Regulatory Story

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Doric Nimrod Air Two Limited - DNA2

Annual Financial Report and Notice of AGM
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Doric Nimrod Air Two Limited
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DORIC NIMROD AIR TWO LIMITED (THE "COMPANY")

ANNUAL FINANCIAL REPORT

The Board of the Company is pleased to announce its results for the year ended 31 March, 2017

To view the Company's Annual Financial Report please follow the link below:

http://www.rns-pdf.londonstockexchange.com/rns/6153K_-2017-7-10.pdf

In addition, to comply with DTR 4.1 please find below the full text of the annual financial report. The report will also shortly be available on the Company's website, https://www.dnairtwo.com and on the National Storage Mechanism, which is situated at www.morningstar.co.uk/uk/nsm.

Annual General Meeting

The Annual General Meeting of the shareholders of the Company will be held at Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey on Friday 15 September at 10.35 a.m.

For further information about this announcement contact:

JTC Fund Solutions (Guernsey) Limited, Secretary
Tel: 01481 702 400

Doric Nimrod Air Two Limited

Consolidated Annual Financial Report

From 1 April 2016 to
31 March 2017

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA2
Share Price	219.00p (as at 31 March 2017) 221.50p (as at 5 July 2017)
Market Capitalisation	GBP 378.3 million (as at 31 March 2017)
Aircraft Registration Numbers	A6-EDP, A6-EDT, A6-EDX, A6-EDY, A6-EDZ, A6-EEB, A6-EEC
Current/Future Anticipated Dividend	Current dividends are 4.5p per quarter per share (18p per annum) and it is anticipated that this will continue until the aircraft leases begin to terminate in 2023.
Dividend Payment Dates	April, July, October and January
Currency	Sterling
Launch Date/Price	14 July 2011 / 200p
Incorporation and Domicile	Guernsey
Asset Manager	Doric GmbH
Corporate and Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Limited
Auditor	Deloitte LLP
Market Makers	Shore Capital Limited Winterflood Securities Limited Jefferies International Limited Numis Securities Limited Canaccord Genuity Limited
SEDOL, ISIN	B3Z6252, GG00B3Z62522

Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

COMPANY OVERVIEW

Doric Nimrod Air Two Limited (LSE Ticker: DNA2) (**"DNA2"** or the **"Company"**) is a Guernsey company incorporated on 31 January 2011. The Company operates under the Companies (Guernsey) Law, 2008, as amended (the "Law") and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

Pursuant to the Company's prospectus dated 30 June 2011, the Company on 14 July 2011 raised approximately £136 million by the issue of Ordinary Preference Shares (the "**Ordinary Shares**") at an issue price of £2 each (the "**Placing**"). The Company's Ordinary Shares were admitted to trading on the Specialist Fund Segment ("**SFS**") of the London Stock Exchange's Main Market ("**LSE**") on 14 July 2011.

The Company raised a further £188.5 million from a C share fundraising (the "**C Shares**"), which closed on 27 March 2012 with the admission of 100,250,000 Convertible Preference Shares to trading on the SFS of the LSE.

On 6 March 2013, the Company's C Shares converted into an additional 100,250,000 Ordinary Preference Shares. These additional Ordinary Preference Shares were admitted to trading on the SFS of the LSE and rank *pari passu* with the Ordinary Shares already in issue.

As at 5 July 2017, the last practicable date prior to the publication of this report, the Company's total issued share capital consisted of 172,750,000 Ordinary Shares (the "**Shares**") and the Shares were trading at 221.50 pence per share.

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

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

The first Asset was acquired by MSN077 Limited on 14 October 2011 for a purchase price of USD 234 million and has been leased to Emirates for an initial term of 12 years to October 2023, with fixed lease rentals for the duration.

The second Asset was acquired by MSN090 Limited on 2 December 2011 for a purchase price of USD 234 million and has been leased to Emirates for an initial term of 12 years to December 2023, with fixed lease rentals for the duration.

The third Asset was acquired by MSN105 Limited on 1 October 2012 for a purchase price of USD 234 million and has been leased to Emirates for an initial term of 12 years to October 2024.

In order to complete the purchase of the related Assets, MSN077 Limited, MSN090 and MSN105 Limited entered into separate loan agreements with a number of banks (see Note 14), each of which will be fully amortised with quarterly repayments in arrears over 12 years (each of them a "**Loan",** together the "**Loans**"). A fixed rate of interest applies to the Loans except for 50% of the loan in MSN090 which has a related interest rate swap entered into to fix the interest rate. MSN077 Limited drew down USD 151,047,509 under the terms of the first loan agreement to complete the purchase of the first Asset; MSN090 Limited drew down USD 146,865,575 in accordance with the second loan agreement to finance the acquisition of the second Asset; and MSN105 Limited drew down USD 145,751,153 in accordance with the third loan agreement to finance the acquisition of the third Asset. The first loan agreement, the second loan agreement and the third loan agreement are on materially the same terms.

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

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

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

There can be no guarantee that dividends will be paid to Shareholders and, if dividends are paid, as to the timing and amount of any such dividend. There can also be no guarantee that the Company will, at all times, satisfy the solvency test required to be satisfied pursuant to section 304 of the Companies (Guernsey) Law, 2008 (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 year under review and in accordance with the Distribution Policy the Company declared four interim dividends of 4.50 pence per Share. Two interim dividends of 4.50 pence per Share were declared after the reporting period. Further details of these dividend payments can be found on page 20.

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

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

Liquidation Resolution
Although the Company does not have a fixed life, the Articles require that the Directors convene a Liquidation Proposal Meeting six months prior to the end of the leases, where a Liquidation Resolution will be proposed that the Company proceed to an orderly wind-up. In the event that the Liquidation Resolution is not passed, the Directors will consider alternatives for the Company and shall propose such alternatives at a General Meeting of the Shareholders, including re-leasing the Assets (to the extent the Assets have not already been disposed of in the market), or selling the Assets and applying the capital received from the sale of those Assets to: (i) if applicable, the repayment of outstanding debt; and (ii) reinvestment in other aircraft.

CHAIRMAN'S STATEMENT

I am pleased to present Shareholders with the Group's sixth Consolidated Annual Financial Report covering the period from 1 April 2016 until 31 March 2017.

