Doric Nimrod Air Three Limited

# Consolidated Half-yearly Financial Report

(unaudited)

From 1 April to 30 September 2016

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**Doric Nimrod Air Three Limited**

## SUMMARY INFORMATION

| | |
|---|---|
| Admission to Trading | Specialist Fund Segment of London Stock Exchange's Main Market |
| Ticker | DNA3 |
| Share Price | 104 pence (as at 30 September 2016)<br>101.700 pence (as at 25 November 2016) |
| Market Capitalisation | GBP 228 million (as at 30 September 2016) |
| Aircraft Registration Numbers | A6-EEK, A6-EEL, A6-EEM, A6-EEO |
| Current/Future Anticipated Dividend | Current dividends are 2.0625p per quarter per share (8.25p per annum) and it is anticipated this will continue until the aircraft leases begin to terminate in 2025. |
| Dividend Payment Dates | April, July, October, January |
| Currency | Sterling |
| Launch Date/Price | 2 July 2013 / 100p |
| Incorporation and Domicile | Guernsey |
| Asset Manager | Amedeo Management Limited |
| Corp & Shareholder Advisor | Nimrod Capital LLP |
| Administrator | JTC (Guernsey) Limited |
| Auditor | Deloitte LLP |
| Market Makers | Jefferies International Limited<br>Numis Securities Limited<br>Shore Capital Limited<br>Winterflood Securities Limited |
| SEDOL, ISIN | B92LHN5, GG00B92LHN58 |
| Year End | 31 March |
| Stocks & Shares ISA | Eligible |
| Website | www.dnairthree.com |

## COMPANY OVERVIEW

### Doric Nimrod Air Three Limited

Doric Nimrod Air Three Limited (LSE Ticker: DNA3) ("**DNA3**" or the "**Company**") is a Guernsey company incorporated on 29 March 2012.

Pursuant to the Company's Prospectus dated 20 June 2013, the Company on 2 July 2013, offered its shares for issue by means of a placing and raised approximately £211 million by the issue of Ordinary Preference Shares (the "**Shares**") at an issue price of £1 each (the "**Placing**"). On 2 July 2013 the Company's Shares were admitted to the official list of the Channel Islands Securities Exchange Authority Limited ("**CISEA**") and to trading on the Specialist Fund Segment ("**SFS**") of the London Stock Exchange ("**LSE**").

As at 25 November 2016, the last practicable date prior to the publication of this report, the Company's total issued share capital consisted of 220,000,000 Shares and the shares were trading at 101.00 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**" and together the "**Assets**"). To pursue its investment objective, the Company has used the net proceeds of placings and other equity capital raisings, together with debt facilities (or instruments), to initially acquire four Airbus A380 Aircraft which are leased to Emirate Airlines ("**Emirates**"), the national carrier owned by The Investment Corporation of Dubai based in Dubai, United Arab Emirates.

### DNA Alpha

The Company has one wholly-owned subsidiary, DNA Alpha Limited ("**DNA Alpha**") which holds the Assets for the Company. Together the Company and DNA Alpha are known as the ("**Group**").

The first Asset was acquired by DNA Alpha on 29 August 2013 for a purchase price of USD 245 million. Upon delivery, DNA Alpha entered into an operating lease with Emirates, pursuant to which the first Asset has been leased to Emirates for an expected initial term of 12 years, with fixed lease rentals for the duration.

The second Asset was acquired by DNA Alpha on 29 October 2013 for a purchase price of USD 245 million. Upon delivery, DNA Alpha entered into an operating lease with Emirates, pursuant to which the second Asset has been leased to Emirates for an expected initial term of 12 years, with fixed lease rentals for the duration.

The third Asset was acquired by DNA Alpha on 14 November 2013 for a purchase price of USD 245 million. Upon delivery, DNA Alpha entered into an operating lease with Emirates, pursuant to which the third Asset has been leased to Emirates for an expected initial term of 12 years, with fixed lease rentals for the duration.

The fourth Asset was acquired by DNA Alpha on 27 November 2013 for a purchase price of USD 245 million. Upon delivery, DNA Alpha entered into an operating lease with

Emirates, pursuant to which the fourth Asset has been leased to Emirates for an expected initial term of 12 years, with fixed lease rentals for the duration.

DNA Alpha acquired the Assets, using a combination of a portion of the proceeds of the issue of the Shares by the Company together with the proceeds of the sale of Equipment Notes issued by DNA Alpha (the "**Equipment Notes**") and the initial rent payment pursuant to the relevant operating leases. The Equipment Notes were acquired by two separate pass through trusts using the proceeds of their issue of enhanced equipment trust certificates (the "**Certificates**") as detailed within the Offering Circular issued by DNA Alpha dated 10 July 2013. The Certificates, with an aggregate face amount of approximately USD 630 million, were admitted to the official list of the Irish Stock Exchange and to trading on the Main Securities market thereof on 12 July 2013 and will mature on 30 May 2025.

### Distribution Policy

The Company aims to provide its Shareholders with an attractive total return comprising income from distributions through the period of the Company'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 leases. Income distributions are made quarterly, subject to compliance with applicable laws and regulations. The Company currently targets a distribution of 2.0625 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 (the "**Law**") before the Directors may resolve to declare dividends.

### Performance Overview

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

During the period under review and in accordance with the Distribution Policy the Company declared two interim dividends of 2.0625 pence per Share. One interim dividend of 2.0625 pence per Share was declared after the reporting period. Further details of dividend payments can be found on page 29.

### Return of Capital

If and when the Company is wound up (pursuant to a shareholder resolution, including the liquidation resolution) the Company intends to return to Shareholders the net capital proceeds upon the eventual sale of the Assets 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 in the Law).

### 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 November 2026, where an ordinary resolution will be put to the Shareholders 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 and shall propose such alternatives at a general meeting of the Members, including re-leasing the Assets, or selling the Assets and reinvesting the capital received from the sale of the Assets in another aircraft or aircrafts.

## CHAIRMAN'S STATEMENT

I am very pleased to present Shareholders with the Company's half-yearly consolidated financial report covering the period from 1 April 2016 to 30 September 2016 (the "Period").

I am glad to report that during the Period the Company has performed as anticipated and has declared and paid quarterly dividends of 2.0625 pence per share as expected, representing 8.25 pence share per year.

The Company owns four Airbus A380s all leased to the Emirates. The lease payments received by the Company from Emirates cover repayment of the debt as well as income to pay operating expenses and dividends to Shareholders. Emirates bears all costs (including maintenance, repair and insurance) relating to the aircraft during the lifetime of the leases.

The Company's Asset Manager, Amedeo Management Limited, continues to monitor the Leases and reports regularly to the Board. Nimrod Capital LLP, the Company's placing and Corporate Agent as well as its Shareholder Advisory Agent, continues to liaise between the Board and Shareholders including distribution of quarterly fact sheets.

From January to August 2016 overall global air traffic passenger demand, measured in revenue passenger kilometres (RPKs), expanded by 5.4% compared to the same period in the year before and taking into consideration that 2016 is a leap year. Traffic is being shaped by a range of drivers, including fragile economic growth and lower airfares. The International Air Transport Association (IATA) says that passenger traffic is set for another year of solid growth.

Emirates has also continued to perform well flying more passengers than ever before carrying 51.9 million people to 153 destinations in 80 countries on six continents during the last financial year 2015/16. About 32% of Emirates' passengers were carried by an A380. Passenger load factors remain high across the fleet. At the same time Emirates received 29 new aircraft to cope with its forecast increasing demand.

