

Doric Nimrod Air Three Limited

Half-Yearly Financial Report

For the period from 1 April 2020 to 30 September 2020

CONTENTS

Page

1	Summary Information
2	Company Overview
5	Chair's Statement
7	Asset Manager's Report
12	Directors
13	Interim Management Report
15	Responsibility Statement
16	Consolidated Statement of Comprehensive Income
17	Consolidated Statement of Financial Position
18	Consolidated Statement of Cash Flows
19	Consolidated Statement of Changes in Equity
20	Notes to the Consolidated Financial Statements
45	Advisors and Contact Information

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA3
Share Price	33.5 pence (as at 30 September 2020) 46.0 pence (as at 4 December 2020)
Market Capitalisation	GBP 73.7 million (as at 30 September 2020) GBP 101.2 million (as at 4 December 2020)
Current and Targeted Dividend	2.0625 pence per quarter per share (8.25 pence per annum)
Dividend Payment Dates	January, April, July, October
Currency	Sterling
Launch Date/Price	2 July 2013 / 100 pence
Incorporation and Domicile	Guernsey
Aircraft Registration Number (Lease Expiry Dates including 2 year extension)	A6 - EEK (29 August 2025), A6 - EEO (29 October 2025), A6 - EEM (14 November 2025), A6 - EEL (27 November 2025)
Asset Manager	Amedeo Management Limited
Corporate and Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Limited
Auditor	Deloitte LLP
Market Makers	finnCap Ltd, Investec Bank, Jefferies International Ltd, Numis Securities Ltd, Shore Capital Ltd, Winterflood Securities Ltd
SEDOL, ISIN, LEI	B92LHN5, GG00B92LHN58, 213800BMYMCBKT5W8M49
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairthree.com

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

COMPANY OVERVIEW

Doric Nimrod Air Three Limited (“**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 100 pence each (the “**Placing**”). The Company’s Shares were admitted to trading on the Specialist Fund Segment (“**SFS**”) of the London Stock Exchange’s Main Market on 2 July 2013.

As at 4 December 2020, 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 these Shares were trading at 46.0 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 “**Assets**” and together the “**Assets** or “**Aircraft**”). 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 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 \$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 10 years, ending August 2023, with an extension period of two 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.

The second Asset was acquired by DNA Alpha on 29 October 2013 for a purchase price of \$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 twelve years, with fixed lease rentals for the duration. The initial lease is for 10 years ending October 2023, with an extension period of two 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.

The third Asset was acquired by DNA Alpha on 14 November 2013 for a purchase price of \$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 twelve years, with fixed lease rentals for the duration. The initial lease is for 10 years ending November 2023, with an extension period of two 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.

The fourth Asset was acquired by DNA Alpha on 27 November 2013 for a purchase price of \$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 twelve years, with fixed lease rentals for the duration. The initial lease is for 10 years ending November 2023, with an extension period of two 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.

For the purpose of this report the leases are all referred to as 12-year leases.

DNA Alpha acquired the Assets, using a combination of a portion of the proceeds of the issue of the Ordinary 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 “**EETCs**”) as detailed within the Offering Circular issued by DNA Alpha dated 10 July 2013.

Further information about the construction of these leases is available in note 12 to the financial statements.

The EETCs, with an aggregate face amount of approximately \$630 million, were admitted to the official list of the Euronext Dublin and to trading on the Main Securities market thereof and will mature on 30 May 2025.

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

Distribution Policy

The Company currently targets a distribution of 2.0625 pence per Share per quarter.

There can be no guarantee that dividends will be paid to Shareholders and, if dividends are paid, as to the timing and amount of any such dividend. There can also be no guarantee that the Company will, at all times, satisfy the solvency test required to be satisfied pursuant to section 304 of The Companies (Guernsey) Law, 2008, as amended (the “**Law**”) enabling the Board of Directors (“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 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 31.

Return of Capital

The Company intends to return to Shareholders the 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 November 2026 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.

CHAIR'S STATEMENT

During the period from 1 April 2020 until 30 September 2020 (the “**Period**”) the Company has declared and paid two quarterly dividends of 2.0625 pence per share each, a rate of dividend payment equivalent to 8.25 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 structures of the operating leases relating to the Company's four Assets are described on pages 2 and 3.

The debt portion of the funding is designed to be fully amortised over the term of the leases, which would leave the Aircraft unencumbered on the conclusion of the ultimate lease. Emirates bears all costs (including maintenance, repair and insurance) relating to the Aircraft during the lifetime of the leases. At 4 December 2020, the latest practical date prior to this report, the Company had outstanding debt associated with the aircraft totalling USD 140.1 million (30% of the initial balance) as well as unencumbered cash resources of GBP 12.4 million. At the time of writing the share price is 46.0 pence, representing a market capitalisation of GBP 101.2 million based on the 220,000,000 shares in issue. The Company's first lease expiry falls due in August 2025.

All payments by Emirates during the Period and throughout the lease have been made in accordance with the terms of the lease.

Emirates, the sole lessee of the Company, has undertaken a number of measures since the onset of COVID-19 to support its business. These measures included the difficult decisions to cut jobs, reduce staff wages and offer voluntary unpaid leave in order to help reduce costs. The airline was also bolstered by its cargo operations in response to increased demand. Further, as a means to contain the outflow of cash, Emirates adopted the policy that no operation is allowed to go below the cash operating cost. Reassuringly, and according to Emirates's president Tim Clark, the Airbus A380 has proven economically viable in this regard, as solid load factors have led to profitable operations – although this is in the context of only 14 of Emirates's 115 A380s currently being in service at the time of writing. The Company's Aircraft are stored at Dubai International Airport (“**DXB**”) and Dubai World Central International Airport (“**DWC**”). Perhaps the key development during the period is that Emirates had received 7.3 billion dirhams (USD 2 billion) from the government of Dubai. The Government of Dubai sold USD 2 billion of dual tranche bonds in early September with the USD 1 billion 30-year conventional bond pricing at a yield of 4% according to Reuters. Emirates reportedly reinstated the full salaries of its employees from the beginning of October.

In its recent half-year results Emirates Airline reported that revenue fell by 75% resulting in a loss of USD 3.4 billion. Despite the significant drop in operations during the six months, Emirates' EBITDA was still positive at US 79 million with strong cargo business supporting revenue. Emirates reported a cash position of USD 4.25 billion as at 30 September 2020. His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive, Emirates noted “No one can predict the future, but we expect a steep recovery in travel demand once a COVID-19 vaccine is available, and we are readying ourselves to serve that rebound.”

Whilst Emirates do not have a formal credit rating they have previously issued unsecured USD bonds with maturities in 2023, 2025 and 2028, at the time of writing these respective instruments are trading at approximately par (100 cents), equivalent to USD running yields in the range of roughly 3.9% to 4.5%. Further details on Emirates and the A380 can be found in the Asset Manager's report by Amedeo Management Limited (“**Amedeo**”).

Since my statement accompanying the Annual Report the International Air Transport Association (“**IATA**”) has forecast an airline industry-wide net loss of USD 84.3 billion for this year. Revenue passenger kilometres contracted by 73 per cent in the year to

September 2020. The liquidity and creditworthiness of airlines, both large and small, continues to be in focus while a significant part of the global aircraft fleet remains grounded. IATA continues to see a recovery to 2019 levels of passenger traffic by 2024.

Amedeo continues to monitor the leases and is in frequent contact with the lessee, and reports regularly to the Board. Nimrod Capital LLP ("**Nimrod**" or the "**Corporate and Shareholder Adviser**") continues to liaise with Shareholders on behalf of the Board and has provided valuable feedback on the views of Shareholders in the current climate.

Shareholders should note that while the underlying cash flows received during the Period have been as anticipated, 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**").

For instance, the entirety of the rental income that is receivable under a 12 year lease is credited evenly over each of the 144 months of the lease. However rental income is not received in this uniform pattern, although it does closely match the similarly uneven pattern of debt servicing and other payments. The mismatch in timing between the receipt and recognition of rental income results in large deferred income or accrued income balances in the balance sheet.