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft. The Group owns seven planes, funded by two equity issues, a note issue and bank debt in 2011 and 2012. All the Aircraft have been leased to Emirates for an initial term of twelve years with fixed lease rentals for the duration. The debt portion of the funding will be fully amortised over the twelve years of the leases, with the aim of leaving the Aircraft unencumbered at the conclusion of the leases. All payments thus far by Emirates have been made in accordance with the terms of the leases.

The Company has been targeting a distribution of 4.50 pence per Share per quarter, equating to 18 pence per Share per annum.

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

The Group's Asset Manager, Doric GmbH, continues to monitor the leases and reports regularly to the Board. Nimrod Capital LLP, the Company's Placing Agent as well as its Corporate and Shareholder Advisory Agent, continues to liaise between the Board and Shareholders, and to distribute quarterly fact sheets and interim management statements.

During the calendar year 2016 overall global air traffic passenger demand, measured in revenue passenger kilometres (RPKs), expanded by 6.3% compared to the year before. Adjusted for the extra day, as 2016 was a leap year, traffic grew by 6.0%. Growth was well ahead of its 5.5% ten-year-average. A regional breakdown reveals that Middle East airlines continued to outperform the overall market in 2016. Revenue passenger kilometres increased by 11.2% compared to 2015. The average passenger load factor in 2016 increased to 80.5%, the highest annual average on record, improving marginally on the record set in 2015.

Operationally, Emirates has also continued to perform well, flying 56.1 million passengers, an increase of 4 million compared with 2015. Emirates operated flights to 156 destinations in 83 countries on six continents during the 2016/17 financial year. Approximately 37% of Emirates' passengers were carried by an A380. The airline's sales and earnings were negatively influenced by tightening yields due to increased competition and the overall market, including Europe's immigration challenges, terror attacks, and new policies impacting air travel to the US, which caused a decrease in net profit compared to the previous financial year. Nevertheless, Emirates achieved a net profit of USD 340 million, its 29th consecutive year of profit.

The Board recognises Emirates is the sole lessee of the Assets, and in the event that Emirates defaults on the rental payments 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. We do not believe this is a likelihood at this moment in time given the current and historical performance of Emirates and its current financial position.

In economic reality, the Group has performed well. Four interim dividends were declared in the Period and future dividends are targeted to be declared and paid on a quarterly basis. However, the Financial Statements do not in the Board's view properly convey this economic reality due to the accounting treatment for foreign exchange, rental income and finance costs as required by international financial reporting standards.

International Financial Reporting Standards ("**IFRS**") require that transactions denominated in US Dollars (including, most importantly, the cost of the Aircraft) are translated into sterling at the exchange rate ruling at the date of the transaction whilst monetary items (principally the outstanding borrowings) are translated at the rate prevailing on the reporting date. The resultant figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences. As a result of the significant foreign exchange rate movement during the period there have been significant unrealised foreign exchange losses, which have resulted in the Group recording a loss for the year as presented in the Consolidated Statement of Comprehensive Income on page 40, compared to a profit in the prior year.

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

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

The Board conducts an annual review of the estimated residual value of the Assets at the end of the twelve year leases to Emirates for the purpose of validating the depreciation charge. The Board also assesses if an indicator of impairment of aircraft values has arisen, which might require the values of the Aircraft to be written down. In conducting these reviews, the Board engages three internationally recognised expert appraisers to provide current and future valuations and takes the advice of the Asset Manager, Doric GmbH ("Doric").

As of 31 March 2017 the aircraft portfolio's current market value in US Dollars is USD 1,247 million as per the average of the latest opinion of three internationally recognised expert appraisers. This is 2.6% higher compared to last year's forecast. At the respective end of the twelve year leases the appraisers now expect a residual value of USD 812 million for the aircraft portfolio, down by 1.4% compared to the year before. During the Period, Sterling depreciated more than 13% against the US Dollar. This would increase the potential sales proceeds in Sterling by the same percentage. Since the Assets were acquired, the depreciation of sterling against the US Dollar amounts to more than 19%.

Following a review of the Assets' projected residual values as is required by IFRS on an annual basis and given the significant movement in the foreign exchange rate during the year, using the methodology in Note 3, the Board decided to update the residual values to the latest estimate using the closing exchange rate. The impact of this was to increase the residual value estimate in sterling and reduce the related depreciation as disclosed in the Consolidated Statement of Comprehensive Income. Further information about the residual values of the Assets may be found in Note 9 to the Consolidated Financial Statements.

The Board decided to continue the current book value determination without impairment until more accurate second hand value information becomes available.

The Board also recognises that the Assets were purchased on the basis of being leased to Emirates for a twelve year term at attractive rates. The Board is conscious that the independent appraisals of the current market values do not reflect the leases, which is an intrinsic part of the value of the Group's Assets. In addition, upon review of the professional advice they have received, the Board is of the opinion that, the current estimate of the residual value of the Assets is a reasonable approximation of the residual value within the IAS 16 definition of residual value given a comparable asset is not available.

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

Norbert Bannon
Chairman

ASSET MANAGER'S REPORT

1. The Assets

In November 2012, the Company completed the purchase of all seven Airbus A380 aircraft bearing manufacturer's serial numbers (MSN) 077, 090, 105, 106, 107, 109 and 110. All seven aircraft are leased to Emirates for an initial term of 12 years from the point of delivery with fixed lease rentals for the duration.

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of May 2017 was as follows:

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
077	14/10/2011	26,000	3,048	8 h 30 min
090	02/12/2011	23,599	3,911	6 h
105	01/10/2012	20,544	3,334	6 h 10 min
106	01/10/2012	22,751	2,617	8 h 40 min
107	12/10/2012	22,350	2,614	8 h 35 min
109	09/11/2012	19,524	3,144	6 h 15 min
110	30/11/2012	19,934	3,312	6 h

Maintenance Status

Emirates maintains its A380 aircraft fleet based on a maintenance programme according to which minor maintenance checks are performed every 1,500 flight hours, and more significant maintenance checks (C checks) at 24 month or 12,000 flight hour intervals, whichever occurs first. Emirates bears all costs relating to the aircraft during the lifetime of the lease (including maintenance, repairs and insurance).