In economic reality, the Company has also performed well. Two interim dividends were declared in the half-year and future dividends are targeted to be declared and paid on a quarterly basis. However, the financial statements do not in the Board's view properly convey this economic reality due to the accounting treatment for foreign exchange, rental income and finance costs.

International Financial Reporting Standards require that transactions denominated in US Dollars (including, most importantly, the cost of the aircraft) are translated into sterling 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.

The Asset Manager of the Company produces a factsheet on a quarterly basis which includes an analysis of the asset value of the Company. Due to the inaccuracies described above, the Board recommends that Shareholders consider the asset value disclosed in the quarterly factsheet as more indicative of the value of the Company's assets.

On an on-going basis and assuming the lease and loan 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 Company's life and are very similar in amount and timing.

In addition to this, rental income receivable is credited evenly to the Consolidated Statement of Comprehensive Income over the planned life of the Company. 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 term of the debt with a higher proportion of interest recognised in earlier periods, so that the differential between rental income and interest cost (as reported in the Consolidated Statement of Comprehensive Income) reduces over the course of 12 years. 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.

On behalf of the Board, I would like to thank our service providers for all their help and assistance and all Shareholders for their continued support of the Company.

**Charles Wilkinson**

**Chairman**

## ASSET MANAGER'S REPORT

On the invitation of the Directors of the Company, the following commentary has been provided by Amedeo Management Limited as Asset Manager of the Company and is provided without any warranty as to its accuracy and without any liability incurred on the part of the Company, its Directors and officers and service providers. The commentary is not intended to constitute, and should not be construed as, investment advice. Potential investors in the Company should seek their own independent financial advice and may not rely on this communication in evaluating the merits of an investment in the Company. The commentary is provided as a source of information for shareholders of the Company but is not attributable to the Company.

### 1. The Assets

In November 2013, the Company completed the purchase of all four Airbus A380 aircraft bearing manufacturer's serial numbers (MSN) 132, 133, 134 and 136. All four aircraft are leased to Emirates for an initial term of 12 years from the point of delivery with fixed lease rentals for the duration.

The A380s owned by the Company recently visited Auckland, Brisbane, Dusseldorf, Jeddah, Los Angeles, Melbourne, Munich, New York JFK, Perth, Rome, Sydney, and Zurich. Aircraft utilisation for the period from delivery of each Airbus A380 until the end of August 2016 was as follows:

| MSN | Delivery Date | Flight Hours | Flight Cycles | Average Flight Duration |
|---|---|---|---|---|
| 132 | 29/08/2013 | 15,469 | 1,777 | 8 h 40 min |
| 133 | 27/11/2013 | 14,522 | 1,468 | 9 h 55 min |
| 134 | 14/11/2013 | 14,506 | 1,511 | 9 h 35 min |
| 136 | 29/10/2013 | 14,725 | 1,513 | 9 h 45 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 24 month or 12,000 flight hour intervals, whichever occurs first. Emirates bears all costs (including for maintenance, repairs and insurance) relating to the aircraft during the lifetime of the leases.

### Inspections

The asset manager performed physical inspections of MSN 132 (May 2016), MSN 133 (July 2016), MSN 134 (August 2016) and MSN 136 (August 2016) at Dubai International Airport. The physical condition of the aircraft were in compliance with the provisions of the respective lease agreement.

### 2. Market Overview

During the first seven months of 2016 passenger demand, measured in revenue passenger kilometres (RPKs), increased by 6.0% compared to the same period the year before. Adjusted for the extra day, as 2016 is a leap year, traffic grew by 5.5%. "Passenger demand has broadly grown in line with the average of the past 10 years but the industry faces some potential headwinds, including lingering impacts from the series of terrorist attacks and the fragile economic backdrop", said Alexandre de Juniac, IATA's (International Air Transport Association) Director General and CEO. But entering the peak travel months, July and August, RPK growth accelerated in July with the fastest pace in five months and, according to IATA, passenger traffic is set for another year of solid growth.In its latest forecast released in June, it expects an RPK growth of 6.2% in 2016.

At 79.9% passenger load factors have remained close to the historic high - in a narrow band around 80% since February - as airlines have slowed capacity growth in line with the moderation in demand growth. IATA estimates an average worldwide passenger load factor of 80.0% for the full year 2016.

A regional breakdown reveals that Middle East airlines, including Emirates, continued to outperform the overall market again this year. Between January and July RPKs increased by 10.9% compared to the previous period. Asia/Pacific-based operators ranked second with 8.7%, followed by Africa with 7.7%. Europe grew by 3.7%. Latin American and North American market participants each recorded 3.6% more RPKs.

Fuel is the single largest operating cost of airlines and has significant effects on the industry's profitability. According to its latest report released in June, IATA expects an average fuel price of USD 55.6 per barrel in 2016. This would be 17% lower compared to the previous year. It could drive the average share of fuel costs in operating expenses down to less than 20% for the first time since 2004. The industry-wide net profit could be further boosted to an estimated USD 39.4 billion. The net profit margin of 5.6% would be the highest for more than a decade. In 2015 the revised industry net profit reached USD 35.3 billion, compared to a revised net profit of USD 13.7 billion the year before. The profit development during this year will heavily depend on the oil price level. IATA has based its calculations on an average crude oil price of USD 45 per barrel. This includes a rising profile during the course of the year to just above USD 50 per barrel by the end of 2016.



### 3. Lessee – Emirates Key Financials

In the financial year 2015/16 ending on 31 March 2016 Emirates made its highest profit ever with USD 1.9 billion – an increase of 56% compared to the previous period. The profit margin of 8.4% is the greatest since 2010/11. At the same time, the 28th consecutive year of profit provided a number of global and operational challenges to the company. The rise of the US dollar against currencies in most of Emirates' key markets only had a USD 1.1 billion impact on the airline's bottom line. As a result of this and fare adjustments following the reduction in fuel prices there was a 4% drop in revenue to USD 23.2 billion. During the financial year, the airline had to deal with weak consumer confidence in a slow global economic environment, terror threats and geopolitical instability in many regions it serves. Nevertheless, the company was able to maintain its strategy of a diversified revenue base which limited the carrier's exposure to single geographical regions.

The airline's operating costs were significantly influenced by the drop in oil prices with a 39% lower average fuel price compared to the previous period. As Emirates remained largely unhedged on jet fuel prices, this significantly paid off. Fuel costs remained the largest component in operating costs, but significantly decreased by 9 percentage points to 26%. Total operating costs decreased by 8% over the 2014/15 financial year.

As of 31 March 2016, the balance sheet total amounted to USD 32.5 billion, an increase of 7% compared to the beginning of the financial year. Total equity increased by 14.6% to USD 8.8 billion with an equity ratio of 27.2%. The current ratio stood at 0.82, meaning the airline would be able to meet about four-fifths of its current liabilities by liquidating all its current assets. Significant items on the liabilities side of the balance sheet included current and non-current borrowings and lease liabilities in the amount of USD 13.7 billion. As of 31 March 2016, the carrier's cash balance was USD 5.4 billion, up by USD 846 million compared to the beginning of the financial year.

New destinations, larger aircraft deployment and increased frequencies to existing destinations boosted the transport capacities for passengers (measured in ASKs) by 12.8% compared to the previous financial year. Passenger demand (in RPKs) grew by 8.4%, resulting in a passenger load factor of 76.5%. The economy class seat factor stood at 79.2%. About 32% of the 51.9 million passengers carried in the 2015/16 financial year travelled aboard an A380. Premium and overall seat factors for Emirates' flagship aircraft outperformed the network.