Similarly, the relevant accounting standards require 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 (including also very significantly, the outstanding borrowings) are translated at the rate prevailing on the reporting date. The result is that the figures sometimes show large mismatches which are reported as unrealised foreign exchange differences - although the distortive effect becomes less pronounced over time as debt is paid down and as a result of the impairment adjustment.

On an on-going basis and assuming the lease rental is received, and the 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 make loan repayments due which are likewise denominated in US dollars. Furthermore, the US dollar lease rentals and loan repayments are fixed at the inception of the respective leases and are very similar in amount and timing.

The Board encourages Shareholders to read the Company's quarterly fact sheets which we believe provide a great deal of interesting information including a sensitivity analysis of the potential returns to Shareholders, after lease expiry, under different scenarios for A380 appraisal values. We hope these regular reports, in addition to the communication you receive from Nimrod, are useful and informative. The Directors welcome Shareholder engagement and feedback and encourage you to contact Nimrod to request a meeting or to relay any feedback.

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

Charles Wilkinson
Chair

10 December 2020

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 four Airbus A380 aircraft by the end of November 2013. Since delivery, each of the four aircraft has been leased to Emirates Airline ("**Emirates**") – the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates – for a term of 12 years with fixed lease rentals for the duration. In order to complete the purchase of the aircraft, DNA Alpha Ltd ("**DNA Alpha**"), a wholly owned subsidiary of the Company, issued two tranches (Class A & Class B) of enhanced equipment trust certificates ("the **Certificates**" or "**EETC**") – a form of debt security – in July 2013 in the aggregate face amount of USD 630 million. The Certificates are admitted to the official list of the Euronext Dublin and to trading on the Main Securities market thereof. DNA Alpha used the proceeds from both the Equity and the Certificates to finance the acquisition of the four new Airbus A380 aircraft.

Due to the effects of COVID-19, the Aircraft have been stored since March 2020 and are currently at Dubai International Airport ("**DXB**") and Dubai World Central International Airport ("**DWC**").

Please note that the asset manager has not included the utilisation table included in previous financial statements as the aircraft were not in service during the period under review.

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.

Due to the continuing COVID-19 pandemic, Emirates has stored the aircraft owned by the Group in Dubai. The lessee has "a comprehensive aircraft parking and reactivation programme [in place], that strictly follows manufacturer's guidelines and maintenance manuals". In addition, Emirates has enhanced standards and protocols of their own, to protect and preserve the asset during the downtime. This includes the watertight sealing of all apertures and openings through which environmental factors – sand, water, birds, and insects – can find their way inside an aircraft. During parking, maintenance teams complete periodic checks at different intervals. Depending on the reactivation date of a specific aircraft, the lessee might defer due maintenance checks, which are calendar-based, until that time. This would allow the lessee to make use of the full maintenance interval once the operation of a specific aircraft resumes.

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

2. Market Overview

The impact of COVID-19 on the global economy has been severe and is expected to result in a 4.9% to 5.2% contraction in global GDP for 2020, according to the International Monetary Fund and the World Bank. In its latest economic impact analysis, the International Civil Aviation Organization ("**ICAO**") estimated that the full year 2020 will see a reduction in seats offered by airlines of 48% to 51% compared with the previous baseline forecast for the year. Furthermore, ICAO anticipates this trend to continue into the first quarter of 2021 with airlines reducing seats offered by 23% to 43%. However, the actual impact of COVID-19 on the airline industry will depend on a number of factors, including the

duration and magnitude of the outbreak and containment measures, the degree of consumer confidence in air travel as well as general economic conditions. The International Air Transport Association (“**IATA**”) has forecast an airline industry-wide net loss of USD 84.3 billion for this year.

As of September 2020, air passenger demand has continued its gradual recovery from the low-point in April, with industry-wide revenue passenger kilometres (“**RPKs**”) contracting by 73% year-on-year in September vs. an 75% fall in August. The load factor of 60.1% was the lowest in history for September. Modest demand improvements were primarily being driven by some domestic markets including Russia and China, while there was no clear recovery in international traffic in September. In the first nine months of 2020, RPKs were down 65% against the previous year. Similarly, industry-wide capacity, measured in available seat kilometres (“**ASKs**”), also decreased by 56% between January and September 2020 against the same period in 2019. This resulted in a 16.1 percentage point decrease in the worldwide passenger load factor (“**PLF**”) to 66.7%.

In the first nine months of 2020, passenger traffic in the Middle East was down 69% against the previous year. Capacity also fell by 62%, resulting in a 13.7 percentage point decrease in PLF to 63.0%. Latest available data for September indicate an RPK contraction of 89% against the same month in the previous year, with ASKs 77% below its September 2019 levels. The PLF amounts to about 37%, a decline of 38.5 percentage points. IATA anticipates the losses of Middle Eastern airlines to rise to USD 4.8 billion in 2020 (from a loss of USD 1.5 billion in 2019).

Source: IATA, ICAO

© International Air Transport Association, 2020. Air Passenger Market Analysis September 2020. Economic Performance of the Airline Industry, Mid-Year Report June 2020. All Rights Reserved. Available on the IATA Economics page.

© International Civil Aviation Organization, Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 9 September 2020.

3. Lessee – Emirates

Network

As of mid-August, over 150 destinations in Emirates’ global network remained subject to COVID-19-related travel restrictions. Daily flights were around 230 - approximately 40% of pre-pandemic levels, with half of the frequencies operating as cargo-only services. As a means to contain the outflow of cash, Emirates has adopted the policy that no operation is allowed to go below the cash operating costs. According to Emirates’ president Tim Clark, the Airbus A380 has proven economically viable in this regard, as solid load factors have led to profitable operations. The airline resumed its A380 services on 15 July with flights to London Heathrow and Paris.

In order to rebuild confidence in air travel, Emirates became the first airline to offer free COVID-19 insurance for all passengers on its own flights and those of its codeshare partners. The programme covers medical expenses of up to EUR 150,000 and quarantine costs of EUR 100 per day for 14 days, should passengers be diagnosed with COVID-19 during their travel. The programme is set to end on 31 December.

At the beginning of September, Emirates and flydubai announced that they have renewed their partnership, allowing customers to travel on codeshare flights to over 30 destinations on flydubai and over 70 destinations on Emirates. Both airlines have implemented safety measures, including enhanced sanitation of all touchpoints and advanced High Efficiency Particulate Air (“**HEPA**”) filters fitted in aircraft cabins. Passengers on Emirates flights are also provided with a complimentary hygiene kit containing masks, gloves, hand sanitiser and anti-bacterial wipes.

Up until the end of September, Emirates’ A380 fleet has resumed flights to six destinations, including Cairo, Guangzhou, London Heathrow, Moscow, Paris, and Toronto.

At the end of September, Emirates was operating passenger and cargo flights to 104 cities.

Fleet

While Emirates’ operations had remained mainly cargo-only services through mid-August, the carrier has since announced plans to gradually increase its passenger network and plans to service 99 destinations in November. Prior to this, the vast majority of Emirates’ 141 passenger Boeing 777 aircraft had returned to service, but many had been operating cargo-only flights. In fact, Emirates performed a partial retrofit on 14 Boeing 777-300ER passenger aircraft to transport freight in the cabin. At the same time, 13 of Emirates’ 115 Airbus A380 aircraft have been returned to service.

The table below details the passenger fleet activity as of 30 September 2020, reflecting Emirates’ recently increased operations:

Aircraft Type	Grounded	In Service
A380	102	13
777	4	137
Total	106	150
%	41%	59%

Source: Cirium as of 30 September 2020

In July, Boeing disclosed that the 777X programme was being delayed again, with deliveries now scheduled to begin in 2022. In response, Emirates, as the launch customer of the Boeing 777-9, is seeking additional clarity on the certification process as it negotiates a revised schedule for its Boeing 777-9 aircraft. However, Tim Clark noted that the delivery delay probably benefits Emirates in the short-term due to the ongoing global pandemic.