Inspections

Doric, the Asset Manager, performed inspections of MSNs 090 and 105 in December 2016 and January 2017. The physical condition of each aircraft was in compliance with the provisions of the respective lease agreements.

In February 2017, Doric also undertook records audits for MSNs 077 and 090. The lessee was again very helpful in the responses given to the Asset Manager's technical staff, and the technical documentation was found to be in good order.

2. Market Overview

The first half of 2016 was characterised by a combination of high-profile terrorist attacks, political instability in many parts of the world and subdued economic activity. However, passenger demand significantly improved between June and December 2016. According to the International Air Transport Association (IATA), passengers adapted to the uncertain environment. The moderate upturn in the global economic cycle was another contributing factor, which let RPKs grow at an annualized pace of nearly 9% in the second half of 2016. That development persisted beyond the end of 2016 with the strongest start to the year since 2005. In January 2017, RPKs grew by 9.6% compared to the same month the year before. For the full year, IATA expects a demand growth of 5.5%, according to a report released in March. However, there is uncertainty whether lower airfares will continue to fuel demand as in the recent past. As oil prices have significantly increased, since their 12-year low point reached in January 2016, further leeway for lower-priced tickets is limited. For this reason, the strength of the economic cycle will play an important role for the pace of global passenger growth during the course of this year.

Passenger load factors increased to 80.5% during the calendar year 2016, the highest annual average on record, improving marginally on the record set in 2015. With minus 1.6 %, the Middle East recorded the largest decline in load factors as the added capacity outstripped brisk demand. In January 2017, a worldwide passenger load factor of 80.2% was recorded, an improvement of 1.2% compared to the same month the year before and close to an all-time high. IATA estimates an average worldwide passenger load factor of 79.8% for this year.

In 2016, a regional breakdown reveals that Middle East airlines, including Emirates, continued to outperform the overall market demand again last year. RPKs increased by 11.2% compared to the year 2015. Asia/Pacific-based operators ranked second with 9.1%, followed by Africa with 6.5%. Europe grew by 4.6%. Latin American and North American market participants recorded RPK growth of 3.6% and 3.2% respectively.

Fuel is the single largest operating cost of airlines and has a significant impact on the industry's profitability. According to its latest report released in December, IATA expected an average fuel price of USD 52.1 per barrel in 2016. This would be 22% lower compared to the previous year. Jet fuel prices have started to rise with oil prices, and IATA forecasts an average price of USD 64.9 per barrel of jet fuel for this year. Fuel costs in 2017 are set to represent 18.7% of average operating costs, a 0.5 percentage point reduction from 2016. This is significantly below the recent peak of 33.2% in 2012-13. Slower GDP growth and rising costs have led to a downward revision of IATA's 2016 airline industry profitability to USD 35.6 billion. This is still the highest absolute profit generated by the airline industry and the highest net profit margin (5.1%) to date. For 2017, Alexandre de Juniac, IATA's Director General and CEO, expects a "very soft landing" with an industry net profit of USD 29.8 billion.

3. Lessee - Emirates Key Financials

In the 2016/17 financial year ending on 31 March 2017, Emirates recorded the 29th consecutive year of profit with a net result of USD 340 million (AED 1,250 million), down 82% compared to the previous financial year. The net profit margin was 1.5%, down by 7 percentage points. Revenue for the period remained unchanged at USD 23.2 billion (AED 85.1 billion). However, lower results were to be expected as Emirates' president Tim Clark hinted earlier in March 2017 that the increased volatility in the market had affected Emirates' performance. His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman and Chief Executive of Emirates, listed a number of destabilizing events, which impacted travel demand during the year: the Brexit vote, Europe's immigration challenges and terror attacks, new policies impacting air travel into the US, and currency devaluation. He deemed the past fiscal year as "one of our most challenging years to date".

In face of these challenges, Emirates increased its passenger numbers, RPKs and cargo carried during the 2016/17 financial year. Emirates carried a record 56.1 million passengers (8.1% more than in the previous fiscal year), increased capacity for passengers (measured in ASK) by 10.3% and increased RPKs by 8.4%. As a result, the passenger seat factor dropped by 1.4 percentage points to 75.1%. In the 2016/17 annual report it was noted that the seat factor on the Emirates' A380 fleet was high - and a testament of the customer preference for this aircraft. The share of passengers carried on an A380 increased by 5 percentage points to 37%.

The costs resulting from the ongoing efforts to expand capacity contributed to a 7.7% increase in operating costs. While fuel prices fell slight by 2%, an 8% higher uplift in line with the capacity increase led the airline's fuel bill to increase 6%. Fuel cost's share of the operating costs only slightly decreased from 25.7% to 25.4% during the reporting period, remaining the biggest cost component for the airline, followed by personnel costs. The overall increase in operating costs is marginally higher than the capacity growth of 7.2%, measured in available tonne kilometre.

As of 31 March 2017, the balance sheet totalled USD 33.1 billion (AED 121.6 billion), an increase of 2% compared to the previous financial year. Total equity increased by 8.3% to USD 9.6 billion (AED 35.1 billion) with an equity ratio of nearly 29%. The carrier had a cash balance of USD 4.3 billion (AED 15.7 billion) at the end of the period, down by USD 1.2 billion (AED 4.3 billion) compared to the previous financial year. This included the repayment of bullet bonds in the amount of USD 1.1 billion. The current ratio stood at 0.73, meaning the airline would be able to meet nearly three-quarters of its current liabilities by liquidating all its current assets. Significant items on the liabilities' side of the balance sheet included current and non-current borrowings and lease liabilities in the amount of USD 13.9 billion (AED 51 billion) - an increase of 1.8% against the previous financial year.

In line with its strategy to increase capacity through a young and efficient fleet, Emirates received a record of 35 wide-body aircraft, consisting of 19 Airbus A380 and 16 Boeing 777-300ER, during the 2016/2017 financial year. At the same time, the airline also retired 27 older aircraft, bringing the average fleet age of 6 years 2 months down to 5 years 3 months, which is well below the industry average of nearly 12 years. To fund its fleet growth, Emirates raised USD 7.9 billion (AED 29.1 billion) during the financial year through finance and operating leases as well as term loans. Over the last ten years, the operator raised more than USD 47.3 billion (AED 173.7 billion) for aircraft financing.