During the financial year 2015/16 Emirates added eight new passenger destinations to its network and added services and capacity to another 34 cities on its existing route network across Africa, Asia, Europe, the Middle East and North America. The increasing number of A380 aircraft joining the fleet allowed the airline to introduce superjumbo services to a further four destinations during the course of the 2015 calendar year. At the same time A380 services to nine existing routes were increased. This means one out of every four destinations on the carrier's passenger network is served by an A380. During the first six months of 2016 Emirates' aircraft travelled 432 million kilometres on over 96,000 flights.

In July Emirates was named the "World's Best Airline 2016" at the Skytrax World Airline Awards. The ranking is based on the largest airline passenger satisfaction survey in the industry, with a total of 19.2 million completed surveys covering 280 airlines. After 2001, 2002 and 2013 this is the fourth time the top accolade was awarded to Emirates in the 15-year history of this contest. Furthermore, the airline received the "World's Best Inflight Entertainment" award for a record 12th consecutive year, and the "Best Airline in the Middle East" award.

Source: Ascend, Emirates

### 4. Aircraft – A380

By mid-September 2016 Emirates operated a fleet of 83 A380s which currently serve 41 destinations from its Dubai hub: Amsterdam, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Brisbane, Copenhagen, Dallas, Dusseldorf, Frankfurt, Hong Kong, Houston, Jeddah, Kuala Lumpur, Kuwait, London Gatwick, London Heathrow, Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Mumbai, Munich, New York JFK, Paris, Perth, Prague, Rome, San Francisco, Seoul, Shanghai, Singapore, Sydney, Taipei, Toronto, Vienna, Washington, and Zurich. During the summer Emirates announced a number of expansions to its A380 operations. This includes a second daily A380 services to Los Angeles (since July 1) and Milan (from October 1) and a third daily A380 services to Munich (since June 20) and Manchester (from January 1, 2017). Furthermore, Guangzhou (China) is scheduled to become an A380 destination on October 1, 2016. Johannesburg (South Africa) will complement Emirates' global list of A380 destinations from February 1, 2017. Already this year the operator will deploy the A380 on its non-stop service between Dubai and Auckland (New Zealand), which was introduced only a few months ago, currently flown by a Boeing 777-200LR and which is reported to be the longest sector served by a commercial carrier. Also from October 30, 2016 another New Zealand city, Christchurch, will be served by an A380, eliminating the current en-route stop in Bangkok.

By mid-September 2016 the global A380 fleet consisted of 195 commercially operated planes in service. The thirteen operators are Emirates (83), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Air France (10), Korean Airways (10), Etihad Airways (8) Malaysia Airlines (6), Qatar Airways (6), Thai Airways (6), China Southern Airlines (5), and Asiana (4). The number of undelivered A380 orders stood at 126.

For a long time Emirates has been known as the strongest supporter of a re-engined A380 and prepared to order up to 200 of the so-called A380neo. Speaking in front of aviation professionals in June, Airbus' CEO Fabrice Bregier ruled out an A380neo in the near future. In May Emirates' President Tim Clark had indicated that Emirates might purchase up to 60 additional aircraft of the current version, if Airbus were not prepared to launch a neo. With regard to the airline's retirement plans for in-service A380s Clark said that extending leases beyond their current duration would be an option.

In July 2016 A380 manufacturer Airbus revealed plans to cut A380 production to one aircraft per month from 2018 onwards. According to Airbus CEO, Fabrice Brégier, the company remains committed to the superjumbo and will continue to invest in the jet. "The A380 is here to stay", Brégier was quoted in the press. The adjusted production rate allows Airbus to keep "all [its options open" for the emergence of future A380 demand.

In August 2016 Australian flag carrier Qantas disclosed that the airline is unlikely to take delivery of the final eight A380s it has on order with Airbus. The airline's CEO Alan Joyce is very happy with the current network accommodating 12 A380s but is struggling to find routes for another eight aircraft. Deliveries have been repeatedly deferred in recent years as a cost-saving measure.

In September 2016 Singapore Airlines (SIA) announced that they had decided not to exercise their option to extend the lease on their first Airbus A380 delivered in 2007 at the current rental. The initial lease term expires in October 2017. No decisions have been made so far on a further four A380 aircraft which were delivered to SIA on similar operating lease terms in 2008. This statement comes only days after Malaysia Airlines' (MAS) reaffirmation to market its six A380s in the near future, as its new focus is more on Asian flights requiring lower capacity aircraft, like the 25 Boeing 737 MAX ordered back in

July this year. CEO Peter Bellew said MAS is in talks with carriers in China and other Association of Southeast Asia Nations countries who might be interested in leasing or buying superjumbos. In his view there are a number of airlines in the region “keen to dip their toe in the water”. Already in June last year MAS announced plans to remove a number of aircraft from its fleet, including two of its six A380 aircraft, as part of its restructuring plans.

Source: aero.de, Airbus, Ascend, Bloomberg, CAPA, Emirates

## DIRECTORS

### Charles Edmund Wilkinson - Chairman (Age 73)

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, Chairman of the Audit Committee of Doric Nimrod Air Two Limited, and a director of Premier Energy and Water Trust PLC (a listed investment trust), and of Landore Resources Ltd, a Guernsey based mining exploration company. He is resident in Guernsey.

### Norbert Bannon (Age 67)

Norbert Bannon is chairman of a large UK DB pension fund, a major Irish DC pension scheme and is a Director of and advisor to a number of other financial companies. He is Chairman of Doric Nimrod Air Two Limited and Chairman of the Audit Committee of Doric Nimrod Air One Limited. He has extensive experience in international finance having been CEO of banks in Singapore and New York. He was CEO of Ireland’s largest venture capital company and was Finance Director and Chief Risk Officer at a leading investment bank in Ireland. He has worked as a consultant on risk issues internationally.

He earned a degree in economics from Queen’s University, studied at Stanford Graduate School of Business and is a Chartered Accountant.

### Geoffrey Alan Hall (Age 67)

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 Two Limited.

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

### John Le Prevost (Age 64)

John Le Prevost is the Chief Executive Officer of Anson Group Limited and Chairman of Anson Registrars Limited (the Company’s Registrar). He has spent over 30 years working in offshore trusts and investment business during which time he was Managing Director of County NatWest Investment Management (Channel Islands) Limited, Royal Bank of Canada’s mutual fund company in Guernsey and Republic National Bank of New York’s international trust company. John is a director of Guaranteed Investment Products I PCC Limited, Guernsey’s largest protected cell 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 Two Limited and Amedeo Air Four Plus Limited. He is resident in Guernsey.

## INTERIM MANAGEMENT REPORT

A description of important events which have occurred during the Period, their impact on the performance of the Group as shown in the financial statements and a description of the principal risks and uncertainties facing the Group is given in the Chairman's Statement, Asset Manager's Report, and the Notes to the Financial Statements contained on pages 19 to 44 and are incorporated here by reference.

There were no material related party transactions which took place in the Period, other than those disclosed at Note 20 of the Notes to the Financial Statements.

### Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company are unchanged from those disclosed in the Company's annual financial report for the year ended 31 March 2016.

### 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 pages 15 to 18. In addition, Note 18 to the 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 Equipment Note payments have been fixed and the fixed rental income under the relevant operating lease means that the rent should be sufficient to repay the debt and provide surplus income to pay for the Group's expenses and permit payment of dividends.

After making reasonable enquiries, and as described above the Directors have a reasonable expectation that the Group has adequate resources to continue in its operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## 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 fair, balanced and understandable view of the assets, liabilities, financial position and profits of the Company and performance of the Company;

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

   a. an indication of important events that have occurred during the Period, and their impact on the financial statements;

   b. a description of the principal risks and uncertainties for the remaining six months of the financial year; and

   c. confirmation that there were no related party transactions in the Period that have materially affected the financial position or the performance of the Company during that period.