In November, Emirates announced that it had started to utilise the A380 on select cargo charter operations as a dedicated “Emirates A380 ‘mini-freighter’”. As a first step it has optimised the cargo capacity “to safely transport around 50 tonnes of cargo per flight in the bellyhold of the aircraft”. Emirates SkyCargo is working on further optimisations of the capacity through measures such as seat loading of cargo. Emirates SkyCargo has scheduled more dedicated A380 cargo flights for the month of November in response to the surge in demand for air cargo capacity, required for the urgent transportation of critical goods, including medical supplies for combatting COVID-19.

Key Financials

In the first half of the financial year ending 31 March 2021, Emirates recorded its first half-year loss in over 30 years. Revenues fell 75% to AED 13.7 billion (USD 3.7 billion) due to pandemic-related travel restrictions, including an eight-week suspension of scheduled passenger flights during April and May. These measures resulted in a net loss of AED 12.6 billion (USD 3.4 billion) compared to a profit of AED 863 million (USD 235 million) in the first half of the previous financial year.

Emirates reduced its ASKs by 91% in the first half of the 2020/21 financial year, while RPKS were down by 96%. During this period, Emirates’ average PLF fell to 38.6%, compared to last year’s pre-pandemic figure of 81.1%.

Emirates’ operating costs decreased by 52%. Fuel, which had previously been the largest cost category for the airline, only accounted for 11% of total operating costs (compared to 32% in the first half of the previous financial year). Contributing factors were a 49% decrease in oil prices and a 76% lower fuel uplift from reduced flight operations. Despite this significant reduction in operations, Emirates’ EBITDA remained positive at AED 290 million (USD 79 million).

While the number of passengers Emirates carried between 1 April and 30 September 2020

was down 95% to 1.5 million passengers compared to the same period last year, airfreight demand rose strongly. The volume of cargo uplifted decreased by 35% to 0.8 million tonnes during this period, but the yield more than doubled. This development reflects the extraordinary market situation during the global COVID-19 pandemic.

As a part of its cost-saving measures, Emirates Group reduced its combined employee base of Emirates Airline and air services provider Dnata by 24% during the first half of the current financial year.

As of 30 September, Emirates' total liabilities decreased by 8.3% to AED 136.1 billion (USD 37.1 billion USD) compared to the end of the previous financial year. Total equity decreased by 10.6% to AED 21.1 billion (USD 5.75 billion) with an equity ratio of 13.4%. Emirates' cash position amounted to AED 15.6 billion (USD 4.25 billion) at the end of the first half of the 2020/21 financial year. This compares to AED 20.2 billion (USD 5.5 billion) in cash assets as of 31 March 2020.

On the ongoing financial position of Emirates in light of the global COVID-19 pandemic, HH Sheikh Ahmed bin Saeed Al Maktoum, chairman and chief executive of Emirates Airline, stated: "We have been able to tap on our own strong cash reserves, and through our shareholder and the broader financial community, we continue to ensure we have access to sufficient funding to sustain the business and see us through this challenging period. In the first half of 2020-21, our shareholder injected USD 2 billion into Emirates by way of an equity investment and they will support us on our recovery path."

As at the end of September Emirates has outstanding US dollar debt issuances with maturities in 2023, 2025, and 2028. These respective bonds were trading at approximately par (100 cents) each and with running yields ranging from approximately 3.9% to 4.5% in US dollars there has also been no upward pressure on yields. This level of yields does not appear to indicate any significant financial stress to the issuer.

In August 2020 rating agency Moody's Investor Service (Moody's) downgraded its rating assigned to the Class A EETC issued by DNA Alpha from Ba1 to Ba3 with a negative outlook. Moody's stated that the rating action "reflect[s] the adverse impacts of the coronavirus on the demand for and secondary market values of the Airbus A380 aircraft and Emirates' financial performance. The negative outlook reflects the uncertainty of the coronavirus' lasting impact on global demand for air travel and Emirates Airline's operations and financial position." The press release stresses that "Moody's believes the A380 will remain relevant to Emirates' fleet strategy". Irrespective of the challenges the coronavirus means for the airline and the Company, the rating agency continues to expect timely payments of interest and scheduled principal on the Certificates. For its rating considerations Moody's assumed a part-out value for the A380 of about 50 million USD per aircraft. The rating action resolves the review for downgrade of the issuance initiated back in March.

Source: Cirium, Emirates

4. Aircraft – A380

As at the end of September 2020, the global A380 fleet consisted of 237 planes with airline operators. Only 19 of these aircraft were in service, the remainder of the fleet is parked due to COVID-19. The fourteen operators are Emirates (115), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Qatar Airways (10), Air France (9), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), China Southern Airlines (5), All Nippon Airways (2), and Hi Fly (1). Another three temporarily stored aircraft are lease returns.

Due to the COVID-19 pandemic, most A380 operators temporarily parked the aircraft type from March, with the number of parked A380s peaking at nearly the entire fleet. In fact, only

China Southern and Hi Fly operated their A380s continuously. However, Emirates began to gradually restore A380 services in mid-July. In contrast, other A380 operators, such as Singapore Airlines, Qantas and Qatar Airways, are reviewing their fleets and have indicated that there will be no early return of A380 services. Air France does not plan a return to service for any of its remaining A380s.

Tim Clark expects the Airbus A380 to continue to play an important role once the travel demand begins recovering from the post-coronavirus crisis, provided a vaccine is available: “[It] would be folly to exclude large wide-bodied aircraft in the future. The A380 has proven to be a hugely successful aircraft and if fuel prices were forever to stay at today’s levels, this aircraft is hugely potent.” Clark also added that the first A380 aircraft equipped with Emirates’ new premium-economy cabin has finished assembly in Toulouse, although he did not provide any further update as to the status of the airline’s last eight A380s, which were scheduled to be delivered over the next year.

In spring 2020 Lufthansa disclosed that it intends to permanently decommission six A380s with immediate effect. They were originally earmarked to depart the fleet in 2022. In September the airline announced that the remaining eight aircraft, “which were previously intended for flight service, will be transferred to storage and removed from planning”. “These aircraft will only be reactivated in the event of an unexpectedly rapid market recovery”, according to a press release. Lufthansa no longer expects to achieve 50% of its pre-COVID-19 ASK levels by the end of 2021 and released a new estimate of 20-30%. The German airline group stated that the outlook for international air transport “has significantly worsened” in recent weeks.

Paul Griffiths, the chief executive of Dubai Airports, which owns and manages the operation and development of both Dubai’s airports, has expressed confidence in the concept of international hubs in a post-COVID world, despite the trend towards more point-to-point traffic. With many countries facing an economic crisis Paul believes that “the efficiency of hubs and aggregation power of bringing together city pairs around the world, which will never likely have enough traffic to be justified to have a point-to-point service, will continue to be served and aggregated very efficiently through global hubs”. Against this background he assumes that “777 and A380 are pretty well placed for several years to come as actually serving that role very well”. Another COVID-related development could also help large airport hubs: He thinks that “it’s going to be very difficult to persuade the environmental groups and general public actually to support airport expansions in the future”. Due to COVID-19 lockdowns and the associated slowdown in industrial production, pollution was temporarily avoided in many regions around the world, resulting in clear skies.

Source: Cirium, Simple Flying

DIRECTORS

As at 30 September 2020 the Company had four directors all of whom were independent and non-executive.

Charles Edmund Wilkinson - Chair of the Company and of the Nomination Committee

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

Geoffrey Alan Hall – Chair of the Audit Committee

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

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

Suzanne Elaine Procter – Senior Independent Director (“SID”)

Suzanne Procter brings over 38 years' experience in financial markets, with specific expertise in asset management. She was previously a non-executive director of TR Property Investment Trust plc, an investment company listed on the FTSE 250 index. Her executive roles included Partner and member of the Executive Management Committee at Cantillon Capital Management LLC, Managing Director of Lazard Asset Management, Head of Institutional Sales at INVESCO Asset Management, Director and Head of Fixed Income Business at Pictet International Management Ltd and Head of Fixed Income at Midland Montagu Asset Management.