In the 2016/17 financial year, Emirates launched services to six new passenger points (Yinchuan and Zhengzhou in China, Yangon in Myanmar, Hanoi in Vietnam, Fort Lauderdale and Newark in the US). These new destinations add to Emirates' well-balanced regional distribution, whereby no region represents more than 30 percent of overall revenues. In line with increased demand, the operator added frequencies and increased capacity to several existing destinations of its global route network, which spanned 156 destinations in 83 countries by fiscal year end.

Source: Emirates
The exchange rate of the UAE Dirham (AED) to the USD is fixed at 3.67.

4. Aircraft - A380

By the end of March 2017, Emirates operated a fleet of 94 A380s, which currently serve 48 destinations from its Dubai hub: Amsterdam, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Brisbane, Casablanca, Christchurch, Copenhagen, Doha, Dusseldorf, Frankfurt, Guangzhou, Hong Kong, Jeddah, Johannesburg, Kuala Lumpur, Kuwait, London Gatwick, London Heathrow, Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Moscow, Mumbai, Munich, New York JFK, Paris, Perth, Port Louis, Prague, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo, Toronto, Vienna, Washington, and Zurich.

On 26 March 2017, Emirates launched three A380 destinations on the same day. With the deployment of the superjumbo to Casablanca and Sao Paulo, the airline is providing the first scheduled A380 services into Latin America and North Africa. Healthy demand for travel between Dubai and Japan is the reason for reintroducing the A380 to Tokyo-Narita. Another destination back on the A380 flight schedule is Johannesburg, which was already served by an A380 for a few months back in 2011/12. In the meantime, Dubai - Johannesburg is the airline's busiest route in Africa with four daily services. One of these is now operated by an A380.

At the end of March 2017, the global A380 fleet consisted of 210 commercially operated planes in service. The thirteen operators are Emirates (94), Singapore Airlines (19), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Air France (10), Korean Air (10), Etihad Airways (9) Malaysia Airlines (6), Qatar Airways (7), Thai Airways (6), China Southern Airlines (5), and Asiana Airlines (6). The number of undelivered A380 orders stood at 109.

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

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

In September 2016, Singapore Airlines (SIA) announced that they had decided not to renew the lease on their first Airbus A380 delivered in 2007. The initial lease term expires in October 2017. Singapore Airlines has confirmed it will return four 2007 vintage A380s from its fleet after it had decided not to exercise the extension options. The carrier is also returning two A330s and three Boeing 777s from its fleet in the 2017-2018 financial year as well as taking delivery of three new A380s and ten A350s.

In November 2016, Malaysia Airlines (MAS) detailed its plans to operate religious pilgrimage flights with its A380 fleet of six aircraft. According to Peter Bellew, CEO of MAS, they are in the process of setting up a subsidiary with a separate Malaysian air operator certificate and it "should be fully operational by spring 2018". "MAS is already transporting Muslim pilgrims on charter flights to Saudi Arabia very successfully and is in a good position to cater for increased passenger demand on this route," Bellew said. The operator will be run on sharia-compliant principles, which include the use of Islamic financing instruments, but will not be restricted to Hajj and Umrah business. Bellew also sees opportunities to operate non-religious charters. Further demand might come from existing A380 operators seeking temporary increases in capacity during major overhaul events of their own fleet or for certain periods during the year. To cover all these future business opportunities, Bellew suspects the initial fleet could grow to up to twenty aircraft and might also include "the largest" Boeing 777s. MAS plans to reconfigure its relatively young A380s to accommodate up to 700 passengers, a capacity increase of more than 40% compared to the 3-class configuration currently installed.

Also in November 2016 Emirates indicated that it will likely seek to extend leases on its A380s. Asked about the probability of using the aircraft beyond the 12 years the operator has typically contracted, Emirates' Senior Vice President of corporate treasury said "we want to keep it for a long time. The type has proven to be a flexible platform and is a core product for the airline".

At year-end 2016, Emirates deferred delivery by twelve months of 6 Airbus A380s which had been due to arrive in 2017, and 6 which had been due to arrive in 2018. The postponement follows an agreement between Emirates and Rolls-Royce, which manufactures the Trent 900 engine for the type.

In December 2016 it became known that Iran Air had decided to drop the 12 Airbus A380s from its Airbus order. Earlier that year, the Iranian flag carrier had signed a heads of term agreement for the acquisition of 118 aircraft in total, including 12 A380s. The airline's Chief Executive Officer Farhad Parvaresh attributes the decision to shelve the order to a lack of infrastructure in the country. He assumes that it might take another five to six years until Iran will be able to accommodate high-density aircraft like the A380.

As per Airbus' monthly-published order book update, Air France finally decided to swap its two remaining A380 orders for three Airbus A350 aircraft.

Airbus' President of Commercial Aircraft Fabrice Brégier is convinced that the demand for A380 aircraft will rebound by 2020. Considering the growth in international traffic in the next few years, he expects an increasing level of airport congestion, especially in Europe and the US. "So the trend is towards bigger aircraft, and you will see, I'm sure, a second wave of A380 procurement when we reach this congestion."

In March 2017, Qatar Airways indicated that it does not intend to exercise an option for another three A380s. The fleet currently consists of seven aircraft and will grow by another three due for delivery by 2018.

Sources: Airbus, Ascend, Bloomberg, CAPA, Emirates, New Straits Times, The Edge Financial Daily, FlightGlobal

DIRECTORS

Norbert Bannon - Chairman (Age 68) (Independent non-executive director)

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

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

Charles Edmund Wilkinson (Age 74) (Independent non-executive director)

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

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

Geoffrey Alan Hall (Age 68) (Independent non-executive director)

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

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

John Le Prevost (Age 65) (Independent non-executive director)

John Le Prevost is the Chief Executive Officer of Anson Group Limited and Chairman of Anson Registrars Limited (the Company's Registrar). He has spent 30 years working in offshore trusts and investment business during which time he was managing director of County NatWest Investment Management (Channel Islands) Limited, Royal Bank of Canada's mutual fund company in Guernsey and Republic National Bank of New York's international trust company. John is a director of Guaranteed Investment Products I PCC Limited, Guernsey's largest protected cell company. He is a director of a number of other companies associated with Anson Group's business as well as being a trustee of the Guernsey Sailing Trust. John is also currently a director of Doric Nimrod Air One Limited, Doric Nimrod Air Three Limited and Amedeo Air Four Plus Limited. He is resident in Guernsey.