Signed on behalf of the Board of Directors of the Company on 30 November 2016

| | |
|---|---|
| **Charles Wilkinson** | **John Le Prevost** |
| **Chairman** | **Director** |

**Doric Nimrod Air Three Limited**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the period from 01 April 2016 to 30 September 2016**

| | Notes | 1 Apr 2016 to 30 Sep 2016 GBP | 1 Apr 2015 to 30 Sep 2015 GBP |
|---|---|---|---|
| **INCOME** | | | |
| A rent income | 4 | 24,220,233 | 23,924,296 |
| B rent income | 4 | 10,264,235 | 10,264,236 |
| Bank interest received | | 44,947 | 45,575 |
| | | 34,529,415 | 34,234,107 |
| **EXPENSES** | | | |
| Operating expenses | 5 | (740,497) | (720,391) |
| Depreciation of Aircraft | 9 | (11,775,599) | (11,277,223) |
| | | (12,516,096) | (11,997,614) |
| Net profit for the period before finance costs and foreign exchange (losses) / gains | | 22,013,319 | 22,236,493 |
| Finance costs | 10 | (10,771,165) | (10,567,748) |
| Net profit for the period after finance costs before foreign exchange (losses) / gains | | 11,242,154 | 11,668,745 |
| Unrealised foreign exchange (loss) / gain | 17b | (37,326,642) | 8,236,555 |
| (Loss) / profit for the period | | (26,084,488) | 19,905,300 |
| Other Comprehensive Income | | - | - |
| Total Comprehensive (Loss) / Income for the period | | (26,084,488) | 19,905,300 |
| | | **Pence** | **Pence** |
| (Loss) / Earnings per Ordinary Preference Share for the period - Basic and Diluted | 8 | (11.86) | 9.05 |

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

The notes on pages 19 to 44 form an integral part of these consolidated financial statements.

**Doric Nimrod Air Three Limited**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As at 30 September 2016**

| | Notes | 30 Sep 2016 GBP | 31 Mar 2016 GBP |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Aircraft | 9 | 550,494,490 | 562,270,088 |
| **CURRENT ASSETS** | | | |
| Receivables | 12 | 88,596 | 54,796 |
| Cash and cash equivalents | | 11,910,593 | 11,393,834 |
| | | 11,999,189 | 11,448,630 |
| **TOTAL ASSETS** | | 562,493,679 | 573,718,718 |
| **CURRENT LIABILITIES** | | | |
| Borrowings | 14 | 55,978,342 | 49,274,340 |
| Deferred income | | 3,918,697 | 3,539,926 |
| Rebates | 15 | 180,525 | 326,151 |
| Payables - due within one year | 13 | 148,549 | 187,280 |
| | | 60,226,113 | 53,327,697 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 14 | 300,138,604 | 296,185,793 |
| Deferred income | | 70,798,308 | 57,941,923 |
| Rebates | 15 | 2,346,819 | 2,119,982 |
| | | 373,283,731 | 356,247,698 |
| **TOTAL LIABILITIES** | | 433,509,844 | 409,575,395 |
| **TOTAL NET ASSETS** | | 128,983,835 | 164,143,323 |
| **EQUITY** | | | |
| Share capital | 16 | 208,953,833 | 208,953,833 |
| Retained earnings | | (79,969,998) | (44,810,510) |
| | | 128,983,835 | 164,143,323 |
| | | **Pence** | **Pence** |
| Net Asset Value Share per Ordinary Preference Share based on 220,000,000 (Mar 2016: 220,000,000) shares in issue | | 58.63 | 74.61 |

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 30 November 2016 and are signed on its behalf by:

Charles Wilkinson — Director

John Le Prevost — Director

The notes on pages 19 to 44 form an integral part of these consolidated financial statements.

**Doric Nimrod Air Three Limited**

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**For the period from 01 April 2016 to 30 September 2016**

| | 1 Apr 2016 to 30 Sep 2016 GBP | 1 Apr 2015 to 30 Sep 2015 GBP |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| (Loss) / profit for the period | (26,084,488) | 19,905,300 |
| Movement in deferred income | 9,439,361 | 7,740,052 |
| Interest received | (44,947) | (45,575) |
| Depreciation of Aircraft | 11,775,599 | 11,277,223 |
| Loan interest payable | 10,576,965 | 10,164,698 |
| Decrease in payables | (38,731) | (12,523) |
| (Increase) / decrease in receivables | (33,800) | 17,991 |
| Foreign exchange movement | 37,326,642 | (8,236,555) |
| Amortisation of debt arrangement costs | 194,200 | 403,050 |
| **NET CASH FROM OPERATING ACTIVITIES** | 43,110,801 | 41,213,661 |
| **INVESTING ACTIVITIES** | | |
| Interest received | 44,947 | 45,575 |
| **NET CASH FROM INVESTING ACTIVITIES** | 44,947 | 45,575 |
| **FINANCING ACTIVITIES** | | |
| Dividends paid | (9,075,000) | (9,075,000) |
| Repayments of capital on borrowings | (24,009,120) | (21,395,550) |
| Payments of interest on borrowings | (9,597,307) | (10,294,828) |
| **NET CASH USED IN FINANCING ACTIVITIES** | (42,681,428) | (40,765,378) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 11,393,834 | 10,607,450 |
| Increase in cash and cash equivalents | 474,320 | 493,858 |
| Effects of foreign exchange rates | 42,440 | (219,878) |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 11,910,593 | 10,881,430 |

The notes on pages 19 to 44 form an integral part of these consolidated financial statements.

**Doric Nimrod Air Three Limited**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**For the period from 01 April 2016 to 30 September 2016**

| | Notes | Share Capital GBP | Retained Earnings GBP | Total GBP |
|---|---|---|---|---|
| Balance as at 1 April 2016 | | 208,953,833 | (44,810,510) | 164,143,323 |
| Total Comprehensive Income for the period | | - | (26,084,488) | (26,084,488) |
| Dividends paid | 7 | - | (9,075,000) | (9,075,000) |
| Balance as at 30 September 2016 | | 208,953,833 | (79,969,998) | 128,983,835 |

| | Notes | Share Capital GBP | Retained Earnings GBP | Total GBP |
|---|---|---|---|---|
| Balance as at 1 April 2015 | | 208,953,833 | (37,026,230) | 171,927,603 |
| Total Comprehensive Income for the period | | - | 19,905,300 | 19,905,300 |
| Dividends paid | 7 | - | (9,075,000) | (9,075,000) |
| Balance as at 30 September 2015 | | 208,953,833 | (26,195,930) | 182,757,903 |

The notes on pages 19 to 44 form an integral part of these financial statements.

## 1 GENERAL INFORMATION

The consolidated financial statements incorporate the results of Doric Nimrod Air Three Limited (the "Company") and DNA Alpha Limited (the "Subsidiary") (together known as the "Group").

The Company was incorporated in Guernsey on 29 March 2012 with registered number 54908. Its share capital consists of one class of Ordinary Preference Shares ("Ordinary Shares") and one class of Subordinated Administrative Shares ("Admin Shares"). The Company's Ordinary Shares have been admitted to trading on the SFS of the LSE. The Company delisted from the Channel Islands Securities Exchange ("CISEA") on 5 September 2014.

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

## 2 ACCOUNTING POLICIES

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

### (a) Basis of Preparation

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

This report is to be read in conjunction with the annual report for the year ended 31 March 2016 which are prepared in accordance with the International Financial Reporting Standards adopted by the European Union and any public announcements made by the Company during the interim reporting period.