Suzanne is also the SID of Doric Nimrod Air One Limited and Doric Nimrod Air Two Limited. She is resident in the United Kingdom.

Andreas Josef Tautscher

Andreas Tautscher brings over 31 years' financial services experience. He serves as a non-executive director and member of the Audit Committee of BH Global Limited, a Guernsey closed-ended investment company whose shares are traded on the Main Market of the London Stock Exchange, and as a non-executive director of MJ Hudson Group plc, a Jersey company whose shares are traded on the AIM Market of the London Stock Exchange. He is also a director and CEO of Altair Group, an independent director services business in the Channel Islands. From 1994 to 2018 Andreas held various roles at Deutsche Bank and was most recently CEO of the Channel Islands and Head of Financial Intermediaries for EMEA. He was previously a non-executive director of the Virgin Group. Andreas qualified as a Chartered Accountant in 1994.

Andreas is also a director of Doric Nimrod Air One Limited and a director and Chair of the Audit Committee of Doric Nimrod Air Two Limited. He is resident in Guernsey.

INTERIM MANAGEMENT REPORT

A description of important events which have occurred during the period from 1 April 2020 until 30 September 2020 (the “**Period**”), their impact on the performance of the Group as shown in the Consolidated Financial Statements and a description of the principal risks and uncertainties facing the Group is given in the Chair’s Statement, Asset Manager’s Report, and the Notes to the Consolidated Financial Statements contained on pages 20 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 23 of the Notes to the Consolidated Financial Statements.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company for the remaining six months of the financial year are unchanged from those disclosed in the Company’s Annual Financial Report for the year ended 31 March 2020.

Going Concern

The Group’s principal activities are set out within the Company Overview on pages 2 to 3. The financial position of the Group is set out on page 17. In addition, note 20 of the Notes to the Consolidated Financial Statements includes the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The Directors in consultation with the Asset Manager are closely monitoring the effect of the COVID-19 pandemic generally on the aviation industry and specifically on the Group’s aircraft values and the financial wellbeing of its lessee both now and in the future. The impact of the COVID-19 pandemic on the aviation sector has been significant with about a third of the global passenger aircraft fleet still grounded. The Group’s future performance could potentially be impacted should this pandemic have a pervasive and prolonged impact on the economy. There have prevailed widespread restrictions on the ability of people to travel which has had a material negative effect on the airline sector, and by extension the aircraft leasing sector. This may lead to the inability of airlines to pay rent as they fall due. These factors, together with wider economic uncertainty and disruption, are likely to have an adverse impact on the future value of the aircraft assets owned by the Group, as well as on the sale, re-lease, refinancing or other disposition of the relevant aircraft.

The Directors consider that the going concern basis of accounting remains appropriate. Based on current information the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, although the risk to this is clearly higher.

The Board will continue to actively monitor the financial impact on the Group resultant from the evolving position with its aircraft lessee and lenders whilst bearing in mind its fiduciary obligations and the requirements of Guernsey law which determine the ability of the Group to make dividends and other distributions.

The Directors, with the support of its Asset Manager, believe that it is reasonable to assume as of date of approval of the half yearly financial statements that Emirates will continue with the contracted lease rental payments due to the following:

- Dubai’s government has injected US\$2 billion into Emirates so far since the COVID-19 pandemic brought global air travel to a near halt in March and is prepared to send more help to its flagship airline.
- Emirates’ listed debt and Credit Default Swaps (CDS’s) are trading at non-distressed levels.
- The airline resumed its A380 services on 15 July 2020 with flights to a limited number of destinations.
- As at 4 December 2020, the Asset Manager was not aware of a formal request

addressed to the Group for a lease deferral or any other efforts that would result in the restructuring of the existing transactions and which could potentially have an impact on the committed future lease rental receipts.

- Emirates has paid all lease rentals in a timely manner.

Whilst there is some uncertainty as to the airline industry in general, and specifically Emirates' financial position and credit risk profile, on the basis that (i) Emirates has shown no intention of failing to meet its obligations to the Group (ii) Emirates is presumed to have the financial backing to continue paying these rentals, the Directors believe that it is appropriate to prepare these financial statements under the going concern basis of preparation.

Responsibility Statement

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

- a) the Consolidated Financial Statements, prepared in accordance with International Financial Reporting Standards (“IFRS”) give a fair, balanced and understandable view of the assets, liabilities, financial position and profits of the Company and performance of the Company; and
- b) this Interim Management Report includes or incorporates by reference:
 - i. an indication of important events that have occurred during the Period and their impact on the Consolidated Financial Statements;
 - ii. a description of the principal risks and uncertainties for the remaining six months of the financial year; and
 - iii. 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.

Charles Wilkinson
Chair

Geoffrey Hall
Director

10 December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 April 2020 to 30 September 2020

	Notes	1 Apr 2020 to 30 Sep 2020 GBP	1 Apr 2019 to 30 Sep 2019 GBP
INCOME			
A rent income	4	28,629,339	28,613,535
B rent income	4	10,264,236	10,264,236
Bank interest received		<u>7,144</u>	<u>51,857</u>
		38,900,719	38,929,628
EXPENSES			
Operating expenses	5	(831,248)	(769,234)
Depreciation of Aircraft	10	<u>(18,685,018)</u>	<u>(12,544,775)</u>
		(19,516,266)	(13,314,009)
Net profit for the period before finance costs and foreign exchange gains/(losses)		<u>19,384,453</u>	<u>25,615,619</u>
Finance costs	11	<u>(4,095,314)</u>	<u>(5,839,978)</u>
Net profit for the period after finance costs before foreign exchange gains/(losses)		15,289,139	19,775,641
Unrealised foreign exchange gain/(loss)	7	<u>10,117,880</u>	<u>(18,794,754)</u>
Profit for the period		25,407,019	980,887
Other Comprehensive Income		<u>-</u>	<u>-</u>
Total Comprehensive Income for the period		<u>25,407,019</u>	<u>980,887</u>
		Pence	Pence
Earnings per Share for the period			
- Basic and Diluted	9	11.55	0.45

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

The notes on pages 20 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 September 2020**

	Notes	30 Sep 2020 GBP	31 Mar 2020 GBP
NON-CURRENT ASSETS			
Aircraft	10	<u>367,159,680</u>	<u>385,844,698</u>
CURRENT ASSETS			
Receivables	13	207,252	60,243
Cash and cash equivalents	18	<u>13,644,757</u>	<u>13,719,497</u>
		13,852,009	13,779,740
TOTAL ASSETS		<u><u>381,011,689</u></u>	<u><u>399,624,438</u></u>
CURRENT LIABILITIES			
Borrowings	15	41,626,942	42,306,341
Deferred income		3,184,479	3,184,479
Rebates	16	362,502	381,116
Payables - due within one year	14	<u>66,072</u>	<u>75,897</u>
		45,239,995	45,947,833
NON-CURRENT LIABILITIES			
Borrowings	15	87,365,835	112,658,700
Deferred income		136,052,686	144,783,039
Rebates	16	<u>725,005</u>	<u>938,717</u>
		224,143,526	258,380,456
TOTAL LIABILITIES		<u><u>269,383,521</u></u>	<u><u>304,328,289</u></u>
TOTAL NET ASSETS		<u><u>111,628,168</u></u>	<u><u>95,296,149</u></u>
EQUITY			
Share capital	17	208,953,833	208,953,833
Retained earnings		<u>(97,325,665)</u>	<u>(113,657,684)</u>
		<u><u>111,628,168</u></u>	<u><u>95,296,149</u></u>
		Pence	Pence
Net Asset Value per Share based on 220,000,000 (31 Mar 2020: 220,000,000) shares in issue		50.74	43.32