SERVICE PROVIDERS

Management and the Delegation of Functions
The Directors, whose details are set out on page 13 are responsible for reviewing the business affairs of the Group in accordance with the Articles and the Prospectus and have overall responsibility for the Group's activities including all business decisions, review of performance and authorisation of distributions. All of the Directors are independent and non-executive. The Group has delegated management of the Assets to Doric, which is a company incorporated in Germany. Further details are outlined below under the heading Asset Manager. The Directors delegate secretarial and administrative functions to JTC Fund Solutions (Guernsey) Limited ("**JTC**" or the "**Secretary & Administrator**") which is a company incorporated in Guernsey and licensed by the Guernsey Financial Services Commission for the provision of administration services. The Registrar function is delegated to Anson Registrars Limited ("**ARL**") which is licensed and regulated by the Guernsey Financial Services Commission.

Asset Manager
Doric has been appointed by the Company to provide asset management services to the Company. Pursuant to the Asset Management Agreement, Doric will: (i) monitor Emirates' and any subsequent lessees' performance of its obligations under the leases and any subsequent leases respectively (which shall include the obligations relating to the maintenance of insurance cover); (ii) provide the Company 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 Company 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 loan, as required.

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

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

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

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

The aircraft portfolio currently managed by the Doric Group is valued at USD 7 billion and consists of 45 aircraft under management. These aircraft include commercial airliners ranging from ATR 72-500s and the Airbus A320 family, through the Boeing 737, 777 and Airbus A330/A340 family, up to the Boeing 747-8F and Airbus A380.

The Doric Group has 22 Airbus A380 aircraft currently under management and is therefore considered well positioned to perform the technical asset management of this aircraft type.

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

The Amedeo group is primarily involved in the operating lease and management of widebody aircraft. Amedeo is a member of ISTAT, the International Society of Transport Aircraft Trading, and is a Strategic Partner of IATA, the International Air Transport Association.

Corporate and Shareholder Adviser
Nimrod Capital LLP ("**Nimrod**"), which is authorised by the Financial Conduct Authority, has been appointed as the Corporate and Shareholder Adviser by the Company.

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

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

Secretary & Administrator
JTC is a multijurisdictional, independent provider of institutional and private client services. Established for over 25 years, JTC has significant global experience and over £47 billion (USD 70 billion) assets under administration. For further information about JTC, please visit www.jtcgroup.com.

JTC Fund Solutions (Guernsey) Limited 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 ensures that the Group complies with its continuing obligations as well as advising on the corporate governance requirements and recommendations as applicable to a company admitted to trading on the SFS of the LSE.

The Administrator is also responsible for the Group's general administrative functions such as the calculation of the net asset value of Shares, the maintenance of accounting and statutory records and any reporting required under the Foreign Account Tax Compliance Act of the United States of America.

Registrar
Anson Registrars Limited is the Company's CREST compliant registrar. The Company's registrar is responsible for the maintenance of the Company's share register and for the processing of dividend payments and stock transfers. Anson Registrars Limited is licensed and regulated by the Guernsey Financial Services Commission and further information about Anson Registrars Limited may be found at www.anson-group.com.

Review
The Board keeps under review the performance of the Asset Manager, Liaison Agent, 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 best interest of Shareholders as a whole.

MANAGEMENT REPORT

A description of important events which have occurred during the Period, their impact on the performance of the Group as shown in the Consolidated Financial Statements and a description of the principal risks and uncertainties facing the Group is given in the Chairman's Statement, Asset Manager's Report, and the Notes to the Consolidated Financial Statements contained on pages 44 to 68 and are incorporated here by reference.

Principal Risks and Uncertainties

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

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

• **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 loan repayments are made from lease rental revenues received in the matching currency and by fixing the interest rates on Loans and lease rentals.

Emirates is the sole lessee of the Assets, and 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 Group 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 for the Company 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 Company. The Board monitor this on an annual basis and will make any material adjustments to the residual value estimate of the Assets to ensure that projections remain appropriate.

• **Regulatory risk:** the Group is required to comply with the disclosure guidance and transparency rules of the UK Financial Conduct Authority and the requirements imposed by the Law and the Guernsey Financial Services Commission. 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.

Going Concern

The Group's principal activities are set out within the Group Overview on pages 4 to 6. The financial position of the Group is set out on page 40 to 43. In addition, Note 18 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit risk and liquidity risk.

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

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

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors of the Company have considered the prospects of the Group over a period of seven years from present until the liquidation resolution is put to Shareholders six months before the last aircraft leases are due to terminate in 2024.

The Board, in assessing the viability of the Group, have 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 annual basis the risks faced and ensuring that any mitigation measures in place are functioning correctly.

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

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

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

Responsibility Statement

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

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

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

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

(d) The Annual Report and Financial Statement includes information required by the LSE and for ensuring the Company complies with the relevant provisions of the Disclosure and Transparency Rules of the UK Listing Authority.

John Le Prevost	**Charles Wilkinson**
Director	**Chairman of the Audit Committee**
10 July 2017	**10 July 2017**

DIRECTOR'S REPORT

The Directors present their report and Financial Statements of the Group for the period from 1 April 2016 to 31 March 2017 ("the **Period**").

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 period under review is given in the Chairman's Statement and the Asset Manager's Report on pages 5 and 8 to 12.

Status
The Company is a Guernsey domiciled company the Shares of which are admitted to trading on the Specialist Fund Segment of the London Stock Exchange's Main Market for Listed Securities (the "SFS"). Its registered number is 52985. The Company operates in accordance with the Law.

Results and Dividends
The results of the Group for the Period are set out on pages 40 to 43.

The Company declared dividends during the period from 1 April 2016 to date as follows:

Quarter End	Announcement Date	Payment Date	Dividend per Share (pence)
31 March 2016	14 April 2016	29 April 2016	4.50
30 June 2016	11 July 2016	29 July 2016	4.50
30 September 2016	12 October 2016	28 October 2016	4.50
31 December 2016	11 January 2017	31 January 2017	4.50
31 March 2017	11 April 2017	28 April 2017	4.50

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

Directors
The Directors in office are shown on page 13 and all Directors remain in office as at the date of signature of these Financial Statements. Further details of the Directors' responsibilities are given on page 25.

