Doric Nimrod Air Three Limited

Consolidated Annual Financial Report

From 1 April 2019 to
31 March 2020

CONTENTS

Page

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA3
Share Price	35.00 pence (as at 31 March 2020) 34.00 pence (as at 24 July 2020)
Market Capitalisation	GBP 74.80 million (as at 24 July 2020)
Current / Future Anticipated Dividend	Current dividends are 2.0625 pence per quarter per share (8.25 pence per annum) and it is anticipated that this will continue until the aircraft leases begin to terminate in 2025.
Dividend Payment Dates	April, July, October, January
Currency	Sterling
Launch Date / Share 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 Adviser	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 Limited 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.

DORIC NIMROD AIR THREE LIMITED

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 24 July 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 34.00 pence per Share.

Investment Objectives and Policy
The Company's investment objective is to obtain income returns and a capital return for its shareholders (the "**Shareholders**") by acquiring, leasing and then selling aircraft (each an "**Asset**" or "**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.

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 3 to the financial statements.

The EETCs, with an aggregate face amount of approximately $630 million, are 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 Directors to effect the payment of dividends.

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

During the financial year under review and in accordance with the Distribution Policy the Company declared four interim dividends of 2.0625 pence per Share. Two interim dividends of 2.0625 pence per Share have been declared after the reporting period. Further details of dividend payments can be found on page 20.

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.

CHAIRMAN'S STATEMENT

During the year from 1 April 2019 until 31 March 2020 (the "**Period**") the Company has declared and paid four quarterly dividends of 2.0625 pence per share, 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 Group owns four Assets. Upon the purchase of each aircraft, the Company's subsidiary entered into operating leases on the Assets 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.

The debt portion of the funding will be fully amortised over the term of each lease, which will leave the Aircraft unencumbered on the conclusion of the lease. Emirates bears all costs (including maintenance, repair and insurance) relating to the aircraft during the lifetime of the leases and all payments thus far by Emirates have been made in accordance with the terms of the leases. At 24 July 2020, the latest practical date prior to this report, the Company had outstanding debt associated with the aircraft totaling USD 167.2 million (36% of the initial balance) as well as unencumbered cash resources of GBP 7.5 million. The Company's first lease expiry falls due in August 2025.

All payments by Emirates have been made in accordance with the terms of the lease.

As a result of the COVID-19 pandemic the global aviation industry has faced widely reported and extreme pressures, which could have an impact and tenor that may exceed that of 9/11. The International Air Transport Association ("**IATA**") expect passenger revenues to be USD 314 billion below 2019 (-55%), having revised their initial estimate further to reflect a deeper decline. The liquidity and creditworthiness of airlines, both large and small, has come sharply into focus while a significant part of the global aircraft fleet remains grounded. In the face of such pressures it is very disappointing, but ultimately unsurprising, to note the significant fall in the Company's share price over the Period. At the start of 2020 the share price was trading at around 71 pence but had fallen to 35 pence by the Company's financial year end on 31 March. At the time of writing the share price is 34.00 pence, representing a market capitalisation of GBP 74.80 million based on the 220,000,000 shares in issue.

Emirates, the sole lessee of the Company, reported cash assets of USD 5.5 billion as at 31 March 2020. Further, Dubai's Crown Prince Sheikh Hamdan bin Mohammed highlighted that the Government is "fully committed to supporting Emirates in the current critical period" and "as a shareholder of Emirates, the Government will inject equity considering its strategic importance to the Dubai and UAE economy and the airline's key role in positioning Dubai as a major international aviation hub". 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 instruments are trading at approximately 96 cents, 96 cents and 92 cents respectively, equivalent to USD running yields in the range of roughly 4.1% to 4.9%. Yields of this level are typically not representative of an entity that is not expected to service its obligations or is at significant risk of default.

Whilst some airlines have scaled back (Lufthansa) or even phased out (Air France) the A380 from their future fleet plans the Board takes comfort that Emirates continues to demonstrate support for the model which has formed a key part of the airlines strategy for over a decade. Emirates President, Sir Tim Clark, recently noted that he will not "bottle out on the big bird" because "the A380 has defined us. As demand returns, and given the slot availability at prime hubs, there will be a place for it. I'm hoping by April 2022, all our A380s will be flying again." Further, Emirates Chief Operating Officer, Adel Al Redha commented in July that he expects "60% to 70% of the current A380 fleet to be back in the air by December 2020" while "the airline plans to keep all 115 of the double-decker jets", limited to a potential change in fleet size due to COVID-19. Further details on Emirates and the A380 can be found in the Asset Manager's report by Amedeo Management Limited ("**Amedeo**").

Following a thorough assessment with our Asset Manager and in light of both COVID-19 and the continued lack of secondary market development for the Airbus A380 aircraft, your Board has elected to change the valuation basis for the Company's Assets from the assumption that there would be a balanced market at lease expiry, where supply and demand for the A380 are in equilibrium (so called 'future base values') to one characterised by less favourable market conditions for the seller, including but not limited to an imbalance of supply and demand in the aircraft type. These values are called 'future soft values'. As a result of this change, and a general weakening in widebody value forecasts, which have been more pronounced with respect to the A380, the value of the Company's Assets, on a future soft value (uninflated) basis, has declined by GBP 146.8 million (approximately 45%) to GBP 178.5 million (from GBP 325.3 million last year) at the expiry of the lease. On a USD basis the decline is approximately 48.8%. This valuation would represent a potential capital return in excess of the current share price if realised and subject to the prevailing GBP/USD exchange rate. As part of this year's impairment review an impairment charge of approximately GBP 56.17 million has been recognised (further details on residual value and the impairment test can be found in notes 2(m), 3 and 10 of the accounts).

I am pleased to highlight that a comprehensive Environmental, Social and Governance ("**ESG**") Policy is now included within this report. This provides Shareholders with further detail on the Company's business model and matters such as the environmental and social considerations of the aviation industry and the importance of high standards of Corporate Governance. Your Board recognises the increasing importance of ESG matters in relation to shareholders' investment considerations and has sought to address the topic in a pragmatic fashion.

The operational risks as a result of the COVID-19 pandemic have been considered by the Board and updates on operational resilience were received from the Asset Manager and other key service providers. Your Board continued to operate effectively during the lock-down period utilising both telephone and video conferencing to maintain contact with our advisors and auditors. The Board were satisfied that the key service providers have the ability to continue to operate. Amedeo continues to monitor the lease 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 between the Board and Shareholders.

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 lease and are very similar in amount and timing.

The notice of the next Annual General Meeting of the Shareholders of the Company will be published in due course.

The Board encourages Shareholders to read the Company's quarterly fact sheets which we believe provide a great deal of interesting information and we hope these regular reports, in addition to the communication you receive from Nimrod, are useful and informative. We welcome Shareholder engagement and feedback and encourage you to contact Nimrod to request a meeting or 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 turbulent times. I look forward to keeping all Shareholders up to date with further progress.

Charles Wilkinson
Chair
30 July 2020

DORIC NIMROD AIR THREE LIMITED

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.

COVID-19

The coronavirus COVID-19 pandemic continues to impact private and economic life worldwide. The consequences of COVID-19 are far reaching and changing at a significant pace. The impact of this pandemic on the aviation sector has been significant with a large part of the global passenger aircraft fleet grounded. This Asset Manager's Report is exclusively based on known facts at the time of writing and does not seek to draw on any speculation about any possible future, long-term impacts of the pandemic on the aviation sector or the Company specifically and should be read in such context.

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 – 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, a wholly owned subsidiary of the Company, issued two tranches of EETCs – a form of debt security – in July 2013 in the aggregate face amount of USD 630 million. The EETCs 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 EETCs to finance the acquisition of the four new Airbus A380 aircraft.

The four Airbus A380 aircraft bear manufacturer's serial numbers (**MSN**) 132, 133, 134 and 136.

The four A380s owned by the Group have been parked at Dubai International Airport ("**DXB"**) and Dubai World Central ("**DWC"**) since the end of March 2020, due to the ongoing COVID-19 crisis.

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of May 2020 was as follows:

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
132	29/08/2013	31,009	3,619	8 h 35 min
133	27/11/2013	31,351	3,298	9 h 30 min
134	14/11/2013	29,762	3,157	9 h 25 min
136	29/10/2013	31,567	3,331	9 h 30 min

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

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 Assets 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 (including for maintenance, repairs and insurance) relating to the aircraft during the lifetime of the respective leases.

Inspections
The Asset Manager conducted physical inspections and records audits of the aircraft as shown in the table below. The condition of the aircraft and technical records were in compliance with the provisions of the respective lease agreements.

MSN	Last Inspection	MSN	Last Inspection
132	11/2019	134	01/2020
133	01/2020	136	01/2020

2. Market Overview

Air passenger traffic worldwide is currently being affected by the COVID-19 virus. In response to the pandemic, governments have been imposing severe border restrictions and airlines have subsequently sharply reduced capacity due to the significant drop in passenger demand. IATA reported that markets that comprise 98% of all passenger revenue worldwide are subject to some form of severe restrictions, including outright border closures, partial travel bans, and mandatory quarantines for arriving passengers. Aerospace data provider, Cirium estimates that the number of aircraft parked due to the pandemic likely peaked at nearly 17,000 widebodies, narrowbodies and regional jets on 22 April 2020, representing approximately 64% of the total global fleet.

Given the pattern of previous epidemics, IATA anticipates that the impact on aviation will last a number of months (typically 6-7 months) with the greatest effects realised after 2-3 months. However, IATA also notes that an economic recession could delay any recovery past this six-month period seen in previous epidemics. Fiscal stimulus from governments is expected to lessen recessionary impacts. In April, IATA updated its initial assessment of the COVID-19 impact and now anticipates 2020 global revenue losses for the passenger business of USD 314 billion due to the broader spreading of COVID-19. This represents a 55% fall in global airline passenger revenues. IATA's latest impact assessment now points to air passenger volumes contracting by 48% year-on-year in 2020.

IATA did report that Chinese passenger numbers have begun to increase and that passenger yields have stabilized, with March domestic yields thus far slightly exceeding those in the same month during 2019. Further, it was encouraged by fiscal stimulus actions and intentions declared by governments around the world. The governments of many large economies with significant air travel markets are expected to provide stimulus packages falling in the range of 10-20% of GDP.

During the first quarter of 2020 revenue passenger kilometers ("**RPKs**") fell by 22.2% compared to the same period in the previous year, while capacity in available seat kilometers ("**ASKs"**), declined by 14.7%, resulting in a Passenger Load Factor ("**PLF**") of 73.7%, a decline of 7.1 percentage points. With a rapid advance of COVID-19 in March, RPKs came in 52.9% lower than in March 2019 marking the largest decline since IATA started to collect data in 1990. The global load factor was only 60.6%. Once the travel restrictions and lockdowns are lifted, IATA expects the willingness of consumers to travel by air to remain limited initially, in particular on international markets. According to IATA, industry-wide passenger traffic, measured in RPKs, grew at a rate of 4.2% in the calendar year 2019, compared to the year before. At the same time, industry-wide capacity, measured in ASKs, increased by 3.4% against the previous year. This resulted in a 0.6 percentage point increase in the worldwide PLF to 82.6%.

In 2019, passenger traffic in the Middle East has increased by 2.3% against the previous year. Capacity grew marginally by 0.1%, resulting in a 1.7 percentage point increase in PLF to 76.2%. During the first quarter of 2020 RPKs in this region fell by 13.2% compared to the same period in the previous year, while capacity in ASKs declined by 10.8%, resulting in a PLF of 71.6%, a decline of 1.9 percentage points.

Source: Cirium, IATA

3. Lessee – Emirates

Network

Due to COVID-19 and the resulting travel restrictions and entry requirements imposed by governments all around the world, Emirates temporarily suspended its passenger operations on 25 March. On the same day Dubai’s two airports, DXB and DWC, closed to the travelling public, but continued to service emergency evacuation and cargo flights.

As from 21 May Emirates resumed scheduled passenger services to initially nine destinations and the carrier expects to bring its network gradually to over 50 cities in July. Starting from mid-July, the A380 will return to a scheduled service, initially to London and Paris. Emirates is “looking forward to gradually introduce our A380 into more destinations according to the travel demand on specific destinations”, said Adel Al Redha, the airline’s Chief Operating Officer in a company statement. Furthermore, new protocols will allow Dubai to re-open for business and leisure visitors from 7 July, allowing international travel for UAE citizens, residents, and tourists.

Emirates’ president Sir Tim Clark has forecast that demand will recover over a period of time with Emirates’ operating network returning to pre-COVID-19 levels by 2024. Ultimately, however, he believes the recovery to be dependent on the creation of a vaccine.

Fleet

Emirates received six new aircraft during the 2019/20 financial year, all Airbus A380s, while it phased out six older aircraft, comprising four Boeing 777-300ERs, one Boeing 777-300 and one Boeing 777 Freighter. This left Emirates’ fleet count at 270 aircraft with an average fleet age of 6.8 years as of the end of March 2020. Deliveries of Emirates’ latest orders for 50 Airbus A350 XWBs and 30 Boeing 787 Dreamliner aircraft are not expected to begin until 2023. The first Boeing 777X is now scheduled to arrive in 2022. Tim Clark hints that the airline will seek to renegotiate the size or schedule of these commitments, but not until it better understands the impact of COVID-19 on its business.

Emirates is the largest operator of the Airbus A380 and the aircraft type remains popular among Emirates’ customers, as demonstrated by the previously high load factors on the aircraft type before COVID-19 hit the industry. Emirates has 115 Airbus A380s in its fleet, which served 53 destinations, or about 34% of Emirates’ network in the 2019/20 financial year. In total, A380s carried 43% of Emirates’ passengers and the lessee states in its annual financial report that the A380 will remain the cornerstone of its fleet mix and product offering well into the 2030s. Tim Clark recently noted he remains “a great believer in the qualities of the A380, and when fuel is at USD 30-40 a barrel, it a good cash producer and good for the bottom line, providing we can fill it and we don't have social distancing rules".