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 10 December 2020 and are signed on its behalf by:

Charles Wilkinson
Chair

Geoffrey Hall
Director

The notes on pages 20 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period from 1 April 2020 to
30 September 2020

	Notes	1 Apr 2020 to 30 Sep 2020 GBP	1 Apr 2019 to 30 Sep 2019 GBP
OPERATING ACTIVITIES			
Profit for the period		25,407,019	980,887
Movement in deferred income		(3,286,568)	9,106,918
Interest received		(7,144)	(51,857)
Depreciation of Aircraft	10	18,685,018	12,544,775
Loan interest payable	11	3,901,114	5,645,778
(Decrease)/ increase in payables		(9,825)	2,774
(Increase)/decrease in receivables		(147,009)	19,316
Foreign exchange movement	7	(10,117,880)	18,794,754
Amortisation of debt arrangement costs	11	194,200	194,200
		<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES		34,618,925	47,237,545
INVESTING ACTIVITIES			
Interest received		7,144	51,857
		<hr/>	<hr/>
NET CASH FROM INVESTING ACTIVITIES		7,144	51,857
FINANCING ACTIVITIES			
Dividends paid	8	(9,075,000)	(9,075,000)
Repayments of capital on borrowings	21	(21,508,144)	(32,362,298)
Payments of interest on borrowings	21	(4,052,392)	(5,571,628)
		<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES		(34,635,536)	(47,008,926)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			
		13,719,497	13,113,249
(Decrease)/increase in cash and cash equivalents		(9,467)	280,476
Effects of foreign exchange rates	7	(65,273)	122,010
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18	13,644,757	13,515,735

The notes on pages 20 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 1 April 2020 to 30 September 2020

	Notes	Share Capital GBP	Retained Earnings GBP	Total GBP
Balance as at 1 April 2020		208,953,833	(113,657,684)	95,296,149
Total Comprehensive Income for the period		-	25,407,019	25,407,019
Dividends paid	8	-	(9,075,000)	(9,075,000)
Balance as at 30 September 2020		<u>208,953,833</u>	<u>(97,325,665)</u>	<u>111,628,168</u>
		Share Capital GBP	Retained Earnings GBP	Total GBP
Balance as at 1 April 2019		208,953,833	(41,970,338)	166,983,495
Total Comprehensive Income for the period		-	980,887	980,887
Dividends paid	8	-	(9,075,000)	(9,075,000)
Balance as at 30 September 2019		<u>208,953,833</u>	<u>(50,064,451)</u>	<u>158,889,382</u>

The notes on pages 20 to 44 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 April 2020 to 30 September 2020

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. The address of the registered office is given on page 45. Its share capital consists of one class of ordinary preference shares ("**Shares**") and one class of subordinated administrative shares ("**Administrative Shares**"). The Company's Shares have been admitted to trading on the Specialist Fund Segment (the "**SFS**") of the London Stock Exchange's Main Market.

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 Company are set out in the Chair's Statement and Asset Manager's Report on pages 4 to 5 and 6 to 11 respectively.

2 ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

This report is to be read in conjunction with the annual financial report for the year ended 31 March 2020 which is prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as adopted by the EU and any public announcements made by the Group during the interim reporting period from 1 April 2020 to 30 September 2020 (the "**Period**").

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

(b) Adoption of new and revised Standards

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

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

- IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and error' on definition of material - These amendments to IAS 1, IAS 8 and consequential amendments to other IFRSs: use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; clarify the explanation of the definition of material; and incorporate some of the guidance in IAS 1 about immateriality information. The effective date is for annual periods beginning on or after 1 January 2020. The standard has not had a material impact on the financial statements or performance of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

2 ACCOUNTING POLICIES (continued)

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

New and Revised Standards in issue but not yet effective

IFRS 16 'Leases' – Covid-19 related rent concessions. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The standard is not expected to have a material impact on the financial statements or performance of the Group as it is applicable to lessees. The effective date is for annual periods beginning on or after June 2020. The standard is not expected to have a material impact on the financial statements or performance of the Group and is not endorsed by the EU.

IAS 1 'Presentation of financial statements' Classification of Liabilities as Current or Non-current. The IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The effective date is for annual periods beginning on or after 1 January 2023. The standard is not expected to have a material impact on the financial statements or performance of the Group and is not endorsed by the EU.

(c) Basis of Consolidation

The consolidated financial statements incorporate the results of the Company and its Subsidiary. The Company owns 100 per cent. 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.

(d) Taxation

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

(e) Share Capital

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

(f) Expenses

All expenses are accounted for on an accruals basis.

(g) Interest Income

Interest income is accounted for on an accruals basis.

(h) Foreign Currency Translation

The currency of the primary economic environment in which the Group operates (the functional currency) is Pounds Sterling ("**GBP**", "**£**" 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

2 ACCOUNTING POLICIES (continued)

(h) Foreign Currency Translation (continued)

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

(i) Cash and Cash Equivalents

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

(j) Segmental Reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being acquiring, leasing and selling various Airbus A380-861 aircraft (together the "**Assets**" and each an "**Asset**").

(k) Going Concern

The Directors have prepared these half yearly financial statements for the period ended 30 September 2020 on the going concern basis.

The Directors in consultation with the Asset Manager are closely monitoring the effect of the COVID-19 pandemic generally on the aviation industry and specifically on the Group's aircraft values and financial wellbeing of its lessees both now and in the future. The impact of the COVID-19 pandemic on the aviation sector has been significant with about a third of the global passenger aircraft fleet still grounded. The Group's future performance can potentially be impacted should this pandemic have a pervasive and prolonged impact on the economy. There has prevailed widespread restrictions on the ability of people to travel and this has had a material negative effect on the airline sector, and by extension the aircraft leasing sector. This may lead to the inability of the airlines to pay rent as it falls due. These factors, together with wider economic uncertainty and disruption, are likely to have an adverse impact on the future value of the aircraft Assets owned by the Group, as well as on the sale, re-lease, refinancing or other disposition of the relevant aircraft.

The Directors consider that the going concern basis of accounting remains appropriate. Based on current information the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, although the risk to this is clearly higher.

The Board will continue to actively monitor the financial impact on the Company and its Group resultant from the evolving position with its aircraft lessee and lenders whilst bearing in mind its fiduciary obligations and the requirements of Guernsey law which determine the ability of the Company to pay dividends and make other distributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

2. ACCOUNTING POLICIES (continued)

(k) Going Concern (continued)

Note 15 ('Borrowings') describes the borrowings obtained by the Group to part-finance the acquisition of its aircraft. The Group has obligations under the loans to make scheduled repayments of principal and interest, which are serviced by the receipt of lease payments from Emirates. The loans have been largely 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.

The Group's aircraft with carrying values of £367,159,680 are pledged as security for the Group's borrowings (see note 15).

The Group is currently in a net asset position and generates strong positive operating cash flows.

The Directors, with the support of its Asset Manager, believe that it is reasonable to assume as of date of approval of the half yearly financial statements that Emirates will continue with the contracted lease rental payments due to the following:

- Dubai's government has injected US\$2 billion into Emirates so far since the COVID-19 pandemic brought global air travel to a near halt in March and is prepared to send more help to its flagship airline.
- Emirates' listed debt and Credit Default Swaps ("CDS's") are trading at non-distressed levels.
- The airline resumed its A380 services on 15 July 2020 with flights to a limited number of destinations.
- As at 4 December 2020, the Asset Manager was not aware of a formal request addressed to the Group for a lease deferral or any other efforts that would result in the restructuring of the existing transactions and which could potentially have an impact on the committed future lease rental receipts.
- Emirates has paid all the lease rentals in a timely manner.