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

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

The following interests in shares of the Company are held by Directors and their connected persons:

Number of Ordinary Preference Shares	
Charles Wilkinson	75,000
Geoffrey Hall	75,000

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

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

There were no material related party transactions which took place in the financial period, other than those disclosed in the Directors' Report and at Note 20 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 FCA's Disclosure Guidance and Transparency Rules. 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 5 July, 2017, being the latest practicable date prior to the date of approval of this report.

Controlling Entity	% of Total Voting Rights	Number of Ordinary Preference Shares	Date of notification
Baring Asset Management Limited ("BAM")	8.17%	14,115,450	8 August 2011
Insight Investment Management (Global) Limited	7.67%	13,242,345	16 December 2014
Schroders plc	7.68%	13,267,887	30 March 2012
Quilter Cheviot Limited	5.00%	8,641,973	22 July 2014
City of Bradford Metropolitan District Council	10.16%	17,550,000	11 February 2016

CORPORATE GOVERNANCE

Statement of Compliance with the UK Corporate Governance Code
As a Guernsey company with shares admitted to the SFS of the LSE, the Company is not obliged to adopt the UK Corporate Governance Code (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 Financial Reporting Council's website (www.frc.org.uk). Companies which report against the Code are also deemed to meet the requirements of the GFSC Code.

Save for departing from the requirements to: (i) have a chief executive (since the Company does not have any executive directors); (ii) have a senior independent Director (since the Company considers that each Director who is not Chairman can effectively fulfil this function); (iii) have a remuneration committee (given the small size of the exclusively non-executive and independent Board); (iv) have a nomination committee (given the small size of the exclusively non-executive and independent Board); (v) appoint the Directors for a fixed term (given the term of the leases is twelve years, the Board considers that the defined life of the Company means that the Directors should be appointed to serve until the leases end, subject to election by shareholders in accordance with the Company's Articles) and (vi) have an internal audit function (as the Company has no executives or employees of its own), the Company is not presently aware of any departures from the Code.

Board Responsibilities
The Board comprises four Directors, who meet bi-annually to consider the affairs of the Group in a prescribed and structured manner. Biographies of the Directors appear on page 13 demonstrating the wide range of skills and experience they bring to the Board. All the Directors are non-executive and independent. 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. When considering the composition of the Board, the Directors will be mindful of diversity and meritocracy.

To date no Director of the Group has resigned. 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.

In accordance with the Company's Articles the Directors shall determine the fees payable provided that the aggregate amount of such fees 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. 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.

Under their terms of appointment, each Director is paid a fee for their services as a director of the Company of £23,000 per annum, except for the Chairman, who receives £25,000 per annum. The chairman of the audit committee of the Company receives an additional £4,000 for his services in this role.

In respect of their capacity as directors of Doric Nimrod Air Finance Alpha Limited, each director receives a fee of £25,000 per annum (£30,000 for the Chairman) payable by or on behalf of DNAFA. The chairman of the audit committee of DNAFA receives an additional £5,000 for his services in this role. There is no limitation in the articles of incorporation of DNAFA in respect of total directors' fees payable.

Board meetings are held at least twice per year to consider the business and affairs of the Group together with such further Board meetings as may be required. The Board hold either a Board meeting or special dividend committee meeting 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 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 Advisory Agent as required. The Directors may also, in the furtherance of their duties, take independent professional advice at the Company's expense.

During the Period the Board met two times, the Director's attendance is summarised below:-

Director	Board Meetings during the Period
Charles Wilkinson	2 of 2
Norbert Bannon	2 of 2
Geoffrey Hall	2 of 2
John Le Prevost	2 of 2

Audit Committee
The Directors are all members of the Audit Committee, with Charles Wilkinson acting as Chairman. The Audit Committee has regard to the Guidance on Audit Committees published by the Financial Reporting Council in September 2012 and most recently updated in April 2016. The Audit Committee examines the effectiveness of the Group's and service providers' internal control systems as appropriate, the Annual and Half-Yearly Reports and Financial Statements, the auditor's remuneration and engagement, as well as the auditor's independence and any non-audit services provided by them.

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

Auditor independence is maintained through limiting non-audit services to specific audit-related work that falls within defined categories; for example certain agreed upon procedures performed in respect of the Company's C share conversion, the provision of advice on the application of IFRS or formal reports for any stock exchange purposes. All engagements with the auditor are subject to pre-approval from the Audit Committee and fully disclosed within the Annual Financial Report for the relevant period. A new lead audit partner is appointed every five years and the Audit Committee ensures the Auditor has appropriate internal mechanisms in place to ensure its independence. The Audit Committee has recommended to the Board that the re-appointment of Deloitte LLP as the Group's external auditors be proposed to Shareholders at the 2017 Annual General Meeting. The Audit Committee will consider arranging for the external audit contract to be tendered in 2022 (being 10 years from the initial appointment) with the aim of ensuring a high quality and effective audit.

The Audit Committee meets at least twice annually, shortly before the Board meets to consider the Group's Half-yearly and Annual Financial Reports, and reports to the Board with its deliberations and recommendations and also has an annual planning meeting with the Auditor. The Audit Committee operates within clearly defined terms of reference based on the Institute of Chartered Secretaries and Administrators recommended terms and provides a forum through which the Group's external auditors reports to the Board. The Audit Committee can request information from the Group's service providers with the majority of information being directly sourced from the Asset Manager, Secretary & Administrator and the external auditors. The terms of reference of the Audit Committee are available upon request.

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 Committee have relevant financial experience and knowledge and ensure that such knowledge remains up to date.

Overall the Board considered the Audit Committee had the right composition in terms of expertise and has effectively undertaken its activities and reported them to the Board during the Period.

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 by Doric GmbH. 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.

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

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

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

The primary responsibility for Shareholder relations lies with the Company's Corporate and Shareholder Advisory Agent. In addition the Directors are always available to enter into dialogue with Shareholders and the Chairman is always willing to meet major 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.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable Guernsey law and regulations.