The table below details the passenger fleet activity as of 30 June 2020:

Aircraft Type	Grounded	Active
A380	115	0
777	39	104
Total	**154**	**104**
%	**60%**	**40%**

Source: Cirium as of 30 June 2020

Tim Clark expects all Emirates A380s to return to the skies by April of 2022. Contrary to previous suggestions that the airline would decommission a large portion of its A380 fleet he noted: "We're not getting rid of any of them apart from I think three that are coming out … this year." However, the lessee will reduce its fleet over time and indicated last year, that 80 to 100 A380 could remain in service, depending on the time horizon. Separately, Adel Al Redha, the lessee's chief operating officer, commented in early July, that he expects "60% to 70% of the current A380 fleet to be back in air by December this year".

Notwithstanding the unprecedented drop in demand for flight tickets due to COVID-19, the airline was quick in adapting its resources to benefit from a strong surge in air cargo demand: By the end of May 2020 the airline was able to build up substantial cargo-only operations with more than 80 Boeing 777-300ER passenger aircraft in the air, complemented by 11 Boeing 777 freighters. Tim Clark was pleased with the cash flow these services are able to generate in challenging times: "Cargo operations are never going to produce the kind of income you'll get from passenger operations, but they certainly kept the wolf from the door."

Key Financials

In the 2019/20 financial year, ended on 31 March 2020, Emirates recorded its 32nd consecutive year of profit despite negative impacts from the 45-day runway closure at DXB and the COVID-19 pandemic. Largely due to these external factors as well as a negative currency impact of AED 572 million (USD 156 million), total revenue declined by 6% to AED 92.0 billion (USD 25.1 billion) for the financial year. However, in the face of these pressures, Emirates recorded a profit of AED 1.1 billion (USD 288 million). This was a 21% increase over the results of the previous financial year. The profit margin amounted to 1.1%.

During the 2019/20 financial year, Emirates carried 56.2 million passengers, down 4% compared to the previous financial year. However, with a seat capacity reduction of 6%, the airline achieved a passenger seat load factor of 78.5%, an improvement over the load factor of 76.8% in the previous financial year.

Emirates' total operating costs decreased by 10% during the 2019/20 financial year. This was largely attributable to developments in Emirates' fuel costs. The decline in the average cost of fuel of 9% during the financial year, together with the capacity reduction, resulted in a 15% decrease in the airline's fuel bill to AED 26.3 billion (USD 7.2 billion). Fuel accounted for 31% of operating costs and remained the largest cost component for the airline.

While Emirates maintains that it has a strong balance sheet with a substantial cash position, the airline is taking additional measures to protect its cash flow through cost savings measures, reductions to discretionary capital expenditure, and engaging with business partners to improve working capital. To this end, Emirates also raised AED 4.4 billion (USD 1.2 billion) in additional liquidity in the last quarter of 2019/20 through term loans, revolving credit and short term trade facilities. As a result, Emirates ended the financial year 2019/20 with AED 20.2 billion (USD 5.5 billion) in cash assets. Emirates also stated that it intends to continue to tap the banking market for further liquidity in the first quarter of the 2020/21 financial year to provide a cushion against the impact of COVID-19 on its cash flows in the short term.

Emirates also reaffirmed that measures to support the airline include “obtaining committed support from the government of Dubai which has publicly confirmed that they will financially support Emirates during this period through a variety of measures including an additional equity injection if required."

Emirates noted that, as a result of COVID-19, its profits for the month of March 2020 were more than AED 1.5 billion (USD 0.4 billion) worse than expected.

Emirates’ total liabilities increased by 66% to AED 148.5 billion (USD 40.5 billion) primarily due to recognition of additional lease liabilities following the adoption of IFRS 16. This was offset to an extent by a reduction in forward sales liabilities due to the ongoing COVID-19 pandemic. Total equity decreased by 37.5% to AED 23.6 billion (USD 6.4 billion) primarily due to the adoption of IFRS 16. This resulted in an equity ratio of 13.7%.

Regarding the ongoing effects of the COVID-19 pandemic, Sheikh Ahmed bin Saeed Al Maktoum stated, that “The COVID-19 pandemic will have a huge impact on our 2020-21 performance, with Emirates’ passenger operations temporarily suspended since 25 March …. We continue to take aggressive cost management measures, and other necessary steps to safeguard our business, while planning for business resumption. We expect it will take 18 months at least, before travel demand returns to a semblance of normality. In the meantime, we are actively engaging with regulators and relevant stakeholders, as they work to define standards to ensure the health and safety of travelers and operators in a post-pandemic world. Emirates … stand(s) to reactivate our operations to serve our customers, as soon as circumstances allow.” The cost management measures include the layoff of an unspecified number of employees, which has already started. In the meantime, Emirates also adapted operations to minimise the risk of contamination by introducing cleaning regimes, protective clothing and masks as well as by using the airline’s fleet to operate as “a mini United Parcel Service”.

As at the end of June Emirates has outstanding US dollar debt issuances with maturities in 2023, 2025, and 2028. These bonds were trading at approximately 96 cents, 96 cents, and 92 cents, respectively, representing running yields ranging from approximately 4.1% to 4.9% in US dollars. This level of yields does not appear to indicate any significant financial stress to the issuer.

4. Aircraft – A380

The Emirates fleet consisted of 270 aircraft as of March 2020, including 115 A380s. In addition to its current fleet, Emirates has an order book with Airbus and Boeing.

Emirates expects to receive an additional eight units from their current 115 today, resulting in 123 A380 deliveries in total. Its senior management indicated that the A380 will remain a cornerstone part of their fleet well into the 2030s though the total number in fleet will decline over time. However, Emirates have not given any formal indication of numbers. In November 2019 press articles following interviews with Tim Clark and a podcast with the president of Emirates, mentioned ranges from 80 to 100 A380s to remain in service, depending on the time horizon. This scenario, if realised, may result in returns and possibly retirements of a number of Emirates A380s over the next few years, potentially 20 to 40 of the total deliveries Emirates will have received by the end of 2021. In addition, as a function of the number of A380 airframes returned or retired over time, from Emirates or other existing operators, there is limited visibility over the value of remaining green time on the engines and spare parts. This will be assessed over the coming years.

During February Etihad Airways PJSC ("**Etihad**") completed the purchase of two A380-800 aircraft less than three years into their fixed 12 year operating leases. Etihad also undertook to repay all of the outstanding financing arrangements and other associated costs with respect to both leases. It remains to be determined how such transactional data will be incorporated into appraisers' forecasts for the A380, particularly in the current very fluid operating environment.

Following the COVID-19 epidemic operators like Air France and Lufthansa (at least for six units) have publicized plans to phase out the A380 in the near term: Lufthansa is permanently decommissioning six A380s that were previously scheduled to depart the fleet in 2022. Air France announced in May its intention to retire its remaining nine A380s with immediate effect – ahead of its initial 2022 target.

Airbus entered into a new A380 maintenance, repair and overhaul facility joint venture with Singapore Airlines ("**HMSS**"), in February to address the cabin reconfiguration costs on the A380. Airbus plans to use HMSS to offer major upgrades on the A380 in a competitive way in order to assist in remarketing the aircraft on the second-hand market.

Emirates has signed a general terms agreement for Airbus A380 support with component maintenance provider Spairliners, a joint venture between Air France Industries KLM Engineering & Maintenance and Lufthansa Technik based in Hamburg, Germany. Emirates vice-president procurement aircraft Ammar Al-Zabe expects the deal to "strengthen the support, service and reliability for our A380s" and result in "optimised" operations of the type.

In May 2020, German maintenance specialist LHT announced that it is working on a conversion for an Airbus A380 as part of its effort to offer temporary passenger-to-cargo modification services. LHT did not identify the customer but stated that it has been awarded the technical and engineering task to support the "operational change". While the modification is intended to comply with temporary passenger-to-freight regulatory exemptions drawn up to meet demand during the COVID-19 crisis, LHT indicated that it will offer the conversion as a permanent solution.

Source: Cirium

DIRECTORS

As at 31 March 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 masters 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 (appointed 1 August 2019) – Senior Independent Director ("SID")

Suzie 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.

Suzie 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 (appointed 1 August 2019)

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. 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.

John Le Prevost (resigned 16 January 2020)

Mr Le Prevost resigned as a director of the Company with effect from 16 January 2020.

SERVICE PROVIDERS

Management and the Delegation of Functions

The Directors, whose details are set out on page 13 are responsible for reviewing the business affairs of the Group in accordance with the Articles and have overall responsibility for the Group's activities including all business decisions, review of performance and authorisation of distributions. The Company has delegated management of the Group's Aircraft to Amedeo, which is a company incorporated in Ireland. Further details are outlined below under the heading Asset Manager. The Directors delegate secretarial and administrative functions to JTC Fund Solutions (Guernsey) Limited ("**JTC**" or the "**Secretary"** or the **"Administrator**") which is a company incorporated in Guernsey and licenced by the Guernsey Financial Services Commission (the "**GFSC**") for the provision of administration services. The registrar function is delegated to JTC Registrars Limited (formerly Anson Registrars Limited) (the "**Registrar**"), which is licensed and regulated by the GFSC.

Asset Manager and Lease and Debt Arranger

Amedeo has been appointed by the Company to provide asset management services to the Group. Pursuant to the Asset Management Agreement, Amedeo will: (i) monitor Emirates' and any subsequent lessees' performance of its obligations under the respective operating leases and any subsequent lease respectively (which shall include the obligations relating to the maintenance of insurance cover); (ii) provide the Group with information regarding alternatives with respect to any potential sale or re-lease of the Assets; (iii) carry out mid-lease inspections of the Assets; (iv) provide the Group with asset monitoring reports describing the state and any material changes to the state of the Assets; and (v) liaise, as and when necessary, with lenders, on all matters relating to the loans, as required. Amedeo has further undertaken that it will dedicate sufficient time and resources as it reasonably believes is required from time to time to fulfil any contractual arrangements it enters into with the Company.

Amedeo has also been appointed by the Company, pursuant to the Agency Agreement, to assist the Group, and act as the Group's agent, in relation to the arrangement, negotiation, review, approval, execution and management on behalf of the Group of the acquisition of the Assets, the borrowings of the Group relating to the acquisition of the Assets, and the operating leases. Amedeo is a subsidiary of Amedeo Capital Limited, a Cayman company engaged in the business of aircraft operating leasing and management.

Amedeo Services (UK) Limited has been appointed by the Group, pursuant to the Liaison Services Agreement, to: (i) coordinate the provision of services by Amedeo to the Group under the Asset Management Agreement and the Agency Agreement, as relevant; and (ii) facilitate communication between the Group and Amedeo. Amedeo Services (UK) Limited is authorised by the Financial Conduct Authority and is part of the Amedeo Group of companies.

Amedeo is a leading aircraft Asset Manager and principal investor in leasing transactions to customer airlines globally. The aircraft portfolio currently managed by the Amedeo Group, includes thirty nine aircraft under management and an additional 8 aircraft under oversight. The volume of assets under management is c. $7 billion, which include commercial airliners including A380, A350, A330 and Boeing 777 and 747-F. Amedeo is a member of the International Society of Transport Aircraft Trading ("**ISTAT**"), and is a Strategic Partner of IATA.

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

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

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

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

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

Registrar
The Registrar, is the Company's CREST compliant registrar. The Company's registrar is responsible for the maintenance of the Company's share register and for the processing of dividend payments and stock transfers. The Registrar is licensed and regulated by the GFSC and further information about Registrar may be found at www.jtcgroup.com .

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

A full list of the Company's service providers is set out on page 86.

MANAGEMENT REPORT

A description of important events which have occurred during the financial year under review, their impact on the performance of the Group as shown in the consolidated financial statements and a description of the principal risks and uncertainties facing the Group is given in the Chairman's Statement, Asset Manager's Report, Statement of Principal Risks and the notes to the consolidated financial statements contained on pages 58 to 85 and are incorporated here by reference.

Principal Risks and Uncertainties

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

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

The principal risks associated with the Group are:

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

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

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

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

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

- **Regulatory risk:** The Group is required to comply with the Disclosure Guidance and Transparency Rules ("**DGTRs**") of the Financial Conduct Authority and the requirements imposed by the Law and the GFSC. Any failure to comply could lead to criminal or civil proceedings. Although responsibility ultimately lies with the Board, the Secretary also monitors compliance with regulatory requirements.

- **Global Pandemic:** The emergence of a global pandemic may have a profound and negative impact on the operations and performance of the Group and may directly or indirectly affect some of the other risks mentioned in this table. The Board and its key service providers would all act to the best of their abilities to protect the welfare of the various teams involved in the affairs of the Group to ensure operations are maintained to the extent possible and to protect and support the Assets of the Group for as long as is required. Please refer to the Chairman's Statement, the Asset Managers Report and the going concern statement below for more information on how the Group is being affected by COVID-19.

Data Protection

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

Going Concern

The Group's principal activities are set out within the Company Overview on pages 2 to 3. The financial position of the Group is set out on page 55. In addition, note 20 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 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 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.

An increase in lessee counterparty credit risk means that there is now more uncertainty over lease payments and depending on further developments with the lessee, there could be requests for lease rental deferrals. Reduced rents receivable under the leases may not be sufficient to meet the fixed loan or Equipment Note interest and regular capital repayments of debt scheduled during the life of each loan and may not provide surplus income to pay for the Group's expenses and permit the declaration of dividends.

The option to remarket the Aircraft following a potential event of default by the lessee has not been taken into account. The period of time necessary to successfully complete such a process is beyond the twelve months forecasting horizon of the going concern considerations. This applies in particular in times of COVID-19, as various restrictions are still in place to contain the pandemic.

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

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 (ii) Emirates has 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.