Whilst there is some uncertainty as to the airline industry in general, and specifically Emirates' financial position and credit risk profile, on the basis that (i) Emirates has shown no intention of failing to meet its obligations to the Group (ii) Emirates is presumed to have the financial backing to continue paying these rentals, the Directors believe that it is appropriate to prepare these half yearly financial statements under the going concern basis of preparation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

2 ACCOUNTING POLICIES (continued)

(l) Leasing and Rental Income

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

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

(m) Property, Plant and Equipment - Aircraft

In line with IAS 16 Property Plant and Equipment, each Asset is initially recorded at the fair value of the consideration paid. The cost of the Asset is made up of the purchase price of the 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 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 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 £44.4 million to £45.1 million (2019: £80.6 million to £81.7 million). Residual values have been arrived at by taking the average amount of three independent external valuers and after taking into account disposition fees where applicable. During the annual financial report for the year ended 31 March 2020, it was determined that the use of soft values excluding inflation best approximates residual value as required by IAS 16 Property, Plant and Equipment.

Due to the A380-specific developments during the last financial year of the Group and the generally dimmed market sentiment in the aviation sector since the COVID-19 outbreak, which is not over yet, there is an increasing risk that the underlying assumptions of the Base Value concept might not be met at the time of the leases expire. For this reason the Asset Manager recommended the use of a more conservative approach in deploying future Soft Values instead of Base Values. Soft Values are more conservative, also applicable under "abnormal conditions" and do not necessarily require a balanced market as the Base Value concept does.

This has resulted in a significant reduction in the residual value of the Aircraft since 31 March 2019 when residual values were based on Base Values.

The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed annually and is an estimate of the fair amount the entity would receive today if the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

2. ACCOUNTING POLICIES (continued)

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

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

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

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

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

(n) Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognised if the Group's obligations, specified in the contract, expire or are discharged or cancelled. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, are extinguished, or if the Group transfers the financial assets to a third party and transfers all the risks and rewards of ownership of the Asset, or if the Group does not retain control of the Asset and transfers substantially all the risk and rewards of ownership of the Asset.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income ("**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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

2 ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

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

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

Estimates

Residual Value and Useful Life of Aircraft

As described in note 2 (m), the Group depreciates the Assets on a straight line basis over the estimated useful life of the Assets after taking into consideration the estimated residual value. IAS 16 Property, Plant and Equipment requires residual value to be determined as an estimate of the amount that the Group would currently obtain from 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. During the annual financial report for the year ended 31 March 2020, it was determined that the use of soft values excluding inflation best approximates residual value as required by IAS 16 Property, Plant and Equipment.

Due to the A380-specific developments during the 2 financial year of the Group and the generally dimmed market sentiment in the aviation sector since the COVID-19 outbreak, which is not over yet, there is an increasing risk that the underlying assumptions of the Base Value concept might not be met at the time of the leases expiry. For this reason the Asset Manager recommended to make use of a more conservative approach in deploying future Soft Values instead of Base Values.

Soft Values are more conservative, also applicable under "abnormal conditions" and do not necessarily require a balanced market as the Base Value concept does. There is additional uncertainty caused by COVID-19 (the Directors have described their response to this uncertainty in note 2(k), refer to going concern section on pages 22 to 23) which has resulted in the use of Soft Values in determining the residual value of the Asset. This was reflected as a change in the estimation basis in the annual financial report.

In estimating residual value for the year, the Directors referred to future soft values (excluding inflationary effects) for the Asset obtained from three independent expert aircraft valuers. This has resulted in a significant reduction in the residual value of the Aircraft since 31 March 2019 when residual values were based on Base Values; details of which have been disclosed in note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Residual Value and Useful Life of Aircraft (continued)

The estimation of residual value remains subject to inherent uncertainty. If the estimate of residual value used in the calculation of depreciation had decreased by 20 per cent. with effect from the beginning of this period, the net profit for the period and closing shareholders' equity would have decreased by approximately £3.2 million (30 September 2019: £4.3 million). An increase in residual value by 20 per cent. would have had an equal but opposite effect. This reflects the range of estimates of residual value that the Directors believe would be reasonable at this time. The useful life of each Asset, for the purpose of depreciation of the Asset under IAS 16, is estimated based on the expected period for which the Group will own and lease the Aircraft.

Judgements

Operating Lease Commitments - Group as Lessor

The Group has entered into operating leases on four (31 Mar 2020: 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 an early termination payment equal to the present value of the Sterling rent that would have been payable for the extension term of 2 years would be due.

Functional Currency

The currency of the primary economic environment in which the Group operates (the functional currency) is GBP, which is also the presentation currency.

This judgement is made on the basis that this is representative of the operations of the Group due to the following:

- the Company's share capital was issued in GBP;
- its dividends are paid to Shareholders in GBP, and that certain of the Group's significant operating expenses as well as portion of the Groups' rental income are incurred/earned in GBP.

In addition, the set-up of the leasing structures was designed to offer a GBP return to GBP investors.

Impairment

As described in note 2(m), an impairment loss exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its current 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Impairment (continued)

The Board together with the Asset Manager have conducted an impairment review in the 31 March 2020 year as the below items resulted in pricing changes for the Aircraft:

- As further Airbus A380 aircraft reached the expiry of their first lease agreements further market data will be available to Amedeo and the appraiser community.
- The announcement to discontinue the A380 program in 2021 may impact prices in the secondary market.
- The impact of COVID-19 on the business of airlines and indirectly aircraft values, as well as on the credit risk profile of the Company's lessee.

Based on the impairment review performed, an impairment loss of £56,167,300 was recognised in the 31 March 2020 year, with the impairment test resulting in an updated carrying value of the Aircraft in total to £385,844,698 at that year end, as reflected in note 10.

For the current period 1 April 2020 to 30 September 2020, the Board has considered if there are any further impairment triggers as set out under IAS 36 Impairment of Assets and concluded that an interim impairment review at the 30 September 2020 period end was not practicable. The Company will again be carrying out a full and thorough appraisal of residual values come the next March financial year end.

4 RENTAL INCOME

	1 Apr 2020 to 30 Sep 2020 GBP	1 Apr 2019 to 30 Sep 2019 GBP
A rent income	25,370,815	37,748,498
Revenue received but not yet earned	(11,343,224)	(24,410,141)
Revenue earned but not received	13,154,661	13,830,109
Amortisation of advance rental income	1,596,602	1,596,602
Deduction of rebate monies	(149,515)	(151,533)
	<u>28,629,339</u>	<u>28,613,535</u>
B rent income	10,236,192	10,236,192
Revenue received but not yet earned	(14,022)	(14,022)
Revenue earned but not yet received	42,066	42,066
	<u>10,264,236</u>	<u>10,264,236</u>
Total rental income	<u>38,893,575</u>	<u>38,877,771</u>

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

5 OPERATING EXPENSES

	1 Apr 2020 to 30 Sep 2020 GBP	1 Apr 2019 to 30 Sep 2019 GBP
Corporate shareholder and advisor fee (note 23)	237,736	231,938
Asset Management fee (note 23)	321,005	313,120
Liaison agent fee (note 23)	35,661	34,791
Administration fees	42,995	60,568
Bank interest & charges	2,567	9,458
Accountancy fees	10,740	11,627
Registrar fees (note 23)	8,991	8,539
Audit fees	16,950	16,950
Directors' remuneration (note 6)	51,000	46,408
Directors' and officers' insurance	63,252*	13,604
Legal and professional expenses	11,291	12,044
Annual fees	3,892	5,249
Travel expenses	-	505
Marketing expenses (note 23)	6,460	-
Other operating expenses	18,708**	4,433
	<u>831,248</u>	<u>769,234</u>

* Due to market conditions at renewal, the Directors' and officers' insurance premium was subject to a large increase.

** Expenses have been incurred by Amedeo Management Limited to the amount of £13,653 which is in relation to marketing and board meeting expenses and have been reimbursed during the current period. The remaining balance in other operating expenses consist mainly of printing and stationery and also a small amount of operational sundry expenses.

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 Chair, who receives £29,000 per annum and the Chair of Audit, who receives £27,000 per annum. The rate of remuneration per director has remained unchanged.