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

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

In preparing these Financial Statements, International Accounting Standard 1 requires that Directors:

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

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

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

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

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

John Le Prevost	**Charles Wilkinson**
Director	**Chairman of Audit Committee**

Signed on behalf of the Board on 10 July 2017

AUDIT COMMITTEE REPORT

Membership
Charles Wilkinson - Chairman of the Audit Committee
Norbert Bannon - Chairman of the Board
Geoffrey Hall - Director
John Le Prevost - Director

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

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

Committee Meetings
The Committee meet 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 Period the Committee formally reported to the Board on two occasions.

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

Fair, Balanced and Understandable
In order to comply with the UK Corporate Governance Code, the Board requested that the Committee advises them on whether it believes the annual 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 accounts 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. To aid its review the Committee considered reports prepared by external service providers, including Doric and Nimrod, and reports from the external auditor on the outcome of their annual audit. The significant issues considered by the Committee in relation to the 2017 accounts and how these were addressed are detailed below:

Significant issues for the Period	How the Committee addressed these significant issues
Residual value of aircraft assets The non-current assets of the Group comprise of seven Airbus A380 aircraft (**"the Assets"**). An annual review is required of the residual value of the Assets as per IAS 16 *Property, Plant and Equipment,* which defines residual value as *"the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life."* The Group's estimation technique is to make reference to the current forecast market value, not an estimate of the amount that would currently be achieved, and so this is not a direct application of the IAS 16 definition. This approach has been taken because a current market value in today's prices for a twelve year old A380 does not exist at the reporting date.	The Group has engaged three internationally recognised expert appraisers to provide the Group with third party consultancy valuation services. All appraisers have used similar methodologies to derive their opinions on the current market values and future values. 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 uses the average of the three future values with inflation provided by the three appraisers as a guide to determine the residual value. As of 31 March 2017 the Aircrafts' current market value in US Dollars is USD 1,247.3 million as per the average of the latest opinion of three internationally recognised expert appraisers which is 6.6% below the book value at this point in time in USD terms. The Committee notes that Sterling has depreciated significantly against the US Dollar since the asset was acquired. This supports the conclusion that there has been no indication of impairment in the book carry value expressed in sterling. In addition, to give a more accurate estimate of the depreciation charge, the Committee has recommended to the Board that current closing foreign exchange rates be used instead of historic foreign exchange rates. The Committee has also received reports from Doric. Doric has confirmed it has no reason to question the methodology used to determine the residual value in US Dollar terms. In consultation with the service providers and given the significant foreign exchange rate movement, residual values have been updated to reflect the latest estimate in US Dollar terms (USD 812 million) converted at the current year closing exchange rate. The impact of this has been to increase the equivalent GBP residual values and reduce related depreciation. This has been disclosed in Note 9. Upon review of the advice they have received from Doric and the appraisers, the Committee is of the opinion that, the current estimate of the residual valuation of the Assets is a reasonable approximation of the residual value within the IAS 16 definition given a comparable asset is not available.
Recording foreign exchange gains/losses IFRS require that certain transactions denominated in currencies other than the presentation currency (including, most importantly, the cost of the Assets) be translated into the presentation currency at the exchange rate ruling at the date of the transaction whilst monetary items (principally the outstanding borrowings) are translated at the	In assessing foreign exchange, the Committee has considered the issue at length and is of the opinion that, on an on-going basis and assuming the lease and debt payments are made as anticipated, such exchange differences do not reflect the commercial substance of the situation in the sense that the key transactions denominated in US Dollars are in fact closely matched. Rental income received in US Dollars is used to pay debt repayments due which are likewise denominated in US Dollars. US Dollar lease rentals and debt repayments are furthermore fixed at the outset of the Group's life and are very similar in amount and timing.

rate prevailing on the reporting date. The resultant figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences. During the Period the Group has recorded significant foreign exchange rate losses due to the depreciation of Sterling against US Dollars and the consequent increase in the Sterling value of the US Dollar denominated debt.	The Committee concluded that the matching of the lease rentals to settle debt repayments therefore mitigates risks by foreign exchange fluctuations. The Committee has carefully considered the disclosure in Note 18 (b) to the Consolidated Financial Statements to ensure that the reality of the Group's foreign exchange risk exposure is properly explained.
Risk of default by the Lessee on lease rentals receivable Emirates are the sole lessee of the Assets. Should Emirates default on the rental payments, it is unlikely the Group will be able to meet its targeted dividends or, in the case of ongoing default, continue as a going concern.	The Committee received quarterly reports from Doric during the year which comment on the performance of Emirates. Doric have advised that Emirates has continued to perform well, flying more passengers than ever before. Passenger load factors remain high. The Committee concluded that it would continue to receive quarterly reports from Doric on the performance of Emirates and would continue to monitor Emirate's overall performance. The Committee has carefully considered the disclosure in Note 18 (c) to the Consolidated Financial Statements to ensure that this concentration of credit risk is properly reflected.

Going Concern
After making enquiries, the Committee has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Committee believes the Group is well placed to manage its business risks successfully as the interest on the Group's Loans and Equipment Notes has been fixed and the fixed rental income under the operating lease means that the rents should be sufficient to repay the Loans and Equipment Notes and provide surplus income to pay for the Group's expenses and permit payment of dividends. Accordingly, the Committee has adopted the going concern basis in preparing the financial information.

Internal Controls
The Committee has made due enquiry of the internal controls of the Administrator. The Committee is satisfied with the controls currently implemented by the Administrator; however it has requested that the Secretary keep the Group 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"), 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. 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 receive from Deloitte a detailed audit plan, identifying their assessment of the key risks. During the Period the primary risks identified were in respect of valuation and ownership of the aircraft; 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 year-end. 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 Period, the Committee were 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 hold meetings with the external auditor to provide additional opportunity for open dialogue and feedback from the Auditor. Should it be necessary Committee members may meet with the external auditor without the Administrator 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 consider the reappointment of the external auditor, including the rotation of the audit partner, each year and also assess their independence on an ongoing basis.

The external auditor is required to rotate the audit partner responsible for the audit every five years. The current lead audit partner has been in place since August 2016.