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

**Changes in accounting policies and disclosure**

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:

IFRS 7 Financial Instruments: Disclosures - amendments resulting from September 2014 Annual Improvements effective for annual periods beginning on or after 1 January 2016.

IAS 1 Presentation of Financial Statements - amendments resulting from the disclosure initiative effective for annual periods beginning on or after 1 January 2016.

## 2 ACCOUNTING POLICIES (continued)

### (a) Basis of Preparation (continued)

IAS 16 Property, Plant and Equipment - amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16 effective for annual periods beginning on or after 1 January 2016.

IAS 34 Interim Financial Reporting - amendments resulting from September 2014 annual improvements for annual periods beginning on or after 1 January 2016.

The following Standards or Interpretations that are expected to affect the Group have been issued but not yet adopted by the Group as shown below. Other Standards or Interpretations issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Standards Interpretations Committee ("IFRIC") are not expected to affect the Group.

IFRS 9 Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. There is no mandatory effective date, however the IASB has tentatively proposed that this will be effective for accounting periods commencing on or after 1 January 2018 (EU endorsement is outstanding).

IFRS 15 Revenue from contracts with customers - 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 and is endorsed by the EU. The standard is effective for a period beginning on or after 1 January 2018.

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 (EU endorsement is outstanding) and is effective for annual periods beginning on or after 1 January 2019.

IAS 7 Statement of Cash Flows - amendments resulting from the disclosure initiative effective for annual periods beginning on or after 1 January 2017 (EU endorsement is outstanding).

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 period for which they are required.

## 2 ACCOUNTING POLICIES (continued)

### (b) Basis of Consolidation

The consolidated financial statements incorporate the results of the Company and its Subsidiary. The Company owns 100% of all the shares in the Subsidiary and has the power to govern the financial and operating policies of the Subsidiary so as to obtain benefits from its 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.

### (c) Taxation

The Company and its Subsidiary have been assessed for tax at the Guernsey standard rate of 0%.

### (d) Share Capital

Ordinary Preference Shares (the "Shares") are classified as equity. Incremental costs directly attributable to the issue of Shares are recognised as a deduction from equity.

### (e) Expenses

All expenses are accounted for on an accruals basis.

### (f) Interest Income

Interest income is accounted for on an accruals basis.

### (g) Foreign Currency Translation

The currency of the primary economic environment in which the Group operates (the functional currency) is Great British Pounds ("GBP" or "£") which is also the presentation currency.

Transactions denominated in foreign currencies are translated into GBP 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.

### (h) 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.

## 2 ACCOUNTING POLICIES (continued)

### (i) 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 (together the "Assets" and each an "Asset").

### (j) 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 despite the current economic climate as the loans 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.

### (k) 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 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.

### (l) Property, Plant and Equipment - Aircraft

In line with IAS 16 Property Plant and Equipment, each Assets 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 Assets 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 costs to the Company. Accumulated depreciation and any recognised impairment losses are deducted from cost to calculate the carrying amount of the Assets.

**2 ACCOUNTING POLICIES (continued)**

**(l) Property, Plant and Equipment - Aircraft (continued)**

Depreciation is recognised so as to write off the cost of 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 four planes ranges from £82.8 to £86.9 million. Residual values have been arrived at by taking into account disposition fees. The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed annually and is an estimate of the fair amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Useful life is also reviewed annually and for the purposes of the financial statements represents the likely period of the Group's ownership of these Assets. Depreciation starts when the Assets are available for use.

At each statemetn of financial position date, the Group reviews the carrying amounts of its Aircrafts to determine whether there is any indication that those Assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the Assets is estimated to determine the extent of the impairment loss (if any).

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 Assets 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)

### (m) Financial Liabilities

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.

### (n) Net Asset Value

In circumstances where the Directors, as advised by the Asset Manager, are of the opinion that the net asset value ("NAV") or NAV per Share, as calculated under prevailing accounting standards, is not appropriate or could give rise to a misleading calculation, the Directors, in consultation with the Administrator and the Asset Manager may determine, at their discretion, an alternative method for calculating the value of the Group and shares in the capital of the Group, which they consider more accurately reflects the value of the Group.

## 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.

## 3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

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.

**Residual Value and Useful Life of Aircraft**

As described in Note 2 (l), 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 the 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 Asset Manager, the Directors have concluded that a forecast market value for the aircraft at the end of its useful life (including inflationary effects) best approximates residual value. In estimating residual value, the directors have made reference to forecast market values for the aircraft obtained from 3 independent expert aircraft valuers. The estimation of residual value remains subject to inherent uncertainty. If the estimate of residual value had been decreased by 20% with effect from the beginning of this year, the net profit for the year and closing shareholders' equity would have been decreased by approximately £3.5 million. An increase in residual value by 20% would have had an equal but opposite effect. This reflects the range of estimates of residual value that the Directors believe would be reasonable at this time. The useful life of each Asset is estimated based on the expected period for which the Group will own and lease the aircraft.

**Operating Lease Commitments - Group as Lessor**

The Group has entered into operating leases on four (30 Sep 2015: four) 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 present value of the remaining 2 years would be due.

## 3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

**Impairment**

As described in Note 2 (l), an impairment 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 monitor the Assets for any indications of impairment as required by IAS 16 Property, Plant and Equipment and IAS 36 Impairment of Assets.

At the period end the Directors have reviewed the carrying values of the Assets and concluded that there was no indication of any impairments.

## 4 RENTAL INCOME

| | 1 Apr 2016 to 30 Sep 2016 GBP | 1 Apr 2015 to 30 Sep 2015 GBP |
|---|---|---|
| A rent income | 33,687,638 | 31,692,392 |
| Revenue received but not yet earned | (24,021,903) | (20,319,977) |
| Revenue earned but not received | 13,101,928 | 11,076,526 |
| Amortisation of advance rental income | 1,596,602 | 1,596,602 |
| Deduction of rebate monies | (144,032) | (121,247) |
| | 24,220,233 | 23,924,296 |
| B rent income | 10,236,191 | 10,236,191 |
| Revenue received but not yet earned | (14,022) | (14,022) |
| Revenue earned but not yet received | 42,067 | 42,067 |
| | 10,264,235 | 10,264,236 |
| Total rental income | 34,484,468 | 34,188,532 |

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

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

## 5 OPERATING EXPENSES

| | 1 Apr 2016 to 30 Sep 2016 GBP | 1 Apr 2015 to 30 Sep 2015 GBP |
|---|---|---|
| Management fee | 218,004 | 210,126 |
| Asset management fee | 323,067 | 315,277 |
| Administration fees | 55,647 | 55,647 |
| Bank interest & charges | 14,387 | 22,340 |
| Accountancy fees | 10,902 | 10,902 |
| Registrars fee | 9,420 | 8,094 |
| Audit fee | 14,860 | 12,550 |
| Directors' remuneration | 51,000 | 51,000 |
| Directors' and Officers' insurance | 13,599 | 14,786 |
| Legal & professional expenses | 8,440 | 7,319 |
| Annual fees | 4,658 | 4,925 |
| Travel expenses | 1,888 | 2,192 |
| Sundry costs | 9,921 | 1,736 |
| Other operating expenses | 4,704 | 3,497 |
| | 740,497 | 720,391 |

## 6 DIRECTORS' REMUNERATION

Under their terms of appointment, each Director is paid a fee of £23,000 per annum by the Group, except for the Chairman, who receives £29,000 per annum. The Chairman of the audit committee also receives an extra £4,000 per annum.

