,324
	28,448,219	27,881,760

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit Risk (continued)

Surplus cash in the Company is held in Barclays and previously in various Certificates of Deposit managed by Royal London Asset Management. 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 balance sheet and financial outlook. The financial strength of Emirates is regularly reviewed by the Board and the Asset Manager.

(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:

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 year	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)

(d) Liquidity Risk (continued)

31 Mar 2018	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 year	267,141	-	-	-	-
Bank loans	9,649,691	28,949,073	38,598,764	88,144,888	9,174,582
Equipment Notes	25,875,574	25,864,541	49,123,487	139,093,651	-
	35,792,406	54,813,614	87,722,251	227,238,539	9,174,582

(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 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, which have an associated interest rate swap as mentioned above. The lease rentals are also fixed.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Interest Rate Risk (continued)

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

	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
Short-term investments	-	-	-	-
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		

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 2018				
Financial assets				
Interest rate swap	378,813	-	-	378,813
Receivables	-	-	35,912	35,912
Short-term investments	3,026,711	-	-	3,026,711
Cash and cash equivalents	24,440,324	-	-	24,440,324
Total Financial Assets	27,845,848	-	35,912	27,881,760
Financial liabilities				
Payables	-	-	267,141	267,141
Bank loans	-	156,906,919	-	156,906,919
Equipment Notes	-	211,346,600	-	211,346,600
Total Financial Liabilities	-	368,253,519	267,141	368,520,660
Total interest sensitivity gap	27,845,848	368,253,519		

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 31 March 2019 would have been £142,062 (31 March 2018: £139,229) 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 31 March 2019 would have been £142,062 (31 March 2018: £139,229) 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. The table below excludes non-cash flows arising from the amortisation of associated costs (see note 14).

	31 Mar 2019 GBP	**31 Mar 2018 GBP**
Opening Balance	368,253,519	489,043,153
Cash flows paid - capital	(78,223,949)	(74,444,864)
Cash flows paid - interest	(18,041,712)	(22,315,451)
Non-cash flows		
- Interest accrued	18,270,616	21,699,598
- Effects of foreign exchange	26,841,717	(45,728,917)
Closing Balance	317,100,191	368,253,519

21 ULTIMATE CONTROLLING PARTY

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

22 RELATED PARTIES AND MATERIAL CONTRACTS

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 percent per annum), payable quarterly in arrears (the “**Annual Fee**”), save that Doric shall only become entitled to such Annual Fee in relation to each Asset following the acquisition of such Asset by the Company. The Annual Fee for each Asset shall be calculated from the date of acquisition of the Asset.

During the year, the Group incurred £2,022,584 (31 March 2018: £1,984,333) of fees and expenses with Doric which consisted of asset management fees of £2,011,194 (31 March 2018: £1,972,016) and liaison agency fees of £11,390 (31 March 2018: £12,317). At 31 March 2019, £7,580 (31 March 2018: £1,166) was prepaid to this related party.

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

During the year, the Group incurred £831,769 (31 March 2018: £813,466) of fees and expenses with Nimrod, of which £nil (31 March 2018: £206,779) was outstanding to this related party at 31 March 2019. £831,769 (31 March 2018: £813,466) of expenses related to management fees as shown in Note 5.

John Le Prevost is a director of Anson Registrars Limited (“**Anson**”), the Group’s registrar, transfer agent and paying agent. During the year, the Group incurred £14,321 (31 March 2018: £18,639) of fees and expenses with Anson, of which £1,445 (31 March 2018: £3,025) was outstanding as at 31 March 2019.

23 SUBSEQUENT EVENTS

On 11 April 2019, a further dividend of 4.5 pence per Ordinary Share was declared and this was paid on 30 April 2019.

ADVISERS 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: GBP
ISIN: GG00B3Z62522
SEDOL: B3Z6252
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 Adviser
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)
Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

Registrar
Anson Registrars Limited
PO Box 426, Anson House
Havilland Street
St Peter Port
Guernsey, GY1 3WX

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