The Directors have considered Emirates' ability to continue paying the lease rentals over the next 12 months and are satisfied that the Group can meet its liabilities as they fall due over this period. Further detail regarding the assumptions adopted when forming this conclusion can be found in the Viability Statement below.

Viability Statement

In accordance with Provision 31 of The UK Corporate Governance Code, the Directors of the Company have considered the prospects of the Group over the period from present until the Liquidation Resolution is put to Shareholders six months before the last lease is due to terminate in 2025, a period of five years. In choosing the period of viability for the Group the Board has considered the prospect of Emirates performing their obligations until the end of their leases.

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

In addition, the Board has considered a detailed cash flow projection for the running costs of the Group and has assumed that Emirates is a going concern. The Board believe that it is reasonable to assume as of the date of the approval of the annual financial report that Emirates will continue with the contracted lease rental payments due to the following:

- Emirates is still a going concern as at the date of the lessee's latest signed annual financial report
- Emirates maintains and is considered to have a strong balance sheet with a substantial cash position
- The airline confirms that it could obtain committed support from the Government of Dubai which has publicly confirmed that they will financially support Emirates during this period
- As of the date of the annual financial report, the Board is not aware of a formal request to the Group for a lease deferral or any other efforts that would result in the restructuring of the existing transactions
- Emirates is staying with their current A380 fleet and are reinstating the Airbus to their route.

The Group retains sufficient cash to cover the forecast operating costs of the Group until the termination date of the Leases in 2025, assuming receipt of planned rental income.

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

As a result of their review, the Directors of the Group have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due until the leases are due to terminate in 2025.

Responsibility Statement

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

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

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

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

Charles Wilkinson	**Geoffrey Hall**
Chair	**Director**

30 July 2020

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements of the Group for the financial year ended 31 March 2020.

Principal Activities and Business Review
The principal activity of the Group is to acquire, lease and then sell aircraft. The Directors do not envisage any change in these activities for the foreseeable future. A description of the activities of the Group in the year under review is given in the Chairman's Statement and the Asset Manager's Report respectively on pages 4 to 6 and 7 to 12.

Status
The Company is a Guernsey domiciled company the Shares of which are admitted to trading on the SFS. Its registered number is 54908. The Company operates in accordance with the Law.

Results and Dividends
The results of the Group for the financial year are set out on page 54.

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

Quarter End	Announcement Date	Payment Date	Dividend per Share (pence)
31 March 2019	11 April 2019	30 April 2019	2.0625
30 June 2019	11 July 2019	31 July 2019	2.0625
30 September 2019	10 October 2019	31 October 2019	2.0625
31 December 2019	16 January 2020	31 January 2020	2.0625

The Company declared the following dividends after the financial year end:

Announcement Date	Payment Date	Dividend per Share (pence)
16 April 2020	30 April 2020	2.0625
16 July 2020	31 July 2020 (expected payment date)	2.0625

The Company aims to continue to pay quarterly dividends of 2.0625 pence per Share, in line with the Distribution Policy. There is no guarantee that any future dividends will be paid.

Directors
The Directors in office are shown on page 13 and all Directors remain in office as at the date of signing of these financial statements. Further details of the Directors' responsibilities are given on page 19.

No Director has a contract of service with the Company, nor are any such contracts proposed.

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

	Number of Shares held as at 31 March 2020	Number of Shares held as at 24 July 2020
Charles Wilkinson	150,000	150,000
Geoffrey Hall	90,000	90,000
Suzie Procter	-	35,756
Andreas Tautscher	-	16,279

John Le Prevost, who resigned as a director of the Company on 16 January 2020, was a director and controlling shareholder of Anson Registrars Limited until 28 February 2020, when that company was acquired by JTC Group Limited, the holding company of the Company's Administrator and Secretary.

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

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

There were no material related party transactions which took place in the financial period, other than those disclosed in the Directors' Report and at note 23 to the financial statements.

Substantial Controllers of Voting Rights

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

There have been no material changes in the below list of substantial controlling interests between the end of the year under review and 24 July 2020, being the latest practicable date prior to the date of approval of this report.

Name	**% of Total Voting Rights**	**Number of Shares**
State Street Nominees Limited	9.11%	20,040.008
Seneca IM Limited	5.58%	12,279,500
Quilter Cheviot Limited	5.09%	11,207,020
FIL Limited	5.01%	11,026,443
Legal & General Group PLC	5.00%	11,000,000

Corporate Governance

Statement of Compliance with The UK Corporate Governance Code, as published in July 2018 (the "Code")

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

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

(i) Provisions 2: The board should assess and monitor culture.

Provision 5: The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making. The board should keep engagement mechanisms under review so that they remain effective.

For engagement with the workforce, one or a combination of the following methods should be used:

- a director appointed from the workforce;
- a formal workforce advisory panel;
- a designated non-executive director.

Provision 6: There should be a means for the workforce to raise concerns in confidence and – if they wish – anonymously.

Company Response: the Company does not assess and monitor culture as it has no employees and as such engagement with the workforce is not applicable;

(ii) Provision 10: The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:

- has, or has had within the last three years, a material business relationship with the company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- has served on the board for more than nine years from the date of their first appointment.

Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.

Provision 19: The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing non-executive director on appointment. A clear explanation should be provided.

Company Response: on appointment, the Chairman was Chair of Doric Nimrod Air One Limited and a director of Doric Nimrod Air Two Limited. The Board considers the Directors to be independent. The Directors of the Company are also directors of other DNA Companies and therefore the Board has implemented measures to manage any conflicts which might arise as a result of these appointments. The Chair and one other Director have been on the Board since incorporation of the Company in March 2012. The Group's assets each have a fixed lease term of 12 years ending at different times and as such the Board remain of the opinion that continuity is paramount in the final years of the Company's life;

(iii) Provision 9: The chair should be independent on appointment when assessed against the circumstances set out in Provision 10. The roles of chair and chief executive should not be exercised by the same individual.

Company Response: there is no chief executive;

(iv) Provision 18: All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success.

Company Response: the Articles provide that directors shall retire by rotation at AGMs and be eligible for re-election at the same meeting. The Board considers that, for continuity purposes, retirement by rotation is best practice. After nine years directors come up for re-election every year;

(v) Provision 20: Open advertising and / or an external search consultancy should generally be used for the appointment of the chair and non-executive directors. If an external search consultancy is engaged it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.

Company Response: due to the specific nature of the Company, it has thus far used a combination of industry contacts to identify a list of suitable candidates and undertakes a rigorous interview process;

(vi) Provision 13: Non-executive directors have a prime role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. The chair should hold meetings with the non-executive directors without the executive directors present.

Provision 32: The board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies [*i.e. not in the FTSE 350*], two.

Provision 33: The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management.

Provision 35: Where a remuneration consultant is appointed, this should be the responsibility of the remuneration committee.

Provision 41: There should be a description of the work of the remuneration committee in the annual report.

Company Response: the Company has no executive directors, senior management or employees. It does not have a remuneration committee given the small size of the exclusively non-executive and independent board. Remuneration provision is set out in this Directors' Report.

Board Evaluation
In May 2019, the Board engaged the services of an external facilitator, Platinum Compliance (Guernsey) Limited, for the performance evaluation required by Provision 21 of the Code. At the conclusion of its evaluation, the external facilitator provided the Directors with a report on Board effectiveness and made minor suggestions for improvements thereon, which were

considered further by the Board. The Board agreed that additional members should be appointed to bring diversity and new perspectives to the Board and as such Miss Procter and Mr Tautscher were appointed to the Board on 19 August 2019.

The Board is committed to ensuring that on an annual basis the strengths of the Board are recognised and any weaknesses are addressed. On 21 November 2019 the Board established a Nomination Committee whose functions include the performance of an annual performance evaluation. The Chair of the Nomination Committee will also consider an external facilitation of the performance evaluation on an annual basis.

Each director has undertaken to engage with the evaluation process and take appropriate action when development needs have been identified.

Board Responsibilities

The Board comprises four Directors, and their biographies appear on page 13 demonstrating the wide range of skills and experience they each bring to the Board. All the Directors are non-executive and independent, with Charles Wilkinson acting as Chair and Suzie Procter acting as SID.

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

The other significant commitments of the current Chair are detailed in his biography on page 13. The Board was satisfied during the year and remains satisfied that the Chair's other commitments do not interfere with his day-to-day performance of his duties to the Company and that he has the commitment and time to make himself available at short notice should the need arise.

In accordance with the Articles the Directors shall determine the Directors' fees payable provided that the aggregate amount of such fees paid in respect of services rendered to the Company shall not exceed £150,000 per annum. All Directors receive an annual fee and there are no share options or other performance related benefits available to them. All Directors are currently paid a fee of £23,000 per annum. The Chair is paid an additional fee of £6,000 per annum and the chair of the Audit Committee is entitled to be paid an additional £4,000 per annum. The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office by prior arrangement with the Company's Secretary.

The Board usually meets in Guernsey at least four times per year to consider the business and affairs of the Company, at which meetings the Directors review the Group's assets and all other important issues to ensure control is maintained. Due to travel restrictions imposed as a result of COVID-19 the UK resident Directors have been unable to travel to Guernsey. However, the Board continues to operate effectively utilising both telephone and video conferencing to maintain contact with each other and with their advisors and auditors. The Directors hold either a Dividend Committee meeting in Guernsey each quarter to consider and if thought suitable, approve the payment of a dividend in accordance with the Company's Distribution Policy.

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

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

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

During the year the number of full Board meetings and committee meetings attended by the Directors was as follows:

Director	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Dividend Committee Meetings***
Geoffrey Hall	4 of 4	3 of 3	1 of 1	1 of 4
Charles Wilkinson	4 of 4	3 of 3	1 of 1	1 of 4
Suzie Procter*	2 of 4	2 of 3	1 of 1	1 of 4
Andreas Tautscher*	2 of 4	2 of 3	1 of 1	1 of 4
John Le Prevost**	3 of 4	3 of 3	0 of 1	3 of 4

*****appointed August 2019
**resigned January 2020
*** refer to page 26 for the composition and function of the Dividend Committee.

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

The FRC published updated Ethical and Auditing Standards in December 2019, which further restrict the provision of non-audit services by audit firms to their clients. The previous list of prohibited non-audit services list has been replaced with a short list of permitted services. Auditors of "Public Interest Entities" ("**PIES**") can now only provide non-audit services which are closely linked to the audit itself or are required by law or regulation. Also, whereas PIES were previously limited to those entities incorporated in the EU, the FRC now defines PIES as all issuers whose transferable securities have been admitted to trading on a UK regulated market, which includes the London Stock Exchange but not AIM. The Crown Dependency rules were also changed so that Market Traded Companies incorporated in the Crown Dependencies are also included in this requirement.

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

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

The Audit Committee has recommended to the Board that the re-appointment of Deloitte LLP ("**Deloitte**") as the Group's external auditor be proposed to Shareholders at the 2020 annual general meeting. The Audit Committee will consider arranging for the external audit to be tendered in 2023 (being ten years from the initial appointment) with the aim of ensuring a high quality and effective audit.

The Audit Committee usually meets in Guernsey at least twice per year, shortly before the Board meets to consider the Group's half-yearly and annual financial reports, and reports to the Board with its deliberations and recommendations and also holds annual planning and final meetings with the auditor. In addition the Board also meets during the audit process with the auditors to discuss issues relating to the residual values of the Assets. The Audit Committee operates within clearly defined terms of reference based on the Institute of Chartered Secretaries and Administrators recommended terms and provides a forum through which the Group's external auditor report to the Board.

The Audit Committee can request information from the Group's service providers with the majority of information being directly sourced from the Asset Manager, the Secretary, the Administrator and the external auditor. The terms of reference of the Audit Committee are available on the Company's website and on request from the Secretary.

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

During the financial year the Audit Committee met to consider the annual financial report for the year ended 31 March 2019 and the half-yearly financial report for the period ended 30 September 2019. The Audit Committee also met in January 2020, with the external auditor in attendance, to approve the 2020 audit plan.

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

Nomination Committee

The Nomination Committee was established on 21 November 2019 and consists of all directors of the Company, with Mr Wilkinson acting as Chair of the committee, except when the Nomination Committee considers any matter in relation to the chairmanship of the Company, in which case an alternative chair would be appointed.

The functions of the Nomination Committee include to regularly review the structure, size and composition (including the skills, knowledge, experience, diversity and how effectively members work together to achieve objectives) of the Board and make recommendations to the Board with regard to any changes, and to perform a formal and rigorous performance evaluation of the Board, its committees, the chair and individual directors, including the consideration of having a regular externally facilitated Board evaluation.

Internal Control and Financial Reporting

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

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

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

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

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

Management of Conflicts of Interest

The Company has adopted a formal conflict of interest policy and is committed to ensuring that all directors and service providers facilitate the Company conducting its business in a manner that is consistent with its reputation, conducive to maintaining high standard of integrity in all its business dealings, in the best interests of the Company's Shareholders.

The Board considers the directors conflicts of interest at each Board meeting by reviewing a schedule of each directors other directorships and other interests held. Each Director is required to notify the Secretary of any potential, or actual, conflict situations that would need to be considered by the Board.

No Director has a service contract with the Company, although Directors are issued with letters of appointment upon appointment, and, other than John Le Prevost who had an interest in Anson Registrars Limited as disclosed on page 21, nor did any Director have any interest in contracts with the Company during the financial year under review, or subsequently.

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

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

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

The primary responsibility for Shareholder relations lies with the Company's Corporate and Shareholder Adviser. The Corporate and Shareholder Adviser regularly meets with Shareholders to discuss the Company and seek feedback. The views of Shareholders are discussed by the Board at every Board meeting, and action would be taken to address any shareholder concerns. The Company provides regular updates to Shareholders through the annual and half-yearly financial reports and quarterly factsheets.

In addition the Directors are available to enter into dialogue with Shareholders and the Chair is willing to meet Shareholders as the Company believes such communication to be important. The Company's Directors can be contacted at the Company's registered office or via the Secretary.