## 7 DIVIDENDS IN RESPECT OF EQUITY SHARES

| **Dividends in respect of Ordinary Shares** | 1 Apr 2016 to 30 Sep 2016 GBP | Pence per share |
|---|---|---|
| First interim dividend | 4,537,500 | 2.06 |
| Second interim dividend | 4,537,500 | 2.06 |
| | 9,075,000 | 4.12 |

## 7 DIVIDENDS IN RESPECT OF EQUITY SHARES (continued)

| Dividends in respect of Ordinary Shares | 1 Apr 2015 to 30 Sep 2015 | |
|---|---|---|
| | GBP | Pence per share |
| First interim payment | 4,537,500 | 2.06 |
| Second interim dividend | 4,537,500 | 2.06 |
| | 9,075,000 | 4.12 |

## 8 (LOSS) / EARNINGS PER SHARE

(Loss) / Earnings per Share ("LPS' / "EPS") is based on the net loss for the period of £26,084,488 (30 September 2015: profit for the period of £19,905,300) and 220,000,000 (30 September 2015: 220,000,000) Ordinary Shares being the weighted average number of Shares in issue during the period.

There are no dilutive instruments and therefore basic and diluted earnings per Share are identical.

## 9 PROPERTY, PLANT AND EQUIPMENT - AIRCRAFT

| | MSN132 | MSN133 | MSN134 | MSN136 | TOTAL |
|---|---|---|---|---|---|
| | GBP | GBP | GBP | GBP | GBP |
| **COST** | | | | | |
| As at 1 Apr 2016 | 159,164,058 | 151,512,222 | 153,596,387 | 153,778,248 | 618,050,915 |
| As at 30 Sep 2016 | 159,164,058 | 151,512,222 | 153,596,387 | 153,778,248 | 618,050,915 |
| **ACCUMULATED DEPRECIATION** | | | | | |
| As at 1 Apr 2016 | 15,266,176 | 13,162,791 | 13,544,359 | 13,807,501 | 55,780,827 |
| Charge for the period | 3,034,237 | 2,885,768 | 2,925,830 | 2,929,764 | 11,775,598 |
| As at 30 Sep 2016 | 18,300,413 | 16,048,559 | 16,470,189 | 16,737,265 | 67,556,425 |
| **CARRYING AMOUNT** | | | | | |
| As at 30 Sep 2016 | 140,863,645 | 135,463,663 | 137,126,198 | 137,040,983 | 550,494,490 |
| As at 31 Mar 2016 | 143,897,882 | 138,349,431 | 140,052,028 | 139,970,747 | 562,270,088 |

The cost in USD and the exchange rates at acquisition for the aircraft was as follows:

| | MSN132 | MSN133 | MSN134 | MSN136 |
|---|---|---|---|---|
| Cost in USD | 245,000,000 | 245,000,000 | 245,000,000 | 245,000,000 |
| GBP/USD exchange rate | 1.5504 | 1.6287 | 1.6066 | 1.6047 |

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 aircraft / assets.

**Notes to the Consolidated Financial Statements (continued)**
**For the period from 01 April 2016 to 30 September 2016**

## 10 FINANCE COSTS

| | 30 Sep 2016 GBP | 30 Sep 2015 GBP |
|---|---|---|
| Amortisation of debt arrangements costs | 194,200 | 403,050 |
| Interest payable | 10,576,965 | 10,164,698 |
| | 10,771,165 | 10,567,748 |

## 11 OPERATING LEASES

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

| 30 September 2016 | Next 12 months GBP | 1 to 5 years GBP | After 5 years GBP | Total GBP |
|---|---|---|---|---|
| Aircraft- A rental receipts | 74,857,869 | 256,037,962 | 93,487,524 | 424,383,355 |
| Aircraft- B rental receipts | 20,472,384 | 81,889,536 | 81,898,920 | 184,260,840 |
| | 95,330,253 | 337,927,498 | 175,386,444 | 608,644,195 |

| 30 September 2015 | Next 12 months GBP | 1 to 5 years GBP | After 5 years GBP | Total GBP |
|---|---|---|---|---|
| Aircraft- A rental receipts | 64,598,284 | 243,153,868 | 120,747,565 | 428,499,717 |
| Aircraft- B rental receipts | 20,472,384 | 81,889,536 | 102,371,304 | 204,733,224 |
| | 85,070,668 | 325,043,404 | 223,118,869 | 633,232,941 |

## 11 OPERATING LEASES (continued)

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

MSN132 Limited - term of the lease is for 12 years ending August 2025. The initial lease is for 10 years ending August 2023, with an extension period of 2 years ending August 2025, 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 must be paid even if the option is not taken.

MSN133 Limited - term of the lease is for 12 years ending November 2025. The initial lease is for 10 years ending November 2023, with an extension period of 2 years ending November 2025, 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.

MSN134 Limited - term of the lease is for 12 years ending November 2025. The initial lease is for 10 years ending November 2023, with an extension period of 2 years ending November 2025, 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.

MSN136 Limited - term of the lease is for 12 years ending October 2025. The initial lease is for 10 years ending October 2023, with an extension period of 2 years ending October 2025, 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

| | 30 Sep 2016<br>GBP | 31 Mar 2016<br>GBP |
|---|---|---|
| Prepayments | 39,459 | 54,757 |
| Sundry debtors | 49,137 | 39 |
| | 88,596 | 54,796 |

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

## 13 PAYABLES (amounts falling due within one year)

| | 30 Sep 2016 GBP | 31 Mar 2016 GBP |
|---|---|---|
| Accrued administration fees | 11,092 | 22,199 |
| Accrued audit fee | 15,860 | 19,720 |
| Accrued management fee | 107,689 | 105,063 |
| Accrued directors remuneration | - | 25,500 |
| Other accrued expenses | 13,908 | 14,798 |
| | 148,549 | 187,280 |

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

## 14 BORROWINGS

| | 30 Sep 2016 GBP | 31 Mar 2016 GBP |
|---|---|---|
| Equipment Notes | 359,628,455 | 349,165,841 |
| Associated costs | (3,511,509) | (3,705,708) |
| | 356,116,946 | 345,460,133 |
| Current portion | 55,978,342 | 49,274,340 |
| Non-current portion | 300,138,604 | 296,185,793 |

Notwithstanding the fact that £24 million capital has been repaid during the period, as per the Cash Flow Statement, the value of the borrowings has risen due to the 10% decline in the GBP/USD exchange rate from 31 March 2016 to 30 September 2016.

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

| | | |
|---|---|---|
| Amount due for settlement within 12 months | 74,848,222 | 67,831,513 |
| Amount due for settlement after 12 months | 349,467,618 | 349,440,671 |

## 14 BORROWINGS (continued)

In order to finance the acquisition of the Assets, Doric Nimrod Air Alpha Limited "DNAA" used the proceeds of the August 2013 offering of Pass Through Certificates ("the Certificates"). The Certificates have an aggregate face amount of approximately $630 million, made up of "Class A" certificates and "Class B" certificates. The Class A certificates in aggregate have a face amount of $462 million with an interest rate of 5.250% and a final expected distribution date of 30 May 2023. The Class B certificates in aggregate have a face amount of $168 million with an interest rate of 6.125% and a final expected distribution date of 30 November 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 of the consideration paid by the purchasers of the Certificates. The equipment notes were issued by the Subsidiary and the proceeds from the sale of the equipment notes financed a portion of the purchase price of the four airbus A380-861 aircrafts, with the remaining portion being financed through contribution from the Group of the Share issue proceeds. The holders of the equipment notes issued for each aircraft have the benefit of a security interest in such aircraft.

In the Directors' opinion, the carrying values of the equipment notes are approximate to their fair value.