7 UNREALISED FOREIGN EXCHANGE GAINS/(LOSSES)

	1 Apr 2020 to 30 Sep 2020 GBP	1 Apr 2019 to 30 Sep 2019 GBP
Cash at bank	(65,273)	122,010
Deferred income	5,443,785	(6,949,300)
Borrowings	4,696,763	(11,874,443)
Rebates	42,605	(93,021)
	<u>10,117,880</u>	<u>(18,794,754)</u>

The foreign exchange gain in the Period reflects the 4.0 per cent. movement in the Sterling/US dollar exchange rate from 1.242 as at 31 March 2020 to 1.292 as at 30 September 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

8 DIVIDENDS IN RESPECT OF EQUITY SHARES

Dividends in respect of Shares	1 Apr 2020 to 30 Sep 2020	
	GBP	Pence per Share
First interim dividend	4,537,500	2.06
Second interim dividend	<u>4,537,500</u>	<u>2.06</u>
	<u>9,075,000</u>	<u>4.12</u>

Dividends in respect of Shares	1 Apr 2019 to 30 Sep 2019	
	GBP	Pence per Share
First interim dividend	4,537,500	2.06
Second interim dividend	<u>4,537,500</u>	<u>2.06</u>
	<u>9,075,000</u>	<u>4.12</u>

Refer to Subsequent Events in note 24 in relation to dividends declared in October 2020.

9 EARNINGS PER SHARE

Earnings per Share ("**EPS**") is based on the net profit for the Period attributable to holders of Shares of the Company ("**Shareholders**") of £25,407,019 (30 September 2019: profit for the Period of £980,887) and 220,000,000 (30 September 2019: 220,000,000) Shares being the weighted average number of Shares in issue during the Period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

10 PROPERTY, PLANT AND EQUIPMENT - AIRCRAFT

	TOTAL GBP
COST	
As at 1 Apr 2020	<u>618,050,915</u>
As at 30 Sep 2020	<u>618,050,915</u>
ACCUMULATED DEPRECIATION	
As at 1 Apr 2020	176,038,917
Depreciation charge for the period	<u>18,685,018</u>
As at 30 Sep 2020	<u>194,723,935</u>
ACCUMULATED IMPAIRMENT	
As at 1 Apr 2020	56,167,300
Impairment loss for the period	<u>-</u>
As at 30 Sep 2020	<u>56,167,300</u>
CARRYING AMOUNT	
As at 30 Sep 2020	<u>367,159,680</u>
As at 31 Mar 2020	<u>385,844,698</u>

The Group is depreciating its Aircraft so as to ensure that the carrying value of its Aircraft at the termination of its lease equals the uninflated residual dollar value determined at 31 March 2020 in accordance with methodology set out in note 3, translated into Sterling at the exchange rate prevailing at 31 March 2020.

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 IFRS 16 the direct costs attributed in negotiating and arranging the lease have been added to the carrying amount of the Asset and will be recognised as an expense over the lease term.

Refer to note 3 for details on the impairment review conducted by the Company as at the 31 March 2020 year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

11 FINANCE COSTS

	30 Sep 2020	30 Sep 2019
	GBP	GBP
Amortisation of debt arrangements costs	194,200	194,200
Interest payable	<u>3,901,114</u>	<u>5,645,778</u>
	<u>4,095,314</u>	<u>5,839,978</u>

12 OPERATING LEASES

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

30 September 2020	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft- A rental receipts	47,519,272	93,863,789	-	141,383,061
Aircraft- B rental receipts	<u>20,472,384</u>	<u>80,615,877</u>	<u>1,283,043</u>	<u>102,371,304</u>
	<u>67,991,656</u>	<u>174,479,666</u>	<u>1,283,043</u>	<u>243,754,365</u>
31 March 2020	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft- A rental receipts	49,626,580	122,314,602	-	171,941,182
Aircraft- B rental receipts	<u>20,472,384</u>	<u>81,889,536</u>	<u>10,245,576</u>	<u>112,607,496</u>
	<u>70,098,964</u>	<u>204,204,138</u>	<u>10,245,576</u>	<u>284,548,678</u>

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

MSN132 - 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 two 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

12 OPERATING LEASES (continued)

MSN133 - 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 two 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 - 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 two 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 - 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 two 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.

13 RECEIVABLES

	30 Sep 2020	31 Mar 2020
	GBP	GBP
Prepayments	207,212	60,203
Sundry debtors	40	40
	<u>207,252</u>	<u>60,243</u>

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

14 PAYABLES (amounts falling due within one year)

	30 Sep 2020	31 Mar 2020
	GBP	GBP
Accrued administration fees	10,074	12,032
Accrued audit fee	16,250	20,460
Accrued registrar fees (note 23)	2,209	3,881
Other accrued expenses	37,539	39,524
	<u>66,072</u>	<u>75,897</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

15 BORROWINGS

	30 Sep 2020	31 Mar 2020
	GBP	GBP
Equipment Notes	130,953,873	157,120,337
Associated costs	<u>(1,961,096)</u>	<u>(2,155,296)</u>
	<u>128,992,777</u>	<u>154,965,041</u>
Current portion	<u>41,626,942</u>	<u>42,306,341</u>
Non-current portion	<u>87,365,835</u>	<u>112,658,700</u>

Notwithstanding the fact that £21.5 million capital was repaid during the Period, as per the Consolidated Statement of Cash Flow, the closing value of the borrowings decreased by £26.0 million due to the 4.0 per cent. movement in the Sterling / US dollar exchange rate for the Period from 1.242 as at 31 March 2020 to 1.292 at 30 September 2020.

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

	30 Sep 2020	31 Mar 2020
	GBP	GBP
Amount due for settlement within 12 months	<u>47,509,591</u>	<u>49,616,510</u>
Amount due for settlement after 12 months	<u>93,844,424</u>	<u>122,284,388</u>

In order to finance the acquisition of the Assets, the Subsidiary 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 per cent. 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 per cent. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

15 BORROWINGS (continued)

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 Aircraft, 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.

16 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.

17 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 Shares or Administrative Shares (together the "Share Capital").

Issued	Administrative Shares	Shares
Issued shares as at 30 September 2020 and as at 31 March 2020	2	220,000,000

Issued	Administrative Shares GBP	Shares GBP	Total GBP
Ordinary Shares			
Share Capital as at 30 September 2020 and as at 31 March 2020	-	208,953,833	208,953,833

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

17 SHARE CAPITAL (continued)

Upon winding up, Shareholders are entitled to the surplus assets attributable to the 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. However the Board has considered the potential impact of the COVID-19 pandemic (the "Pandemic") on the arrangements for the AGM. The Company is required by The Companies (Guernsey) Law, 2008, as amended, to hold an AGM. Measures taken by the States of Guernsey in response to the Pandemic mean that attendance at the AGM by shareholders who are not residents of Guernsey is not reasonably practicable. Of those measures, the most relevant to the AGM is the legal requirement that anyone arriving in Guernsey from anywhere in the world including, for the avoidance of doubt, the United Kingdom, will be required to self-isolate for up to 14 days upon their arrival.

Due to the Pandemic there will be no opportunity to interact with the directors. However, the Board considers it important that all shareholders have the opportunity to make their views known and to exercise their voting rights at the AGM. The Group has therefore strongly encouraged all shareholders to exercise their votes in respect of the meeting in advance and to submit any questions they may have to either the Secretary or the Corporate and Shareholder Adviser.

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 Shares have received a return of their capital paid up but ahead of the return of all additional capital to the holders of Shares.

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

18 CASH AND CASH EQUIVALENTS

	30 Sep 2020	31 Mar 2020
	GBP	GBP
Cash at bank	<u>13,644,757</u>	<u>13,719,497</u>
	<u>13,644,757</u>	<u>13,719,497</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

19 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.