Stakeholders and Section 172
The Code requires that the Company should understand the views of the Company's key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the UK's Companies Act 2006 have been considered in Board discussions and decision-making. Section 172 is not strictly applicable as this is a Guernsey Company. However its application is being done as part of the UK Corporate Governance requirements

The Company has no employees and all of the directors are non-executive, so the Board considers that its key stakeholders are its Shareholders, its service providers, society, the government and regulators.

The Board's engagement with Shareholders is described in the "dialogue with shareholders" section above. All Shareholders are treated equally and no shareholder receives preferential treatment. When making decisions of relevance to Shareholders, the Board considers first and foremost the likely consequences of their decisions in light of their duty to act in the best interests of the Company. The Board also considers what is likely to be in the best interests of Shareholders as a whole, but does not consider individual Shareholders' specific circumstances or desires when making its decisions.

In addition to the regular reporting provided by key service providers, the Board undertakes a review of the performance of these key service providers on an annual basis. The services provided by the key third party service providers are critical to the ongoing operational performance of the Company. The Board believes that fostering constructive and collaborative relationships with the Company's service providers will assist in their promotion of the success of the Company for the benefit of all Shareholders.

As described in detail in the Company's viability statement, the Board considers the prospects of the Company for at least the next five years whenever it considers the Company's long-term sustainability. All strategic decisions are therefore taken with the success of the Company in mind and the Board would take external advice whenever it considered that such would be beneficial to its decision making process, primarily from its retained service providers (including legal counsel), but also from other external consultants.

The Board recognises that responsible investment and the associated ESG considerations can have a significant impact on investment activity in terms of raising funds, identifying investment opportunities and long-term value creation for Shareholders. Please see more information regarding ESG in the report on pages 31 to 34.

The Board ascribes to the highest standards of business conduct and has policies in place to ensure compliance with all applicable laws and regulations. In addition to the monitoring of the Company's compliance with its own obligations, the Board also monitors compliance by its service providers with their own obligations. The Board encourages openness and transparency and promotes proactive compliance with new regulation.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Guernsey law and regulations.Under the Law the Directors are required to prepare financial statements for each financial year. The Directors have chosen to prepare the Group financial statements in accordance with IFRS.

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

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

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Law. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of Information to the Auditor

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

Auditor

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

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

Signed on behalf of the Board
on **30 July 2020**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board recognises that Responsible Investment and the associated ESG considerations can have a significant impact on investment activity in terms of raising funds, identifying investment opportunities and long-term value creation for Shareholders. This report sets out our policy and approach to ensuring that the level of engagement on ESG matters is commensurate to the size, nature and complexity of the business.

This policy seeks to address ESG matters on two levels; firstly, with regard to the Company itself and secondly, in relation to the Assets which the Group owns. The direct and practical management of the Company seeks to uphold ESG standards where possible and applicable. This is greatly influenced by the nature of the Group's activities and the legal structure of the associated leases.

The Company

The Company is a self-managed Guernsey company incorporated on 29 March 2012. Its shares were admitted to trading on the SFS of the London Stock Exchange's Main Market on 2 July 2013.

The Company is under the control of its Board of Directors on behalf of Shareholders. All Directors are independent and non-executive. The Board are responsible for reviewing the business affairs of the Company in accordance with the Articles and have overall responsibility for the Company's activities including all business decisions, review of performance and authorisation of distributions.

The Company has delegated the following activities to its appointed service providers;

- Asset Management – Amedeo
- Liaison Agents – Amedeo Services (UK) Limited
- Corporate and Shareholder Adviser – Nimrod
- Secretary and Administrator – JTC
- Registrar – JTC Registrars Limited (formerly Anson Registrars Limited)

The Company has no executive directors or employees and no physical office premises. The Company's business is carried out in a series of meetings held in the offices of its administrator JTC, in Guernsey, the Company's place of incorporation.

Subject to any travel restrictions imposed, the Directors are required to travel in the fulfilment of their duties. Where circumstances allow, travel is kept to a minimum. The Directors are required to travel to Guernsey on at least a quarterly basis for Board and other committee meetings, and to the UK to visit Shareholders and service providers as and when required. Regular dialogue with the Asset Lessee is maintained via the Asset Manager.

The Company consequently has a limited physical footprint and therefore its environmental impact is considered to be low.

The Modern Slavery Act

Due to the nature of the Company's business, being a company that does not offer goods or services to customers, the Board considers there are no relevant disclosures with regard to modern slavery in relation to the Company's own operations. The Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in this regard.

The Assets

The principal activity of the Company is to acquire, lease and then sell aircraft. The Company has a wholly-owned subsidiary, DNA Alpha (together the "**Group**"). The Group owns four Airbus A380 aircraft which are leased for twelve years to Emirates (the "**Lessee**"), the national carrier owned by The Investment Corporation of Dubai based in Dubai, United Arab Emirates.

The Group's own operational influence in the fields of climate change, air quality, and resource efficiency is minimal. The nature of the lease with the Lessee means that control over the usage of the Asset rests with the Lessee. The Group has leased the Assets for a term of twelve years, with fixed lease rentals for the duration, to the Lessee. The Lessee bears all costs (including for maintenance, repairs and insurance) relating to the aircraft during the lifetime of the lease. This would include any modifications or modernisations related to ESG requirements as mandated by regulatory agencies. However, in all other respects, the influence of the Group over the Lessee with regard to voluntary ESG concerns is limited due to existing quiet enjoyment arrangements between the Group and the Lessee.

The Airbus A380 is the world's largest commercial passenger aircraft. It is the first and only aircraft with two full-length passenger decks, giving it a maximum capacity of up to 853 passengers. In a typical three-class configuration (First, Business and Economy Class), the Airbus A380 has capacity for approximately 525 passengers. Additionally, developments with respect to the aircraft's aerodynamics, control elements and flight systems, coupled with the use of advanced, lightweight composite materials make the A380 an attractive and efficient aircraft. In comparison with other modern long-range passenger aircraft of the same category (the so-called Very Large Aircraft segment), the Airbus A380 consumes less fuel per passenger, using approx. three litres of kerosene per 100 passenger kilometers, when equipped with Engine Alliance engines. Furthermore, the A380 offers an efficient way to capture traffic at the most concentrated airports and times by giving airlines the ability to consolidate routes, thereby increasing seat capacity while creating economies of scale.

The most critical environmental issue related to aircraft operations is greenhouse gas ("**GHG**") emissions generated from fossil energy consumption. Air transportation is one of the most energy and carbon dioxide intensive modes of transport, whether measured per passenger kilometer or per hour in transit. According to the United Nations' Intergovernmental Panel on Climate Change ("**IPCC**"), the aviation industry currently produces approx. 2 - 2.5 per cent of all carbon dioxide emissions and is forecast to increase its share of global man-made carbon dioxide emissions to approx. 3 per cent by 2050 given the rapid growth of aviation in recent years.

The Aviation Industry

Despite aviation's important role in local and global economic development, the aviation industry faces the challenge of meeting long term strong growth in passenger demand while simultaneously reducing its environmental impacts. In addition to GHG emissions, these environmental impacts could also include noise and nuisance, as well as water pollution (due to aircraft de-icing, cleaning, and other chemical-heavy aircraft operations).

To address these growing environmental concerns, IATA has defined environmental goals, namely:

1. to improve fuel efficiency by 1.5 per cent per annum by 2020;
2. to cap emissions from aviation at the 2020 levels through carbon dioxide-neutral growth; and
3. to reduce net carbon dioxide emissions from aviation by 50 per cent by 2050, relative to 2005 figures.

In pursuit of these goals, IATA has defined a strategy based on a four-pillar approach:

1. improved technology, including sustainable low-carbon dioxide fuels;
2. more efficient aircraft operations;

3. infrastructure improvements, including air traffic management systems; and
4. a single global market-based measure, to fill the remaining emissions gap.

Further information can be found on the IATA website:
https://www.iata.org/en/policy/environment/.

There are a number of technological developments in the aviation industry aimed at both increasing aircraft efficiency and reducing carbon dioxide emissions. Some developments, such as drop-in power fuels like biofuels that can be used in today's aircraft and engines without modification, are already commercially available and are expected to increase in prominence once initial costs can be reduced through scale. Evolutionary concepts, such as the second-generation geared turbo fan engine could become widely commercially available in the medium-term. Revolutionary concepts, such as piston compressors, steam injection and electric propulsion, represent the greatest potential improvements, but will most likely not be commercially available until the 2050s, based on current forecasts.

As these technological developments progress, the aviation industry is taking additional measures to curb its environmental impact while maintaining its commitment to local and global economic development. Initiatives, such as the Carbon Offsetting and Reduction Scheme for International Aviation ("**CORSIA**"), as established by the International Civil Aviation Organization ("**ICAO**") in October 2016, aim to offset airline carbon dioxide emissions and allow for carbon dioxide-neutral growth from 2020. Additionally, the aviation industry is able to participate in other carbon dioxide emissions trading markets, such as the European Union Emission Trading Scheme ("**EU ETS**").

Furthermore, a number of states currently levy passenger taxes on air tickets over and above infrastructure charges and there are a number of proposals for additional environmental taxes to be imposed on the aviation industry. However, as IATA notes, the income generated from an environmental tax is usually seen as general revenue by governments, thus it can be used to fund any variety of public sector programs and initiatives. As such, IATA takes the position that, while the overall goal of an environmental tax is laudable, it has distortionary effects on jobs and the economy, while at the same time not effectively incentivising the development or use of newer and greener technology. The effects of any newly introduced environmental taxes on the aviation industry will have to be monitored. The aviation industry plays a critical role in local and global economic development, contributing to approx. 72 million jobs worldwide according to IATA estimates for 2020.

ICAO have used the United Nations' Sustainable Development Goals ("**SDG**") as a basis to identify the contributions the aviation industry is making to sustainable development. For further information and the full working paper on aviation's contributions towards the United Nations' 2030 agenda for sustainable development from ICAO's 40th session please refer to the ICAO website: https://www.icao.int/Meetings/A40/Documents/WP/wp_189_en.pdf

Concerning the role of aircraft in sustainable development, aircraft Assets are likely to contribute to at least five of the SDG. Specifically, airlines are able to utilize aircraft in a manner consistent with the achievement of the following targets:

1. **SDG 5:** Aviation is working to achieve gender balance across the sector. In Europe, aviation is the most gender-balanced of all transport modes with 41 per cent female employees. More work is still needed to encourage balance in technical and executive roles;
2. **SDG 8.1:** Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products;
3. **SDG 9.1:** Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all;

4. **SDG 12.2:** Achieve sustainable management and efficient use of natural resources productions; and
5. **SDG 13:** Invest in the transition to net-zero carbon dioxide energy, energy efficiency and the reduction of GHG emissions from transport operations.

Detailed information on the SDG can be found on the United Nations website: https://sustainabledevelopment.un.org/.

Emirates, the Lessee, is committed to efforts to reduce resource consumption while also investing in wildlife conservation and protection. This includes participation in CORSIA as well as internal initiatives.

For further information on Emirates' environmental policy and initiatives, please visit the Emirates website where annual environmental reports are also available:
https://www.emirates.com/english/about-us/our-planet/

In the context of the Assets and the associated lease, the Board are committed to responsible decision making throughout the lifecycle of the Group. The Board is in continuous dialogue with its service providers and regularly reviews processes to guarantee transparency and accountability. The Board will continue to monitor the sustainability efforts of the industry and the Lessee and keep Shareholders abreast of developments.

AUDIT COMMITTEE REPORT

Membership
Geoffrey Hall – Chair of the Audit Committee
Andreas Tautscher – Non-executive Director
Suzie Procter – Senior Independent Director

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

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

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

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

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

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

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

Financial Reporting and Significant Issues

The Committee's primary role in relation to financial reporting is to review, with its service providers and the external auditor, the appropriateness of the half-year and annual financial statements, the significant financial reporting issues and accounting policies and disclosures in the financial statements. The Committee has considered the key risks identified as being significant to these accounts and the most appropriate treatment and disclosure of any new significant issues identified during the audit and half-year reviews as well as any recommendations or observations made by the external auditor, Deloitte. To aid its review the Committee considered reports prepared by external service providers, including Amedeo and Nimrod, and reports from Deloitte on the outcome of their annual audit. The significant issues considered by the Committee in relation to the 2020 accounts and how these were addressed are detailed below:

Significant issues for the year under review	**How the Committee addressed these significant issues**
Residual value of aircraft assets The non-current Assets of the Group comprise of four Airbus A380 aircraft. An annual review is required of the residual value of the Assets as per IAS 16 *Property, Plant and Equipment,* which defines residual value as *"the estimated amount that an entity would currently obtain from disposal of the Asset, after deducting the estimated costs of disposal, if the Asset were already of an age and in the condition expected at the end of its useful life."* The Company's estimation technique is to make reference to the most recently produced forecast soft value (excluding inflation), not an estimate of the amount that would currently be achieved, and so this is not a direct application of the IAS 16 definition. This approach has been taken because current market values in today's prices for comparable twelve year old A380 were not available_at the reporting date.	The Group has engaged three internationally recognised expert appraisers to provide the Group with third party consultancy valuation services. In the absence of sales data for similar used Assets, appraisers are heavily reliant on databases containing historical data points of aircraft sales relating to large commercial aircraft. Interpretation of historical data is the basis for the current market value and provides, together with the expected developments in the future, the foundation for their opinions on future values. Furthermore, the appraisers' valuations take into account specific technical and economic developments as well as general future trends in the aviation industry and the macro-economic outlook. The Group has historically used the average Future Base Values of the three independent appraisers, excluding inflation as a guide to determine the residual value. One of the key assumptions in this concept is a market in a theoretical constant equilibrium, characterized by a balance in supply and demand. In the aftermath of Airbus' February 2019 decision to discontinue the A380 production in 2021, a number of A380 operators disclosed plans to withdraw at least parts of their A380 fleets earlier than originally anticipated. Furthermore, it became obvious that A380s returned following the expiration of operating lease agreements could not be placed with a new operator within a reasonable period of time and owners were forced to explore alternative scenarios for revenue generation like engine lease. This also includes part-out activities for the first few A380s returned from HMSS. The spread of COVID-19 and comprehensive travel restrictions around the world came along with an unprecedented drop in air travel. In the second half of April 2020 about two out of three commercial airliners worldwide were temporarily on the ground. At the time of writing the majority of all A380s worldwide are in (temporary) storage. The financial difficulties most of the airlines currently experience, result in various