## 15 REBATES

Upon entering into the leases it was agreed that the lessee would pay to the Group such amount as estimated to be necessary to fund the payment by the Group of certain costs, fees and expenses associated with the transactions arising from the leases. Following payment of the costs, fees and expenses, it was agreed that such amount paid by the lessee exceeded the amount actually necessary. It was agreed that the Group would return the excess to the lessee over the remaining life of the leases in May and November of each year. Upon any termination of a lease prior to its end the Group shall pay the entire remaining unpaid excess relating to such Aircraft to such account as is directed by the lessee, but without any interest accrued thereon.

## 16 SHARE CAPITAL

The Share Capital of the Company is represented by an unlimited number of shares of no par value being issued or reclassified by the Company as Ordinary Shares or Administrative Shares.

**Issued**

| | Administrative Shares | Ordinary Shares |
|---|---|---|
| Shares issued at incorporation | - | 2,900,000 |
| Shares issued 28 March 2013 | - | 2,900,000 |
| Share consolidation 12 June 2013 | - | (5,600,000) |
| Share sub division 12 June 2013 | - | 8,800,000 |
| Shares issued 20 June 2013 | 2 | - |
| Shares issued at placing 20 June 2013 | - | 211,000,000 |
| Issued Share Capital as at 30 Sep 2016 & 31 Mar 2016 | 2 | 220,000,000 |

| **Issued** | **Administrative Shares GBP** | **Ordinary Shares GBP** | **Total GBP** |
|---|---|---|---|
| **Ordinary Shares** | | | |
| Shares issued at incorporation | - | 20 | 20 |
| Shares issued 28 March 2013 | - | 20 | 20 |
| Shares issued 20 June 2013 | - | - | - |
| Shares issued at placing 20 June 2013 | - | 211,000,000 | 211,000,000 |
| Share issue costs | - | (2,046,207) | (2,046,207) |
| **Total Share Capital as at 30 Sep 2016 & 31 Mar 2016** | - | 208,953,833 | 208,953,833 |

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.

On a 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.

## 16 SHARE CAPITAL (continued)

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.

Holders 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 Lease where the Liquidation Resolution will be proposed) or if there are no Ordinary Shares in existence.

## 17 FINANCIAL INSTRUMENTS

The Group's main financial instruments comprise:

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

**(b)** Debt secured on non-current assets.

## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

| | 30 Sep 2016 GBP | 31 Mar 2016 GBP |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 11,910,593 | 11,393,834 |
| Receivables (excluding prepayments) | 49,137 | 39 |
| **Financial assets measured at amortised cost** | 11,959,730 | 11,393,873 |
| **Financial liabilities** | | |
| Payables | 148,549 | 187,280 |
| Debt payable | 359,628,455 | 349,165,841 |
| **Financial liabilities measured at amortised cost** | 359,777,004 | 349,353,121 |

## 18 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 review 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 of Directors reviews the capital structure on a bi-annual basis.

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

### (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 USD debt as translated at the spot exchange rate on every reporting date. In addition USD 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 USD operating lease should offset the USD payables on amortising debt. The foreign exchange exposure in relation to the Equipment Notes is thus largely hedged.

Lease rentals (as detailed in Notes 4 and 11) are received in USD and GBP. Those lease rentals received in USD are used to pay the equipment note repayments due, also in USD (as detailed in Note 14). Both USD lease rentals and equipment note repayments are fixed and are for similar sums and similar timings. The matching of lease rentals to settle equipment note repayments therefore mitigates risks caused by foreign exchange fluctuations.

## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Foreign Currency Risk (continued)

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

| | 30 Sep 2016 GBP | 31 Mar 2016 GBP |
|---|---|---|
| Debt (USD) - Liabilities | (359,628,455) | (349,165,841) |
| Cash and cash equivalents (USD) - Asset | 251,082 | 278,793 |

The following table details the Group's sensitivity to a 25 per cent (31 March 2016: 15 per cent) appreciation in GBP against USD. 25 per cent (31 March 2016: 15 per cent) represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 25 per cent (31 March 2016: 15 per cent) change in foreign currency rates. A positive number below indicates an increase in profit and other equity where GBP strengthens 25 per cent (31 March 2016: 15 per cent) against USD. For a 25 per cent (31 March 2016: 15 per cent) weakening of the GBP against USD, there would be a comparable but opposite impact on the profit and other equity;

| | 30 Sep 2016 | 31 Mar 2016 |
|---|---|---|
| Profit or loss | 71,875,475 | 45,507,006 |
| Assets | (50,216) | (36,364) |
| Liabilities | 71,925,691 | 45,543,371 |

On the eventual sale of the Assets, the Group 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 USD.

### (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.

## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (c) Credit Risk (continued)

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

| | 30 Sep 2016 GBP | 31 Mar 2016 GBP |
|---|---|---|
| Receivables (excluding prepayments) | 49,137 | 39 |
| Cash and cash equivalents | 11,910,593 | 11,393,834 |
| | 11,959,730 | 11,393,873 |

Surplus cash in the Company is held with RBSI. Surplus cash in the Subsidiary is held in accounts with RBSI and Bank of China, which have credit ratings given by Moody's of Ba1 (positive) and A1 (negative) respectively.

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 and payments 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.

## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (d) Liquidity Risk (continued)

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

| 30 Sep 2016 | 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 | 148,549 | - | - | - | - |
| Equipment Notes | 37,485,126 | 37,363,097 | 74,348,500 | 181,650,883 | 93,468,236 |
| | 37,633,675 | 37,363,097 | 74,348,500 | 181,650,883 | 93,468,236 |

| 31 Mar 2016 | 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 | 187,280 | - | - | - | - |
| Equipment Notes | 33,969,601 | 33,861,912 | 67,390,515 | 176,286,082 | 105,764,074 |
| | 34,156,881 | 33,861,912 | 67,390,515 | 176,286,082 | 105,764,074 |

### (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 Group mitigates interest rate risk by fixing the interest rate on the equipment notes debt and the lease rentals.

## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (e) Interest Rate Risk (continued)

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

| 30 Sep 2016 | Variable interest GBP | Fixed interest GBP | Non-interest Bearing GBP | Total GBP |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Receivables | - | - | 88,596 | 88,596 |
| Cash and cash equivalents | 11,910,593 | - | - | 11,910,593 |
| **Total Financial Assets** | 11,910,593 | - | 88,596 | 11,999,189 |
| **Financial Liabilities** | | | | |
| Payables | - | - | 148,549 | 148,549 |
| Equipment Notes | - | 356,116,946 | - | 356,116,946 |
| **Total Financial Liabilities** | - | 356,116,946 | 148,549 | 356,265,495 |
| **Total interest sensitivity gap** | 11,910,593 | 356,116,946 | | |

| 31 Mar 2016 | Variable interest GBP | Fixed interest GBP | Non-interest Bearing GBP | Total GBP |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Receivables | - | - | 54,796 | 54,796 |
| Cash and cash equivalents | 11,393,834 | - | - | 11,393,834 |
| **Total Financial Assets** | 11,393,834 | - | 54,796 | 11,448,630 |
| **Financial Liabilities** | | | | |
| Payables | - | - | 187,280 | 187,280 |
| Equipment notes | - | 345,460,133 | - | 345,460,133 |
| **Total Financial Liabilities** | - | 345,460,133 | 187,280 | 345,647,413 |
| **Total interest sensitivity gap** | 11,393,834 | 345,460,133 | | |

## 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (e) Interest Rate Risk (continued)

If interest rates had been 50 basis points higher throughout the period and all other variables were held constant, the Group's net assets attributable to shareholders as at 30 September 2016 would have been £29,776 (31 March 2016: £56,969) greater due to an increase in the amount of interest receivable on the bank balances.