20 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 2020	31 Mar 2020
	GBP	GBP
Financial assets		
Cash and cash equivalents	13,644,757	13,719,497
Receivables (excluding prepayments)	40	40
Financial assets measured at amortised cost	13,644,797	13,719,537
Financial liabilities		
Payables	66,072	75,897
Borrowings	128,992,777	154,965,041
Financial liabilities measured at amortised cost	129,058,849	210,568,034

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

(a) Capital Management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Capital Management (continued)

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

No changes were made in the objectives, policies or processes for managing capital during the period from 1 April 2020 to 30 September 2020 (None for the period from 1 April 2019 to 30 September 2019).

(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 reporting 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 lease should offset the US dollar payables on amortising debt. The foreign exchange exposure in relation to the Equipment Notes is thus almost entirely hedged.

Lease rentals (as detailed in notes 4 and 12) are received in US dollar and Sterling. Those lease rentals received in US dollars are used to pay the Equipment Note repayments due, also in US dollars (as detailed in note 15). Both US dollar 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 minimise risks caused by foreign exchange fluctuations.

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

	30 Sep 2020	31 Mar 2020
	GBP	GBP
Debt (US dollar) - Liabilities	(130,953,873)	(157,120,337)
Cash and cash equivalents (US dollar) - Asset	<u>1,636,934</u>	<u>1,893,324</u>

The following table details the Group's sensitivity to a 25 per cent. (31 March 2020: 25 per cent.) appreciation in Sterling against US dollar. 25 per cent. (31 March 2020: 25 per cent.) represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 25 per cent. (31 March 2020: 25 per cent.) change in foreign currency rates. A positive number below indicates an increase in profit and other equity where Sterling strengthens 25 per cent. (31 March 2020: 25 per cent.) against US dollar. For a 25 per cent. (31 March 2020: 25 per cent.) weakening of the Sterling against US dollar, there would be a comparable but opposite impact on the profit and other equity:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign Currency Risk (continued)

	30 Sep 2020 US Dollar impact GBP	31 Mar 2020 US Dollar impact GBP
Profit or loss	25,863,388	31,045,402
Assets	(327,387)	(378,665)
Liabilities	<u>26,190,775</u>	<u>31,424,067</u>

On the eventual sale of the Assets, the Group will be subject to foreign currency risk if settled in a currency other than Sterling. 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.

Refer to the going concern section on pages 22 to 23 where an assessment of Emirates is made.

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

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

	30 Sep 2020 GBP	31 Mar 2020 GBP
Receivables (excluding prepayments)	40	40
Cash and cash equivalents	<u>13,644,757</u>	<u>13,719,497</u>
	<u>13,644,797</u>	<u>13,719,537</u>

Surplus cash in the Company is held with RBSI. Surplus cash in the Subsidiary is held in accounts with RBSI and Wilmington Trust. The banks have credit ratings given by Moody's of P-1 and P-1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(d) Liquidity Risk**

Liquidity risk is the risk that the Group will encounter difficulty in realising Assets or otherwise raising funds to meet financial commitments. The Group's main financial commitments are its ongoing operating expenses and payments on Equipment Notes.

Ultimate responsibility for liquidity risk management rests with the Board, 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 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. 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:

	1-3 months GBP	3-12 months GBP	1-2 years GBP	2-5 years GBP	over 5 years GBP
30 Sep 2020					
Financial liabilities					
Payables - due within one year	66,072	-	-	-	-
Equipment Notes	<u>23,801,995</u>	<u>23,707,596</u>	<u>47,123,695</u>	<u>46,720,729</u>	<u>-</u>
	<u>23,868,067</u>	<u>23,707,596</u>	<u>47,123,695</u>	<u>46,720,729</u>	<u>-</u>
31 Mar 2020					
Financial liabilities					
Payables - due within one year	75,897	-	-	-	-
Equipment Notes	<u>24,856,303</u>	<u>24,760,207</u>	<u>49,223,671</u>	<u>73,060,717</u>	<u>-</u>
	<u>24,932,200</u>	<u>24,760,207</u>	<u>49,223,671</u>	<u>73,060,717</u>	<u>-</u>

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

20 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 2020	Variable interest GBP	Fixed interest GBP	Non- interest bearing GBP	Total GBP
Financial Assets				
Receivables (excluding prepayments)	-	-	40	40
Cash and cash equivalents	13,644,757	-	-	13,644,757
Total Financial Assets	13,644,757	-	40	13,644,797
Financial Liabilities				
Payables	-	-	66,072	66,072
Equipment Notes	-	130,953,873	-	130,953,873
Total Financial Liabilities	-	130,953,873	66,072	131,019,945
Total interest sensitivity gap	13,644,757	130,953,873		
31 Mar 2020	Variable interest GBP	Fixed interest GBP	Non- interest bearing GBP	Total GBP
Financial Assets				
Receivables (excluding prepayments)	-	-	40	40
Cash and cash equivalents	13,719,497	-	-	13,719,497
Total Financial Assets	13,719,497	-	40	13,719,537
Financial Liabilities				
Payables	-	-	75,897	75,897
Equipment Notes	-	157,120,337	-	157,120,337
Total Financial Liabilities	-	157,120,337	75,897	157,196,234
Total interest sensitivity gap	13,719,497	157,120,337		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the period from 1 April 2020 to 30 September 2020

20 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 2020 would have been £68,224 (31 March 2020: £68,597) 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 2020 would have been £68,224 (31 March 2020: £68,597) lower due to a decrease in the amount of interest receivable on the bank balances.

21 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 15).

	30 Sep 2020	30 Sep 2019
	GBP	GBP
Opening Balance	157,120,337	213,048,544
Cash flows paid - capital	(21,508,144)	(32,362,298)
Cash flows paid - interest	(4,052,392)	(5,571,628)
Non-cash flows:		
- Interest accrued	3,901,114	5,645,778
- Rebates movement	232,327	92,407
- Effects of foreign exchange – Rebates	(42,605)	93,021
- Effects of foreign exchange – Loans	(4,696,763)	11,874,443
Closing Balance	<u>130,953,873</u>	<u>192,820,267</u>

22 ULTIMATE CONTROLLING PARTY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the period from 1 April 2020 to 30 September 2020

23 RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Amedeo Management Limited ("**Amedeo**") has been appointed as the Group's Asset Manager.

During the Period, the Group incurred £356,666 (30 September 2019: £347,911) of expenses with Amedeo, of which £321,005 (30 September 2019: £313,120) related to asset management fees as shown in note 5, £35,661 (30 September 2019: £34,791) was liaison agent fees. As at 30 September 2020, £17,831 (31 March 2020: £52,187) was prepaid to this related party.

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

During the Period, the Group incurred £244,196 (30 September 2019: £231,938) of expenses with Nimrod, of which £nil (31 March 2020: £3,881) was outstanding to this related party at 30 September 2020. £237,736 (30 September 2019: £231,938) related to corporate shareholder and advisor fees as shown in note 5 and £6,460 (30 September 2019: £nil) have been incurred as cancellation costs in relation to the Farnborough Airshow.

JTC Registrars Limited ("JTC Registrars") is the Group's registrar, transfer agent and paying agent. During the Period, the Group incurred £35,661 (30 September 2019: £34,791) of expenses with JTC Registrars as shown in note 5. As at 30 September 2020 £2,209 (31 March 2020: £3,881) was owing to this related party.

24 SUBSEQUENT EVENTS

On 15 October 2020, a dividend of 2.0625 pence per Ordinary Share was declared and this was paid on 30 October 2020.

ADVISORS AND CONTACT INFORMATION

KEY INFORMATION

Exchange: Specialist Fund Segment of the London Stock Exchange's Main Market

Ticker: DNA3

Listing Date: 2 July 2013

Financial Year End: 31 March

Base Currency: GBP

ISIN: GG00B92LHN58

SEDOL: B92LHN5

LEI: 213800BMYMCBKT5W8M49

Country of Incorporation: Guernsey

Registration number: 54908

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