Significant issues for the year under review	**How the Committee addressed these significant issues**
	measures to weather the consequences of the COVID-19 pandemic, as many expect the recovery to pre-pandemic passenger flows take much longer than in previous situations, where demand was negatively affected, like 9/11. Due to the A380-specific developments during the last financial year of the Company 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 lease expires. 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. The Group now believes that the use of Future Soft Values excluding inflation best approximates residual value as required per IAS 16 Property, Plant and Equipment. A significant decrease in USD terms in the residual value of the aircraft from the prior year has resulted in an adjustment made to depreciation in the current year, details of which have been disclosed in note 10. As updated investment valuations of all Assets as at the year end were commissioned and received from third party professional valuers and analysed by the Asset Manager and the directors, the Committee believes that those valuations are appropriate for use in preparing the financial statements. Therefore, the average residual values excluding inflation used in the accounts are based on these appraisals. Upon review of the advice they have received from Amedeo and the appraisers, the Committee is of the opinion that, the current estimate of the residual soft values excluding inflation of the Assets is a reasonable approximation of the residual value of the aircraft within the IAS 16 definition. The estimation of residual values remains inherent to estimation uncertainty. This is disclosed in note 3 and has been highlighted by the auditor in their key observations section of the valuation and ownership of aircraft key audit matter.
Recording foreign exchange gains/losses IFRS require that certain	In assessing foreign exchange, the Committee has considered the issue at length and is of the opinion that, on an on-going basis and assuming the lease and loan payments are made as anticipated, such exchange

Significant issues for the year under review	How the Committee addressed these significant issues
transactions denominated in currencies other than the presentation currency (including, most importantly, the cost of the Assets) be translated into presentation currency at the exchange rate ruling at transaction date, whilst monetary balances (principally the outstanding borrowings) are translated at the rate prevailing on the reporting date. The resultant figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences. During the year the Group recorded a significant foreign exchange rate loss due to the depreciation of Sterling against the US dollar and the consequent increase in the Sterling value of the US dollar denominated debt.	differences do not reflect the commercial substance of the situation in the sense that the key transactions denominated in US dollars are in fact closely matched. Rental income received in US dollars is used to pay loan repayments due which are likewise denominated in US dollars. US dollar lease rentals and loan repayments are furthermore fixed at the outset of the Group's life and are very similar in amount and timing. The Committee concluded that the matching of the lease rentals to settle loan repayments therefore mitigates risks of foreign exchange fluctuations. The Committee carefully considered the disclosure in note 20 (b) to the Consolidated Financial Statements to ensure that the reality of the Group's foreign exchange risk exposure is properly explained.
Going concern risk Emirates are the sole lessee of the Assets. Should Emirates default on the rental payments, it will result in the Group failing to service debt and it is unlikely the Group will be able to meeting its targeted dividend or, in the case of ongoing default, continue as a going concern.	The Committee received quarterly reports from Amedeo during the year which comment on the performance of Emirates. Amedeo have advised that Emirates has continued to perform well in its 2019-20 financial year, which ended on 31 March 2020. The Lessee recorded its 32^{nd} consecutive year of profit, despite negative impacts form the 45-day runway closure at its home base and the COVID-19 pandemic. The net profit increased by 21% over the results of the previous financial year. For the 2020-21 financial year, the airline expects "a huge impact" on its performance, according to Sheikh Ahmed bin Saeed Al Maktoum, CEO and chairman of the Emirates Group. While Emirates maintains that it has a strong balance sheet with a substantial cash position, the airline is taking additional measures to protect its cash flow through cost savings measures, reductions to discretionary capital expenditure, and engaging with business partners to improve working capital. To this end, Emirates also raised AED 4.4 billion (USD 1.2 billion) in additional liquidity in the Q1/2020 through term loans, revolving credit and short term trade facilities. As a result, Emirates ended the financial year 2019/20 on March 31, 2020 with AED 20.2 billion (USD 5.5 billion) in cash assets. Emirates also stated that it intends to continue to tap the bank market for further liquidity in Q2/2020 to provide a cushion against the impact of COVID-19 on its cash flows in the short term.

Significant issues for the year under review	How the Committee addressed these significant issues
	Hence, Emirates is mindful of its reputation and is continuously working on measures to maintain is ability to pay all of its obligations in full and on time. In line with IFRS 16 Emirates is recording its future lease payment liabilities (including its right-of-use asset) in its latest annual financial statements. Furthermore, the management of the airline came to the conclusion that the company is a going concern. The auditors did not raise a material uncertainty on going concern in its independent auditor’s report, which is dated May 7, 2020 - and hence should take COVID-19 and the potentially negative effects on the lessee’s (future) financial position into consideration. The airline confirms in its annual report that it could obtain “committed support from the Government of Dubai which has publicly confirmed that they will financially support Emirates during this period through a variety of measures including an additional equity injection, if required”. In an official statement on Twitter Sheikh Hamdan bin Mohammed al-Maktoum, the Crown Prince of Dubai, confirmed that “The Government of Dubai is committed to fully supporting @Emirates at this critical time and will inject equity into the company”. He added: “@Emirates, our national carrier, positioned Dubai as a global travel hub and has great strategic value as one of the main pillars of Dubai’s economy, as well as the wider economy of the UAE (United Arab Emirates)”. By the end of May 2020 the airline was able to build up substantial cargo-only operations with more than 80 Boeing 777-300ER passenger aircraft in the air, complemented by 11 Boeing 777 freighters, in order to generate cash flow with the majority of its fleet still sitting on the ground. According to Tim Clark, the airline’s president: “Cargo operations are never going to produce the kind of income you’ll get from passenger operations, but they certainly kept the wolf from the door.” The Asset Manager is not aware of a formal request addressed to the Company for a lease deferral or any other efforts that would result in the restructuring of the existing transaction and could potentially have an impact on the committed future lease rental receipts. There is indication that if the lessee would approach the lessor community for some sort of support (such as temporary deferral of lease rate components) while Emirates is working through this pandemic, transactions with a relatively short remaining lease tenor could be less affected. Emirates is owned by the Investment Corporation of

Significant issues for the year under review	How the Committee addressed these significant issues
	Dubai, a state-owned holding company that can be characterized as a sovereign wealth fund owned by the Government of Dubai. It is neither listed nor carry its bond issuances an issuer rating. However, Emirates' senior unsecured USD bonds with maturities in 2023, 2025 and 2028 are trading and the markets' pricing for such instruments provide proxies for the credit risk of the lessee. As the operating lease agreements between Emirates and the Company include a hell or high water clause, the lease rental stream and any other contractual payment primarily depends to Emirates' ability to meet its financial obligations whenever they fall due. In mid-July 2020, Emirates' bonds are trading at around 96 cents (maturities in 2023 and 2025) and 92 cents (2028 maturity), representing USD running yields from approximately 4.1% to 4.9%. This level of yields certainly does not appear to indicate any significant financial stress to the issuer. Another readily available indicator for the lessee's financial health are Credit Default Swaps on Emirates bonds. The quote informs about the annual cost in basis points of insuring against an Emirates credit event for a five year period. In mid-July 2020 the annual insurance premium on one USD face value in Emirates bonds is 343bps, which is elevated versus the longer term average of around 150bps. However, taking into consideration that aviation is one of the hardest hit sectors by COVID-19, the Credit Default Swap still indicates that the market perceives Emirates as a trustworthy company, which is very likely able to meet its obligations in the next five years. The Committee concluded that it would continue to receive regular updates from Amedeo on the performance of Emirates and would continue to monitor Emirates' overall performance. The Committee carefully considered the disclosure in note 20(c) to the financial statements to ensure that this concentration of credit risk is properly reflected.

Significant issues for the year under review	**How the Committee addressed these significant issues**
Consideration of any triggers for impairment IAS 36 Impairment of Assets requires that a review for impairment be carried out by the Group when there is an indication of impairment of an asset and if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review will compare the carrying amount of the Asset with its recoverable amount, which is the higher of its value if sold (if known) and its value in use.	The Committee has considered the issue at length and accordingly an impairment review has been undertaken as at 31 March 2020. Refer to note 3 for further detail on the factors triggering the review and the sensitivity analysis performed on the discount rates and residual value inputs. As a result of current year review, an impairment loss of £56,167,300 was booked in the accounts as disclosed in note 2(m). Contributing factors, which triggered the Committee's decision to perform an impairment review, included the COVID-19 pandemic and the global travel restrictions leading to a temporary halt of A380 operations worldwide. It was also necessary as the Group decided to adhere to the concept of Future Soft Values for measuring the residual value of the aircraft. In the previous years the Group relied on Base Values.
Global Pandemic Risk The emergence of a global pandemic may have a profound and negative impact on the operations and performance of the Group and may directly or indirectly affect some of the other risks mentioned in this table.	COVID-19 has spread globally and resulted in widespread restrictions on people socialising and travelling, which is having a significant effect on many industries and in particular the airline industry. Due to restriction on travel imposed by many countries, the majority of passenger aircraft remain grounded. The consequent lack of income for airlines may cause bankruptcy and, in a worse case, repossession of aircraft which would need to be stored pending remarketing when restrictions are eased. The Board and its key service providers have all acted to the best of their abilities to protect the welfare of the various teams involved in the affairs of the Group to ensure operations are maintained to the extent possible and to protect and support the Assets of the Group for as long as is required. More information of COVID-19 is set out in the Chairman's Statement on pages 4 to 6 and the Asset Manager Report on pages 7 to 12

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

Going Concern

The Directors in consultation with the Asset Manager are 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 lessee both now and in the future. 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 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 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.

An increase in lessee counterparty credit risk means that there is now more uncertainty over lease payments and depending on further developments with the lessee, there could be requests for lease rental deferrals. Reduced rents receivable under the leases may end up not being sufficient to meet the fixed loan or Equipment Note interest and regular capital repayments of debt scheduled during the life of each loan and may not provide surplus income to pay for the Group's expenses and permit the declaration of dividends.

The option to remarket the Aircraft following a potential event of default by the lessee has not been taken into account. The period of time necessary to successfully complete such a process is beyond the twelve months forecasting horizon of the going concern considerations. This applies in particular in times of COVID-19, as various restrictions are still in place to contain the pandemic.

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.

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 (ii) Emirates has 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.

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

The most recent report on the Internal control of JTC's administration services, prepared in accordance with the International Standard on Assurance Engagement 3402 ("**ISAE 3402**"), for the period from 1 April 2019 to 31 March 2020, has been provided to the Committee.

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

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

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

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

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

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

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

Appointment and Independence

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

The external auditor is required to rotate the audit partner responsible for the audit every five years. The current lead audit partner has been in place since January 2020 with his first audit reporting period being the year to 31 March 2020. This is his first year of involvement.

Deloitte has been the Group's external auditor since June 2013, with the first audit being carried out for the year ended 31 March 2014. The Committee has provided the Board with its recommendation to the Company's Shareholders on the reappointment of Deloitte as external auditor for the year ending 31 March 2021. Accordingly a resolution proposing the reappointment of Deloitte as the Company's auditor will be put to the Company's Shareholders at the 2020 annual general meeting.

There are no contractual obligations restricting the Committee's choice of external auditor. The Committee continues to consider the audit tendering provisions outlined in the revised Code, of which it is very supportive. The Committee will consider arranging for the external audit contract to be tendered in 2023 (being ten years from the date of initial appointment of Deloitte) with the aim of ensuring a high quality and effective audit.

Non-Audit Services

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

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

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

An internal evaluation of our effectiveness will be carried out in 2020.

Geoffrey Hall
Chair of the Audit Committee
30 July 2020

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Doric Nimrod Air Three Limited (the 'parent company') and its subsidiary (the 'Group'):

- give a true and fair view of the state of the Group's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 24.