If interest rates had been 50 basis points lower throughout the period and all other variables were held constant, the Group's net assets attributable to shareholders as at 30 September 2016 would have been £29,776 (31 March 2016: £56,969) lower due to a decrease in the amount of interest receivable on the bank balances.

## 19 ULTIMATE CONTROLLING PARTY

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

## 20 SUBSEQUENT EVENTS

On 12 October 2016, a dividend of 2.0625 pence per Ordinary Share was declared and this was paid on 28 October 2016.

On 23 November 2016, the Company placed £4.5 million with Royal London Asset Management in order to achieve a more competitive return on the cash held by the Company and to protect against counterparty default.

## 21 RELATED PARTY TRANSACTIONS

Amedeo Management Limited ("Amedeo") has been appointed as the Group's Asset Manager and Agent (the agent is appointed to assist with the purchase of the aircraft , the arrangement of suitable equity and debt finance and the negotiation and documentation of the lease and financing contracts) respectively.

The Group paid Amedeo:

(i) a fee of 0.6532 per cent of £677,891,893 being the aggregate value of the Ordinary Shares in the Company issued under the Ordinary Share placing together with the amounts of debt financing received by the Company (otherwise known as the "Total Gross Proceeds");

(ii) a fee of 0.25 per cent of the amounts of debt financing received.

## 21 RELATED PARTY TRANSACTIONS (continued)

In addition, Amedeo shall receive, in consideration for providing services to the Group, a management and advisory fee of £135,000 per annum per Asset (adjusted annually for inflation from 2014 onwards at 2.5 per cent. per annum), payable quarterly in arrear, save that Amedeo shall only become entitled to such fee in relation to each Asset following the acquisition of such Asset by the Group and the fee for each Asset shall be calculated from the date of acquisition of that Asset.

Following the disposal of the first Asset, Amedeo will be paid an initial interim amount ("Initial Interim Amount") as follows:

(i) if the sale price realised for first Asset to be sold by the Group, net of cost and expenses ("the Interim Net Realised Value") is less than the "Relevant Proportion" (being 1/X where X is the aggregate of (i) the number of Assets the lessor has legal beneficial title to immediately following the disposal of the Asset and (ii) the number of Assets sold immediately following the disposal of the Asset) of the aggregate of (i) the Ordinary Share placing proceeds and (ii) proceeds of any further issue of the shares by the Group (the "Total Subscribed Equity") Amedeo will not be entitled to an Initial Interim Amount;

(ii) if the Interim Net Realised Value is between 100 per cent (inclusive) and 150 per cent (inclusive) of the Relevant Proportion of the Total Subscribed Equity, Amedeo will be entitled to an Initial Interim Amount of 2 per cent of the Interim Realised Value;

(iii) if the Interim Net Realised Value is greater than 150 per cent of the Relevant Proportion of the Total Subscribed Equity, Amedeo will be entitled to an Initial Interim Amount of 3 per cent of the Interim Realised Value.

Following the disposal of each subsequent Aircraft except the final Aircraft, Amedeo will be paid, in respect of each such Aircraft disposed of, an additional cash amount (each a "Subsequent Interim Amount") as follows:

(i) if the sale price realised for the Asset, net of cost and expenses ("Subsequent Interim Net Realised Value") is less than the Relevant Proportion of the Total Subscribed Equity, Amedeo will be entitled to a Subsequent Interim Amount of 1.75 per cent of the relevant Subsequent Interim Realised Value.

(ii) if the Subsequent Interim Net Realised Value is between 100 per cent (inclusive) and 150 per cent (inclusive) of the Relevant Proportion of the Total Subscribed Equity, Amedeo will be entitled to a Subsequent Interim Amount of 2 per cent of the relevant Subsequent Interim Realised Value;

## 21 RELATED PARTY TRANSACTIONS (continued)

(iii) if the Subsequent Interim Net Realised Value is greater than 150 per cent of the Relevant Proportion of the Total Subscribed Equity, Amedeo will be entitled to a Subsequent Interim Amount of 3 per cent of the relevant Subsequent Interim Realised Value.

Following the disposal of the final Asset, and prior to the liquidation of the Company, if the Disposition Fee (as defined below) is payable, where the aggregate of the Initial Interim Amount and the Subsequent Interim Amount is less than the Disposition Fee (as defined below) payable, the Group shall pay the difference to Amedeo in satisfaction of its obligations to pay such Disposition Fee.

Amedeo shall be paid a disposition fee (the "Disposition Fee") as follows: (a) Amedeo will not be entitled to the Disposition Fee (but for the avoidance of doubt will be entitled to reimbursement for properly incurred costs and expenses) if the aggregate sales proceeds for all Assets net of costs and expenses ("Aggregate Net Realised Value") is less than the Total Subscribed Equity; (b) if the Aggregate Net Realised Value is between 100 per cent (inclusive) and 150 per cent (inclusive) of the Total Subscribed Equity, Amedeo shall be entitled to a Disposition Fee of 2 per cent of the Aggregate Realised Value; (c) if the Aggregate Net Realised Value is greater than 150 per cent of the Total Subscribed Equity, Amedeo shall be entitled to a Disposition Fee of 3 per cent of the Aggregate Realised Value.

In the event of a Total Loss of an Aircraft (as defined in the prospectus for the Ordinary Share placing of the Group) the Total Subscribed Equity hurdle shall be adjusted down pro rata. In addition, the Annual Fee payable shall be pro rated to the date of the Total Loss.

During the period, the Group incurred £323,067 (30 September 2015: £326,183) of expenses with Amedeo, of which £16,242 (31 March 2016: £48,549) was prepaid to this related party at 30 September 2016.

Nimrod Capital LLP ("Nimrod") is the Company's Placing Agent and Corporate and Shareholder Adviser. In consideration for Nimrod acting as placing agent in the initial Ordinary Share Placing, the Group agreed to pay to Nimrod, at Admission, a placing commission equal to 0.2142 per cent of the Initial Gross proceeds of the initial Ordinary Share Placing.

The Group shall pay to Nimrod for its services as Corporate and Shareholder Adviser a fee £400,000 per annum (adjusted annually for inflation from 2014 onwards, at 2.5 per cent per annum) payable quarterly in arrears.

## 21 RELATED PARTY TRANSACTIONS (continued)

During the period, the Group incurred £218,004 (30 September 2015: £210,126) of expenses with Nimrod, of which £107,689 (31 March 2016: £105,063) was outstanding to this related party at 30 September 2016. £218,004 (30 September 2015: £210,126) of expenses related to management fees as shown in Note 5.

John Le Prevost is a director of Anson Registrars Limited ("ARL"), the Group's registrar, transfer agent and paying agent. During the period £9,420 (30 September 2015: £8,094) of costs were incurred by ARL, of which £1,050 (31 March 2016: £2,068) was outstanding as at 30 September 2016.

**Doric Nimrod Air Three Limited (the "Company")**

## ADVISERS AND CONTACT INFORMATION

## KEY INFORMATION

| | |
|---|---|
| Exchange | Specialist Fund Segment of the London Stock Exchange's Main Market |
| Ticker | DNA3 |
| Listing Date | 2 July 2013 |
| Fiscal Year End | 31 March |
| Base Currency | GBP |
| ISIN | GG00B92LHN58 |
| SEDOL | B92LHN5 |
| Country of Incorporation | Guernsey – Registration number 54908 |

## MANAGEMENT AND ADMINISTRATION

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