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

2. Basis for opinion

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

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

3. Summary of our audit approach

<table>
<tr><td>Key audit matters</td><td>The key audit matters ("KAMs") that we identified in the current year were:
• Valuation and ownership of aircraft;
• Recognition of lease rental income;
• Accounting for debt using the effective interest method; and
• Impact of covid-19 on the going concern assumption.
Within this report, key audit matters are identified as follows:
Newly identified
Increased level of risk
Similar level of risk
Decreased level of risk</td></tr>
<tr><td>Materiality</td><td>The materiality that we used in the current year was £1,900,000 which was determined on the basis of 2% of shareholders' equity. This is consistent with the prior year.</td></tr>
</table>

Scoping	The consolidated financial statements of the Group incorporate its special purpose subsidiary through which aircraft assets are held and through which debt finance has been obtained. Whilst a statutory audit of the financial statements of the subsidiary is not required, it is included within the scope of our audit of the consolidated financial statements. Audit work to respond to the risks of material misstatement was performed by the same audit engagement team.
Significant changes in our approach	We have added a new KAM "Impact of covid-19 on the going concern assumption". Covid-19 has had a significant impact on the travel industry resulting in many of the world's aircraft being grounded since the pandemic took hold. The Group leases its aircraft to Emirates, which currently, has grounded all its A380's including the ones leased from the Group. This therefore raises new going concern considerations on whether Emirates will continue to meet its lease obligations.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

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

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

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

4.2. Principal risks and viability statement

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

- the disclosures on pages 16-17 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 18 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on pages 17-18 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We also report whether the directors' statement relating to the prospects of the company that would be required by Listing Rule 9.8.6R(3), if the company had a premium listing, is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

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

5. Key audit matters

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

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

5.1. Valuation and ownership of aircraft

Key audit matter description	Included on the Group's statement of financial position as at 31 March 2020 is aircraft assets amounting to £386 million (2019: £490 million) as disclosed in note 10 to the financial statements. As explained in note 2(m), the Group's accounting policy is to measure its aircraft assets at depreciated historic cost less impairment. The assets are being depreciated on a straight-line basis over the term of the leases to estimated residual values at the end of the lease periods. Notes 2(k) and 3, describe the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the residual values of the Group's Assets. The outbreak has caused extensive disruptions to businesses and economic activities and, in particular, the airline industry and the uncertainties created have increased the estimation uncertainty over the residual values of the Assets at the balance sheet date. As stated in note 3, estimation of aircraft residual value is a significant source of uncertainty and is a key determinant in preparing the financial statements. A number of factors, including but not limited to, Airbus' decision to discontinue the delivery of new A380s and the impact of Covid-19 has resulted in a change of estimation basis to use soft values in the current year. Further, a significant impairment of £56.2m has been recognised. Refer to the considerations by the audit committee on residual value and

	impairment as discussed on pages 36 and 41. The valuation and ownership of aircraft was deemed to be a key audit matter as: • the selected useful life or residual values used in determining depreciation might not be appropriate, as they may not be consistent with; available market information, impact of Covid-19 on the Group and its assets, forecast valuations obtained by the company from expert aircraft valuers and the terms of the aircraft lease agreements. The estimation of aircraft useful life and residual values is a key judgement area; • an indicator of impairment of the assets might arise in which case an impairment review should be performed and the value of the assets written down to recoverable amounts if less than carrying value. Judgement is required in assessing whether an indicator of impairment exists and estimation is required on key inputs of the impairment review model such as the terminal values, discount rate and inflation rate used; and • the economic substance of the original aircraft acquisition transactions might not have been fully considered, such that the assets might be recognised in the financial statements when they do not belong to the Group. In addition, the aircraft might be recognised when the Group does not have proper legal title.
How the scope of our audit responded to the key audit matter	Our procedures included: • obtaining an understanding of the key business processes and controls associated with the valuation of aircraft assets; • reviewing and challenging management's considerations of the impact of Covid-19 on the Group and its assets; (a) critically assessing the conclusions reached by the Board of Directors ("Board") on the appropriateness of the selected residual values and evaluating their consistency with available market information, including forecast valuations obtained by the Group from expert aircraft valuers and the terms of the aircraft lease agreements. We evaluated the competence, capability and objectivity of the valuers engaged by management. We also considered the adequacy of the disclosure related to this estimation uncertainty set out in note 3; (b) engaging with our internal aircraft valuation specialists in reviewing the Board and asset manager's conclusions on the assessments made on residual values used at year end; (c) engaging with our internal aircraft valuation specialists in assessing the reasonableness of assumptions and methodology used by a sample of expert appraisers, in their estimation of forecast residual values and current market value estimates; • reviewing and challenging the reasonableness of key inputs, assumptions and methodology used in the assessment of impairment. This was achieved through our inspection of supporting evidence and through our consideration of internal and external factors which affect the impairment review process on the aircraft; and • reviewing the original purchase agreement for consistency with the assets owned and obtaining certificate of registration directly from 'The International Registry for International Interests in Mobile Equipment' to confirm ownership. In addition, we reassessed our evaluation of the economic substance of the original purchase transactions in order to evaluate if the assets were appropriately recognised.

Key observations	While we note the significantly increased estimation uncertainty as a result of Covid-19 in relation to the residual values of the Company's assets we consider the assumptions used to be appropriate. In addition we concluded that the inputs used in the impairment review including these residual values, the resulting impairment adjustment of £56.2m and the disclosures of the resulting sensitivities in note 3 are appropriate. Having considered both the economic substance of the transactions and the legal form, we concluded that the assets recorded in the financial statements are owned by the Group.

5.2. Recognition of lease rental income

Key audit matter description	The Group's leases have been classified as operating leases and as such rental income which amounts to £78.2 million (2019: £74.4 million) should be recognised on a straight-line basis over the lease term, which differs from the profile of actual rental payments. As set out in note 4 of the financial statements, a significant portion of the lease rentals is receivable in US Dollars and must be appropriately translated into the Sterling functional and presentation currency. The recognition of revenue also requires consideration of all terms of the signed lease contracts. As stated in note 3, classification of leases as operating leases is a key source of uncertainty in preparing the financial statements. The recognition of revenue was deemed to be a key audit matter as: • revenue might not be properly recorded in accordance with requirements of the lease contracts and in accordance with the straight-line basis; • related deferred or accrued income might not be recognised appropriately; and • revenue transactions and related amortisation of deferred income are significant to the Group's financial performance, hence any material misstatements in revenue will have a direct impact on reported comprehensive income.
How the scope of our audit responded to the key audit matter	Our procedures included: • obtaining an understanding of the key business processes and controls on recognition of lease income; • consideration on whether the classification of the leases as operating is appropriate with reference to the lease terms and the nature of the assets and the requirements of IFRS 16: Leases; • developing independent expectations of lease income for the year based on total lease rentals receivable, the lease term and the applicable foreign exchange rates during the year. We also traced a sample of rental income receipts to bank statements; • recalculating deferred and accrued rental income recognised in the Consolidated Statement of Financial Position and testing accuracy of related translation differences; and • tracing all rental income receipts to bank statements.
Key observations	Having performed the procedures above, we concluded that classification of the leases is appropriate and that revenue recognition is in line with the terms of the signed lease contracts and is in line with IFRS 16: Leases. We also concluded that deferred and accrued income balances recorded were appropriate as they were not materially different from results of our recalculations.

5.3. Accounting for debt using the effective interest method

Key audit matter description	In order to part-finance the acquisition of the aircraft asset, the Group obtained fixed rate debt. As at 31 March 2020 the value of total debt held by the Group was £155.0 million (2019: £210.5 million) as disclosed in note 15 to the financial

	statements. The debt is amortising over the lease term. As set out in note 2(n) to the financial statements, the debt instruments are carried at amortised cost with interest expense recognised at the effective interest rate. The debt might not be properly accounted for using the effective interest rate method or adequate disclosures might not made in the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures included: • obtaining an understanding of the key business processes and controls on accounting for and recording of debt; • reviewing the debt amortisation schedule prepared by management to recalculate the effective interest rate on the loan and checked whether it is consistent with the repayment schedule; • obtaining direct confirmation of the principal balance outstanding and recalculating accrued interest using the effective interest rate; and • developing an expectation of the interest charge for the period using the average outstanding principal balance during the period and the effective interest rate.
Key observations	Having carried out the procedures, we concluded that the debt was appropriately valued in line with the effective interest rate method and related interest calculation was within our expectation.

5.4. Impact of covid-19 on the going concern assumption

Key audit matter description	Covid-19 has had a significant impact on the travel industry resulting in many of the world's aircraft being grounded since the pandemic took hold. The Group leased its aircraft to Emirates Airlines ("Emirates") and the financial wellbeing of this entity and its ability to continue to meet lease rentals as they fall due are a key factor is assessing whether the Group is able to continue as a going concern. Any default in the rentals receivable from Emirates would result in a default on the loan obligations of the Company which could ultimately result in the sale of the aircraft to meet those obligations. Note 2(k) of the financial statements provides further disclosures on considerations on Going Concern.
How the scope of our audit responded to the key audit matter	Our procedures included: • Consideration of the ability of Emirates to meet the lease obligations as they fall due through the consideration of publicly available financial information and through our own independent investigations; • Discussions with the Directors and Investment Manager as to whether any rental restructuring has been requested by Emirates; • Consideration of whether there have been any lease payment defaults since the year end by comparing scheduled lease payments against amounts received on bank statements; • Consideration of the credit rating of Emirates; and • Consideration of the financial support available to Emirates through its main investor and our independent assessment on the main investor's ability to provide support.
Key observations	Having carried out the procedures, we concluded that the adoption of going concern basis of accounting is appropriate.

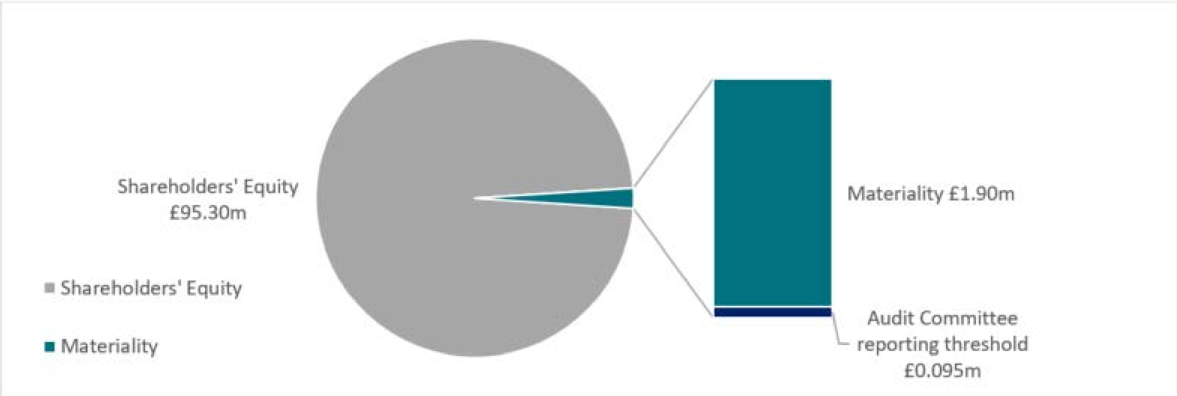
6. Our application of materiality

6.1. Materiality

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

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

Materiality	£1,900,000 (2019: £3,242,000)
Basis for determining materiality	2% (2019: 2%) of shareholders' equity.
Rationale for the benchmark applied	Our materiality is based on shareholders' equity of the Group. Comprehensive income is significantly influenced by fluctuations in exchange rates, hence it will not be a stable benchmark to use in our determination of materiality. We consider shareholders' equity to be the most important balance on which the shareholders would judge the performance of the Group.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

(a) the quality of the control environment, and we were able to rely on controls on over a number of business processes, including; Debt, Cash, Expenses and Revenue, and

(b) Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.095m (2019: £0.19m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

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

The Group is administered by a third party Guernsey regulated service provider, as part of our audit we reviewed ISAE 3402 report of the service organisations and the relevant controls for over a number of business processes, including; Debt, Cash, Expenses and Revenue.

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

8. Other information

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

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

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

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

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

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement that would be required, if the company had a premium listing, relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

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

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

10. Auditor’s responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

11. Matters on which we are required to report by exception

11.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

12. Use of our report

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

David Becker ACA

For and on behalf of Deloitte LLP

Recognised Auditor

St Peter Port, Guernsey

30 July 2020

DORIC NIMROD AIR THREE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	Year ended 31 Mar 2020 GBP	Year ended 31 Mar 2019 GBP
INCOME			
A rent income	4	57,607,083	53,856,708
B rent income	4	20,528,473	20,430,241
Bank interest received		101,216	92,933
		78,236,772	74,379,882
EXPENSES			
Operating expenses	5	(1,555,971)	(1,514,516)
Depreciation of Aircraft	10	(47,506,703)	(25,020,998)
Impairment of Aircraft	10	(56,167,300)	-
		(105,229,974)	(26,535,514)
Net (loss)/profit for the year before finance costs and foreign exchange losses		(26,993,202)	47,844,368
Finance costs	11	(10,549,991)	(13,982,911)
Net (loss)/profit for the year after finance costs before foreign exchange gains		(37,543,193)	33,861,457
Unrealised foreign exchange loss	7	(15,994,153)	(23,961,047)
(Loss)/profit for the year		(53,537,346)	9,900,410
Other Comprehensive Income		-	-
Total Comprehensive (expense) /Income for the year		(53,537,346)	9,900,410
		Pence	**Pence**
(Loss) / earnings per Share for the year - Basic and Diluted	9	(24.34)	4.50

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

The notes on pages 58 to 85 form an integral part of these consolidated financial statements.

DORIC NIMROD AIR THREE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Notes	31 Mar 2020 GBP	31 Mar 2019 GBP
NON-CURRENT ASSETS			
Aircraft	10	385,844,698	489,518,701
CURRENT ASSETS			
Receivables	13	60,243	58,040
Cash and cash equivalents	18	13,719,497	13,113,249
		13,779,740	13,171,289
TOTAL ASSETS		399,624,438	502,689,990
CURRENT LIABILITIES			
Borrowings	15	42,306,341	63,341,248
Deferred income		3,184,479	3,184,479
Rebates	16	381,116	367,220
Payables - due within one year	14	75,897	63,185
		45,947,833	66,956,132
NON-CURRENT LIABILITIES			
Borrowings	15	112,658,700	147,163,601
Deferred income		144,783,039	120,337,113
Rebates	16	938,717	1,249,649
		258,380,456	268,750,363
TOTAL LIABILITIES		304,328,289	335,706,495
TOTAL NET ASSETS		95,296,149	166,983,495
EQUITY			
Share capital	17	208,953,833	208,953,833
Retained loss		(113,657,684)	(41,970,338)
		95,296,149	166,983,495
		Pence	**Pence**
Net Asset Value per Share based on 220,000,000 (31 March 2019: 220,000,000) shares in issue		43.32	75.90

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 30 July 2020 and are signed on its behalf by:

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

The notes on pages 58 to 85 form an integral part of these consolidated financial statements.

DORIC NIMROD AIR THREE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the for the year ended 31 March 2020

	Notes	Year ended 31 Mar 2020 GBP	Year ended 31 Mar 2019 GBP
OPERATING ACTIVITIES			
(Loss)/profit for the year		(53,537,346)	9,900,410
Movement in deferred income		17,188,328	19,469,610
Interest received		(101,216)	(92,933)
Depreciation of Aircraft	10	47,506,703	25,020,998
Impairment of Aircraft	10	56,167,300	-
Loan interest payable	11	10,161,592	13,595,573
Increase / (decrease) in payables		12,712	(2,594)
Increase in receivables		(2,203)	(1,275)
Foreign exchange movement	7	15,994,153	23,961,047
Amortisation of debt arrangement costs	11	388,399	387,338
NET CASH FROM OPERATING ACTIVITIES		93,778,422	92,238,174
INVESTING ACTIVITIES			
Interest received		101,216	92,933
NET CASH FROM INVESTING ACTIVITIES		101,216	92,933
FINANCING ACTIVITIES			
Dividends paid	8	(18,150,000)	(18,150,000)
Repayments of capital on borrowings	21	(65,123,634)	(60,179,618)
Repayments of interest on borrowings	21	(10,094,475)	(13,464,345)
NET CASH USED IN FINANCING ACTIVITIES		(93,368,109)	(91,793,963)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		13,113,249	12,408,778
Increase in cash and cash equivalents		511,529	537,144
Effects of foreign exchange rates		94,719	167,327
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	13,719,497	13,113,249

The notes on pages 58 to 85 form an integral part of these consolidated financial statements.

DORIC NIMROD AIR THREE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Notes	Share Capital GBP	Retained Loss GBP	Total GBP
Balance as at 1 April 2019		208,953,833	(41,970,338)	166,983,495
Total Comprehensive (Expense) for the year		-	(53,537,346)	(53,537,346)
Dividends paid	8	-	(18,150,000)	(18,150,000)
Balance as at 31 March 2020		208,953,833	(113,657,684)	95,296,149

	Notes	Share Capital GBP	Retained Earnings GBP	Total GBP
Balance as at 1 April 2018		208,953,833	(33,720,748)	175,233,085
Total Comprehensive Income for the year		-	9,900,410	9,900,410
Dividends paid	8	-	(18,150,000)	(18,150,000)
Balance as at 31 March 2019		208,953,833	(41,970,338)	166,983,495

The notes on pages 58 to 85 form an integral part of these financial statements.

1 GENERAL INFORMATION

The consolidated financial statements incorporate the results of the Company and DNA Alpha (the "**Subsidiary**").

The Company was incorporated in Guernsey on 29 March 2012 with registered number 54908. The address of the registered office is given on page 86. Its share capital consists of one class of the Shares and one class of Subordinated Administrative Shares ("**Administrative Shares**"). The Company's Shares have been admitted to trading on 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 Chairman's Statement and Management Report on pages 4 to 6 and 16 to 19 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 IFRS, as adopted by the EU, which comprise standards and interpretations approved by the International Accounting Standards Board ("**IASB**") and International Financial Reporting Interpretations Committee ("**IFRIC**") as adopted by the EU and applicable Guernsey law. The consolidated financial statements have been prepared on a historical cost basis.

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

(b) Adoption of new and revised Standards

New and amended IFRS Standards that are effective for current year

The following Standard and Interpretations have been adopted in the current year. Their adoption has not had a material impact on the amounts reported in these consolidated financial statements and is not expected to have any impact on future financial periods except where stated otherwise:

IFRS 16 Leases – specifies how an IFRS reporter will recognise, measure, present and disclose leases.

2 ACCOUNTING POLICIES (continued)

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

New and amended IFRS Standards that are effective for current year (continued)
The standard provides a single lessee accounting model, requiring lessees to recognise Assets and liabilities for all leases unless the lease term is 12 months or less or the underlying Asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for annual periods beginning on or after 1 January 2019 and is endorsed by the EU. The Directors have assessed the leases as operating leases under IFRS 16 and there has been no material adjustments as a result of the adoption of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments - clarifies the accounting for uncertainties in income taxes. This standard is effective for annual periods beginning on or after 1 January 2019 and is endorsed by the EU. Guernsey has a 0 per cent. tax rate. Some annual improvements on existing standards became effective in the current year.

Their adoption has not had a material impact on the amounts and disclosures presented in these financial statements and is not expected to impact amounts and disclosure for future periods.

New and Revised Standards in issue but not yet effective
There have been no Standards or Interpretations which are not yet effective and expected to have a material impact on the Group's financial statements, except for the presentation of additional disclosures and changes to the presentation of components of the financial statements. These items will be applied in the first financial period for which they are required.

(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.

2 ACCOUNTING POLICIES (continued)

(g) Interest Income

Interest income is accounted for on an accruals basis.

(h) Foreign Currency Translation

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

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.

(k) Going Concern

The Directors have prepared these financial statements for the year ended 31 March 2020 on the going concern basis.

The Directors in consultation with the Asset Manager are 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 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 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.

An increase in lessee counterparty credit risk means that there is now more uncertainty over lease payments and depending on further developments with the lessee, there could be requests for lease rental deferrals. Reduced rents receivable under the leases may not be sufficient to meet the loan interest and regular capital repayments of debt scheduled during the life of each loan and may not provide surplus income to pay for the Group's expenses and permit the declaration of dividends.

2 ACCOUNTING POLICIES (continued)

(k) Going Concern (continued)

The option to remarket the Aircraft following a potential event of default by the lessee has not been taken into account. The period of time necessary to successfully complete such a process is beyond the twelve months forecasting horizon of the going concern considerations. This applies in particular in times of COVID-19, as various restrictions are still in place to contain the pandemic.

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 make dividends and other distributions.

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 £385,844,698 are pledged as security for the Group’s borrowings (see note 15).

The Group is in a current 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 annual financial statements that Emirates will continue with the contracted lease rental payments due to the following:

- As stipulated by Emirates in its most recent audited annual report, it maintains and is considered to have a strong balance sheet with a substantial cash position, and the airline is taking additional measures to protect its cash flow through cost savings measures, reductions to discretionary capital expenditure, and engaging with business partners to improve working capital.
- Emirates is recording its future lease payment liabilities in its latest audited annual financial statements and the Company is still a going concern as at the date of its signed audit report being 7 May 2020, and hence would have taken COVID-19 and the negative effects on its (future) financial position into consideration.
- The airline confirms in its annual report that it has received committed support via the various pronouncements.
- Emirates’ listed debt and Credit Default Swaps (“**CDS’s**”) are trading at investment grade or non-distressed levels.
- All of the aircraft are funded by EETC’s.
- In May 2020, the airline rebuilt its airfreight services with a dedicated network and also reintroduced passenger flights between its hub and a limited number of destinations.

2 ACCOUNTING POLICIES (continued)

(k) Going Concern (continued)

- As of the end of July 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 is considered to have substantial liquidity and has not requested deferral of rent.

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 (ii) Emirates has 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.

The Directors have considered Emirates' ability to continue paying the lease rentals over the next 12 months and are satisfied that the Group can meet its liabilities as they fall due over this period. Further detail regarding the assumptions adopted when forming this conclusion can be found in the Viability Statement on page 18.

(l) Leasing and Rental Income

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

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

(m) Property, Plant and Equipment - Aircraft

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

Depreciation is recognised so as to write off the cost of each Asset less the estimated residual value over the estimated useful life of the Asset of 12 years, using the straight line method. As at 31 March 2020, the estimated residual value of the four planes ranges from £44.4 million to £45.1 million (31 March 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. In the prior year, the residual values of the A380 Aircraft were determined using base values excluding inflation.

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

2 ACCOUNTING POLICIES (continued)

However, following discussions between the Directors and the Group's advisors 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 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.

This has resulted in a significant reduction in the residual value of the Aircraft since the prior financial year. Due to a change in estimate of residual value for the Aircraft in the current year, there has been a £22,417,154 increase which is the combined depreciation and foreign exchange impact in the annual depreciation for the current year as a result.

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

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

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

2 ACCOUNTING POLICIES (continued)

(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.

i) Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method.

The effective interest method calculates the amortised cost of financial instruments and allocates the interest over the period of the instrument.

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

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

2 ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

ii) Financial liabilities held at amortised cost

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

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

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

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.

<u>Estimates</u>

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. In the prior year, the residual values of the A380 Aircraft were determined using base values excluding inflation.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Estimates

Residual Value and Useful Life of Aircraft (continued)

However, following discussions between the Directors and the Company's advisors 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 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 page 60) which has resulted in the use of soft market values in determining the residual value of the Asset. This reflects as a change in the estimation basis in the current year.

In estimating residual value for the year, the Directors refer 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 anticipated residual value of the Aircrafts since the prior financial year details of which have been disclosed in note 10.

The estimation of residual value remains subject to inherent uncertainty. If the estimate of residual value had been decreased by 20 per cent with effect from the beginning of this year, the net profit for the year and closing Shareholders' equity would have been decreased by approximately £5.5 million (31 March 2019: £8.6 million). An increase in residual value by 20 per cent would have had an equal but opposite effect. This reflects the range of estimates of residual value that the Directors believe would be reasonable at this time. The useful life of each Asset, for the purpose of depreciation of the Asset under IAS 16, is estimated based on the expected period for which the Group will own and lease the Aircraft. The Board of Directors expects that the Aircraft will have a working life in excess of this period.

Judgements

Operating Lease Commitments - Group as Lessor

The Group has entered into operating leases on four (31 March 2019: four) Assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these Assets and accounts for the contracts as operating leases.

The Group has determined that the operating leases on the Assets are for 12 years based on an initial term of 10 years followed by an extension term of 2 years. Should the Lessee choose to exit a lease at the end of the initial term of 10 years a penalty equal to the present value of the remaining 2 years would be due.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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 investments were made in GBP; and
- 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 fair value less costs to sell and its value-in-use.

The Directors review the carrying amount of its Assets at each audited Statement of Financial Position date and monitor the Assets for any indications of impairment as required by IAS 16 Property, Plant and Equipment and IAS 36 Impairment of Assets.

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

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

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

The Board together with the Asset Manager have conducted an impairment review in the current year as the below items may result 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.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Impairment (continued)

- 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 could indicate the need for impairment.

The assessment was performed by comparing the net book value of the Aircraft to its value-in-use (being higher than its respective fair value less costs to sell). Rental cash flows to the end of the contracts have been used in the calculation of value-in-use as the cash flows are contractual. Any assumptions with regards to issues in counterparty credit risk would be reflected in the discount rate used to calculate the net present value of future cash flows. In determining the value-in-use, the gross value of future contractual cash flows including a residual value assumption was discounted to present value using the companies WACC (weighted average costs of capital (6.5 per cent.)). The Gross value is higher than the current value, therefore the discounted cash flows (or Value-in-use, "**VIU**") is used as the Recoverable Amount for the impairment test.

Residual values for the purpose of the test are determined to be the soft values (at an inflation rate of 1.5 per cent. at the end of the aircraft's useful life)), being considered the most appropriate. A Soft Market is considered where the world's principal traffic generating regions are in the middle of a recession or a period of economic stagnation, which historically have a negative impact on aircraft values. This is when airlines experience low growth or even traffic reductions, make losses, cut their fleets and staff or reduce fleet growth plans. The market becomes imbalanced, with supply outstripping demand, resulting in more parked aircraft and lower utilisation rates, which in turn, increase aircraft availability.

Additionally, these values have been tested with regards its sensitivity to the Discount Rates. Discount rates at a -0.5 per cent. and +0.5 per cent. interval have been tested on either side of the WACC (6.5 per cent.) initially, with -1 per cent. and +1 per cent. intervals used for the analysis thereafter.

The Asset Manager considers that the inflated future soft value is the most appropriate measures to use for the Residual Value for the following reasons:

- The Residual Value is discounted at the WACC which would include a return for the time value of money (inflation). The inflated values (1.5 per cent. p.a. inflation assumed) are therefore used to avoid double counting when producing the discounted future cash flow value.
- The calculation of cash flow is an assumption on the Group's best estimation of a) contracted cash flows and b) residual. Pricing increases of 1.5 per cent. p.a. is considered to be the best estimation as to what the Group would receive for residual value in future years on a like for like basis, taking the current economic climate into account.

Rental cash flows to the end of the contract has been used in the calculation of the Future Cash Flow as the cash flows are contractual. Any assumptions with regards issues in counterparty credit risk would be reflected in the Discount Rate used to calculate the net present value of future cash flows.

3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Impairment (continued)

The Directors, with the support of its Asset Manager believe that for the Group it is reasonable to assume as of date of approval of annual financial statements that Emirates will continue with the contracted lease rental payments and there is no evidence at this time that either Emirates will default. The marketability of the aircraft post lease will depend on how demand for air travel will bounce back in a post COVID-19-crisis environment.

The Directors on the advice of the Asset Manager considers that 6.5 per cent. is the most appropriate WACC for the following reasons:

- the discount rate should be a rate commensurate with what a normal market participant would consider to be the risk inherent in the assets.
- The risk profile of Emirates. Emirates unsecured USD bonds indicate a running USD yield of 4.1 per cent. to 4.9 per cent., depending on the maturity.
- By using soft values to approximate residual values (and 1.5 per cent. p.a. inflation), the discount rate is considered appropriate to avoid double counting of risk.

Based on the impairment review performed, an impairment loss of £56,167,300 was recognized the current year (31 March 2019: £nil), with the impairment test resulting in an updated carrying value of the Aircraft in total to £385,844,698 at year end, as reflected in note 10.

If the discount rates had been decreased by 0.5 per cent with effect from the beginning of this year, the net profit for the year and closing Shareholders' equity would have been increased by approximately £6 million. An increase in the discount rates by 0.5 per cent would have had an equal but opposite effect.

If the latest residual value estimates had been decreased by 20%, the net profit for the year and closing shareholders equity would have decreased by £27.1 million as a result of the additional impairment that would arise. An increase in residual value estimates would have an equal and opposite effect.

4 RENTAL INCOME

	Year ended 31 Mar 2020 GBP	Year ended 31 Mar 2019 GBP
A rent income	74,851,499	73,284,184
Revenue received but not yet earned	(47,506,653)	(48,080,218)
Revenue earned but not received or due	27,368,093	25,764,467
Amortisation of advance rental income	3,193,203	3,177,923
Deduction of rebate monies	(299,059)	(289,648)
	57,607,083	53,856,708
B rent income	20,472,385	20,472,385
Revenue received but not yet earned	(28,044)	(98,079)
Revenue earned but not yet received	84,132	55,935
	20,528,473	20,430,241
Total rental income	78,135,556	74,286,949

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.

5 OPERATING EXPENSES

	Year ended 31 Mar 2020 GBP	Year ended 31 Mar 2019 GBP
Corporate shareholder and advisor fee (note 23)	466,775	455,392
Asset management fee (note 23)	630,152	614,780
Liaison agent fee (note 23)	70,017	68,309
Administration fees	121,136	118,782
Bank interest and charges	10,007	22,118
Accountancy fees	23,253	22,775
Registrar fees (note 23)	19,787	16,005
Audit fee	33,900	34,500
Directors' remuneration (note 6)	104,169	75,000
Directors' and officers' insurance	27,583	26,450
Legal and professional expenses	20,569	26,562
Annual fees	10,659	10,548
Travel expenses	-	2,864
Other operating expenses	17,964	20,431
	1,555,971	1,514,516

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.

7 UNREALISED FOREIGN EXCHANGE LOSSES

	Year ended 31 Mar 2020 GBP	Year ended 31 Mar 2019 GBP
Cash at bank	94,719	167,311
Deferred income	(7,257,596)	(5,467,205)
Borrowings	(8,761,701)	(18,676,497)
Rebates	(69,575)	15,344
	(15,994,153)	(23,961,047)

8 DIVIDENDS IN RESPECT OF EQUITY SHARES

	Year ended 31 Mar 2020	
	GBP	**Pence per Share**
First interim dividend	4,537,500	2.0625
Second interim dividend	4,537,500	2.0625
Third interim dividend	4,537,500	2.0625
Fourth interim dividend	4,537,500	2.0625
	18,150,000	8.25

	Year ended 31 Mar 2019	
	GBP	**Pence per Share**
First interim dividend	4,537,500	2.0625
Second interim dividend	4,537,500	2.0625
Third interim dividend	4,537,500	2.0625
Fourth interim dividend	4,537,500	2.0625
	18,150,000	8.25

Refer to the Subsequent Events in note 24 in relation to dividends declared and paid in April and July 2020.

9 LOSS / EARNINGS PER SHARE

Loss / earnings per Share ("**EPS**") is based on the net loss for the year attributable to holders of Shares in the Company of £53,537,346 (31 March 2019: net profit for the year of £9,900,410) and 220,000,000 (31 March 2019: 220,000,000) Shares being the weighted average number of Shares in issue during the year.

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

10 PROPERTY, PLANT AND EQUIPMENT - AIRCRAFT

	Aircraft GBP
COST	
As at 1 Apr 2019	618,050,915
As at 31 Mar 2020	618,050,915
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
As at 1 Apr 2019	128,532,214
Depreciation charge based on previous residual values	25,089,549
Adjustment due to change in US dollar residual values	24,329,485
Adjustment due to FX movements on residual values	(1,912,331)
Net depreciation charge for the year	47,506,703
Adjustment due to impairment	56,167,300
As at 31 Mar 2020	232,206,217
CARRYING AMOUNT	
As at 31 Mar 2020	385,844,698
As at 31 Mar 2019	489,518,701

The Group believes that the use of forecast soft values excluding inflation best approximates residual value as required per IAS 16 Property, Plant and Equipment (refer to note 3). The residual values used is a change from the prior year due to current market conditions arising mainly as a result of COVID-19 and is further discussed in note 3. The combined effect of translating residual values at the Sterling / US Dollar exchange rate prevailing at 31 March 2020 of 1.2420 (31 March 2019: 1.3035) and a 48.8 per cent. decrease in average appraised residual values in US Dollar terms, resulted in a £22,417,154 increase which is the combined depreciation and foreign exchange impact in the annual depreciation charge for the current year.

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

Under IFRS 16 the direct costs attributed in negotiating and arranging the operating leases have been added to the carrying amount of the leased Asset and therefore are being recognised as an expense over the lease term. The costs have been allocated to each Aircraft based on the proportional cost of the Asset.

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

11 FINANCE COSTS

	Year ended 31 Mar 2020 GBP	Year ended 31 Mar 2019 GBP
Amortisation of debt arrangements costs	388,399	387,338
Interest payable	10,161,592	13,595,573
	10,549,991	13,982,911

12 OPERATING LEASES

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

31 Mar 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	20,472,384	81,889,536	10,245,576	112,607,496
	70,098,964	204,204,138	10,245,576	284,548,678

31 Mar 2019	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft - A rental receipts	73,207,831	163,828,882	-	237,036,713
Aircraft - B rental receipts	20,472,384	81,889,536	30,717,960	133,079,880
	93,680,215	245,718,418	30,717,960	370,116,593

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

MSN132 Limited - term of the lease is for 12 years ending August 2025. The initial lease is for 10 years ending August 2023, with an extension period of 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.

12 OPERATING LEASES (continued)

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

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

	31 Mar 2020 GBP	31 Mar 2019 GBP
Prepayments	60,203	58,000
Sundry debtors	40	40
	60,243	58,040

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

14 PAYABLES (amounts falling due within one year)

	31 Mar 2020 GBP	31 Mar 2019 GBP
Accrued administration fees	12,032	11,785
Accrued audit fee	20,460	20,160
Accrued registrar fees (note 23)	3,881	1,390
Other accrued expenses	39,524	29,850
	75,897	63,185

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

15 BORROWINGS

	31 Mar 2020 GBP	31 Mar 2019 GBP
Equipment Notes	157,120,337	213,048,544
Associated costs	(2,155,296)	(2,543,695)
	154,965,041	210,504,849
Current portion	42,306,341	63,341,248
Non-current portion	112,658,700	147,163,601

Notwithstanding the fact that £65.1 million (31 March 2019: £60.2 million) capital was repaid during the year, as per the Consolidated Statement of Cash Flows, the value of the borrowings has decreased by £55.5 million due to the 4.9 per cent decrease in the Sterling / US dollar exchange rate for the year ended 31 March 2020. See note 21.

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

	31 Mar 2020 GBP	31 Mar 2019 GBP
Amount due for settlement within 12 months	49,616,510	73,198,230
Amount due for settlement after 12 months	122,284,388	163,790,499

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 had a face amount of $168 million with an interest rate of 6.125 per cent. and were repaid on 30 November 2019. There is a separate trust for each class of Certificate. The trusts used the funds from the Certificates to acquire Equipment Notes. The Equipment Notes were issued to Wilmington Trust, National Association as pass through trustee in exchange of the consideration paid by the purchasers of the Certificates. The Equipment Notes were issued by the Subsidiary and the proceeds from the sale of the Equipment Notes financed a portion of the purchase price of the four airbus A380-861 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. The remaining balance is being repaid by continuing to amortise borrowings that pays both principal and interest through periodic payments.

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 issued or reclassified by the Company as Shares or Administrative Shares (together the "**Share Capital**").

Issued	**Administrative Shares**	**Shares**
Issued shares as at 31 Mar 2020 and 31 Mar 2019	2	220,000,000

Issued	**Administrative Shares GBP**	**Shares GBP**	**Total GBP**
Shares			
Share Capital as at 31 Mar 2020 and 31 Mar 2019	-	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.

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.

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.

17 SHARE CAPITAL (continued)

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

	31 Mar 2020 GBP	31 Mar 2019 GBP
Cash at bank	13,719,497	13,113,247
Cash deposits	-	2
	13,719,497	13,113,249

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

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:

	31 Mar 2020 GBP	31 Mar 2019 GBP
Financial assets		
Cash and cash equivalents	13,719,497	13,113,249
Receivables (excluding prepayments)	40	40
Financial assets measured at amortised cost	13,719,537	13,113,289
Financial liabilities		
Payables	75,897	63,185
Borrowings	154,965,041	210,504,849
Financial liabilities measured at amortised cost	155,040,938	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 review and agrees policies for managing each of these risks and these are summarised below:

(a) Capital Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents disclosed in note 18 and equity attributable to equity holders, comprising issued capital and retained earnings.

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 2019.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign Currency Risk

The Group's accounting policy under IFRS requires the use of a Sterling historic cost of the Assets and the value of the US dollar debt as translated at the spot exchange rate on every 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 dollars 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 16). 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:

	31 Mar 2020 GBP	**31 Mar 2019 GBP**
Debt (US dollar) - Liabilities	(157,120,337)	(213,048,544)
Cash and cash equivalents (US dollar) - Asset	1,893,324	2,080,256

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

	31 Mar 2020 US dollar Impact GBP	**31 Mar 2019 US dollar Impact GBP**
Profit or loss	31,045,402	42,193,658
Assets	(378,665)	(416,051)
Liabilities	31,424,067	42,609,709

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign Currency Risk (continued)

On the eventual sale of the Assets, the Group may 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 page 17 where an assessment of Emirates is made.

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

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

	31 Mar 2020 GBP	31 Mar 2019 GBP
Receivables (excluding prepayments)	40	40
Cash and cash equivalents	13,719,497	13,113,249
	13,719,537	13,113,289

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 rating given by Moody's of Baa2 and A3 respectively. The banks are shown as having a stable rating.

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.

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, banking facilities and borrowing facilities, by monitoring forecast and actual cash flows, and by matching profiles of financial assets and liabilities.

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

31 Mar 2020	1-3 months GBP	3-12 months GBP	1-2 years GBP	2-5 years GBP	Over 5 years GBP
Financial liabilities					
Payables - due within one year	75,897	-	-	-	-
Equipment Notes	24,856,303	24,760,207	49,223,671	73,060,717	-
	24,932,200	24,760,207	49,223,671	73,060,717	-

31 Mar 2019	1-3 months GBP	3-12 months GBP	1-2 years GBP	2-5 years GBP	Over 5 years GBP
Financial liabilities					
Payables - due within one year	63,185	-	-	-	-
Equipment Notes	36,667,361	36,530,869	47,275,570	116,514,929	-
	36,730,546	36,530,869	47,275,570	116,514,929	-

(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.

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:

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		

31 Mar 2019	**Variable interest GBP**	**Fixed interest GBP**	**Non-interest Bearing GBP**	**Total GBP**
Financial Assets				
Receivables (excluding prepayments)		-	40	40
Cash and cash equivalents	13,113,249	-	-	13,113,249
Total Financial Assets	13,113,249	-	40	13,113,289
Financial Liabilities				
Payables	-	-	63,185	63,185
Equipment Notes	-	213,048,544	-	213,048,544
Total Financial Liabilities	-	213,048,544	63,185	213,111,729
Total interest sensitivity gap	13,113,249	213,048,544		

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Interest Rate Risk (continued)

If interest rates had been 50 basis points higher throughout the year and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2020 would have been £68,597 (31 March 2019: £65,566) 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 year and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2020 would have been £68,597 (31 March 2019: £65,566) 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. This table below excludes non-cash flows arising from the amortisation of associated costs (see note 15).

	31 Mar 2020 GBP	**31 Mar 2019 GBP**
Opening Balance	213,048,544	254,060,656
Cash flows paid - capital	(65,123,634)	(60,179,618)
Cash flows paid - interest	(10,094,475)	(13,464,345)
Non-cash flows		
- Interest accrued	10,161,592	13,595,573
- Rebates movement	297,036	220,726
- Effects of foreign exchange – Rebates	69,574	139,055
- Effects of foreign exchange - Loans	8,761,701	18,676,497
Closing Balance	157,120,338	213,048,544

22 ULTIMATE CONTROLLING PARTY

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

23 RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Amedeo has been appointed as the Group's Asset Manager.

During the year, the Group incurred £700,744 (31 March 2019: £685,169) of expenses with Amedeo of which £630,152 (31 March 2019: £614,780) related to asset management fees as shown in note 5, £70,017 (31 March 2019: £68,309) was liaison agent fees and £575 (31 March 2019: £2,080) reimbursed expenses. As at 31 March 2020, £53,491 (31 March 2019: £52,187) was prepaid to this related party.

Nimrod is the Company's Corporate and Shareholder Advisor.

During the year, the Group incurred £467,484 (31 March 2019: £461,142) of expenses with Nimrod, of which £709 (31 March 2019: £5,750) was reimbursed expenses and £466,775 (31 March 2019: £455,392) related to corporate shareholder and advisor fees as shown in note 5. As at 31 March 2020, £nil (31 March 2019: £nil) was owing to this related party.

Anson Registrars Limited (and now called JTC Registrar Limited) ("**JTC Registrars**") was the Group's registrar, transfer agent and paying agent during the prior year. During the year, the Group incurred £19,787 (31 March 2019: £16,005) of expenses with JTC Registrars as shown in note 5. As at 31 March 2020 £3,881 (31 March 2019: £1,390) was owing to this related party.

24 SUBSEQUENT EVENTS

On 16 April 2020, a further dividend of 2.0625 pence per Share was declared and this was paid on 30 April 2020.

On 16 July 2020, a further dividend of 2.0625 pence per Share was declared and this will be paid on 31 July 2020.

The COVID-19 pandemic has been discussed throughout the financial statements including detail relating to post year end. This information is set out in the Chairman's Statement on pages 4 to 6, the Asset Manager's Report on pages 7 to 12, Management Report on pages 16 to 19 and the significant issues section in the Audit Committee Report on pages 35 to 44.

DORIC NIMROD AIR THREE LIMITED

KEY ADVISERS AND CONTACT INFORMATION

KEY INFORMATION

Exchange: Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker: DNA3
Listing Date: 2 July 2013
Financial Year End: 31 March
Base Currency: Pound Sterling
ISIN: GG00B92LHN58
SEDOL: B92LHN5
LEI: 213800BMYMCBKT5W8M49
Country of Incorporation: Guernsey
Registration number: 54908

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