Deloitte has been the Group's external auditor since October 2012. The Committee has provided the Board with its recommendation to the Shareholders on the reappointment of Deloitte as external auditor for the year ending 31 March 2018. Accordingly a resolution proposing the reappointment of Deloitte as the Group's auditor will be put to the Shareholders at the 2017 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 UK Corporate Governance Code, of which it is very supportive.

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

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

Committee Evaluation
The Committee's activities formed part of the review of Board effectiveness performed in 2016.

An internal evaluation of the Committee's effectiveness was carried out in November 2016.

Yours faithfully

Charles Wilkinson
Chairman of Audit Committee

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

Opinion on financial statements of Doric Nimrod Air Two Limited

In our opinion the financial statements:
- **give a true and fair view of the state of the Group's affairs as at 31 March 2017 and of the Group's 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.**

The financial statements that we have audited comprise:
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Cash Flows;
- the Consolidated Statement of Changes in Equity; and
- the related notes 1 to 21.

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

Summary of our audit approach

	The key risks that we identified in the current year were: • Valuation and ownership of aircraft; • Recognition of lease rental income; and • Accounting for debt using the effective interest method. The key risks are similar with the prior year.
	The materiality we used in the current year was £4,900,000 which is approximately 2% of the shareholders' equity. This is consistent with prior year.
	The Consolidated Financial Statements of the Group incorporate its special purpose subsidiaries through which aircraft are held and through which debt finance has been obtained. Whilst statutory audits of the financial statements of each of these subsidiaries are not required, they are included within the scope of our audit of the Consolidated Financial Statements. Audit work to respond to the risks of material misstatement was performed by the same audit engagement team.
	There has been no significant changes in our approach from prior year.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2(k) to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Directors' Report on page 18.

We are required to state whether we have anything material to add or draw attention to in relation to:
- the Directors' confirmation on page 18 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on page 17 -18 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement on page 18 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; and
- the Directors' explanation on page 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 confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that

We confirm that we are independent of the Group and we have fulfilled our

we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk description	Included on the Group's statement of financial position as at 31 March 2017 are aircraft assets of £856 million (2016: £888 million) as disclosed in Note 9 to the Consolidated 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 terms of the leases to an estimated residual value at the end of that period. As stated in Note 3 , estimation of aircraft residual values is a source of uncertainty and is a key determinant in preparing the Consolidated Financial Statements. Refer to the considerations by the audit committee on residual values as discussed on page 28 to 29. The risk exists that: • the selected useful life or residual value used in determining depreciation are not appropriate as the estimation of aircraft useful life and residual values is a key judgement; • an indicator of impairment on the assets might arise in which case an impairment review should be performed and the value of the assets written down to recoverable amount if less than carrying value; and • the assets do no belong to the Group.
How the scope of our audit responded to the risk	Our procedures included: • critically assessing the conclusions reached by the Board on the appropriateness of the selected residual values and evaluating their consistency with the available market information, including forecast valuations obtained by the Group from expert aircraft valuers and the terms of the aircraft lease agreements. We have considered the qualifications and experience of the valuers engaged by management. We have also considered the adequacy of the disclosure related to this estimation uncertainty set out in Note 3; • engaging our internal aircraft valuation specialists in challenging the Board and Asset Manager on the assessments made on residual values used at year end. We discussed and evaluated the impact of market and non-market news on the estimated residual values; • reviewing and challenging the Board's conclusion on asset impairment assessment by reviewing for both internal and external factors which might be indicators of impairment; and • reviewing the original purchase agreements for consistency with assets owned and obtaining certificates of registration directly from 'The International Registry for International Interests in Mobile Equipment' to confirm ownership.
Key observations	Having carried out the procedures, we are satisfied with the useful life selected, residual values used and the Board's assessment that no indicators of impairment have been identified. We also obtained satisfaction regarding the ownership of the aircraft assets recorded in the Consolidated Financial Statements.

Risk description	The Group's leases have been classified as operating leases and as such rental income which amounts to £127 million (2016: £118 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 Consolidated Financial Statements, a significant portion of these lease rentals are receivable in US Dollars and must be appropriately translated into the Sterling functional and presentation currency. The recognition of revenue also requires consideration of all terms of the signed lease contracts. As stated in Note 3, classification of leases as operating lease is a key source of uncertainty in preparing the Consolidated Financial Statements.
	The risk is that revenue is not properly recorded in accordance with these requirements and the related deferred or accrued income in not correctly calculated.
How the scope of our audit responded to the risk	Our procedures included: • consideration on whether the classification of the leases as operating is appropriate with reference to the lease terms and the nature of the asset and the requirements of IAS 17: Leases; • developing independent expectations of lease income for the year based on total lease rentals receivable, the lease term and the applicable foreign exchange rates during the year. We traced samples of rental income receipts to bank statements; and • recalculating deferred and accrued rental income recognised in the Consolidated Statement of Financial Position and testing accuracy of related translation differences.
Key observations	Having performed the procedures above, we are satisfied with the classification of leases and we conclude that revenue recognition is in line with the terms of the signed lease contracts. We are also satisfied with the deferred and accrued income balances recorded as these were not materially different from results of our recalculations.

Risk description	As at 31 March 2017 the value of the total debt held by the Group was £482 million (2016: £489 million) as disclosed in Note 14 to the Consolidated Financial Statements. In order to part-finance the acquisition of the assets the Group has obtained fixed rate debt. The debt is amortising over the lease terms. As set out in Note 2(n) to the Consolidated Financial Statements, the debt instruments are carried at amortised cost with interest expense recognised at the effective interest rate. The risk exists that the debt is not properly accounted for using the effective interest rate method or that adequate disclosure is not made in the financial statements.
How the scope of our audit responded to the risk	Our procedures included: • reviewing the debt amortisation schedules prepared by management to recalculate the effective interest rates on the loans and checking whether they are consistent with the repayment schedules; • obtaining direct confirmation of the principal balance outstanding and recalculating accrued interest using the effective interest rate; and

	• developing an expectation of the interest charges for the period using the average outstanding principal balances during the period and the effective interest rates.
Key observations	Having carried out the procedures, we are satisfied with the valuation of debt at the effective interest rate and the related interest expense was within our expectation.

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.

Our application of materiality

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

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

	£4,900,000 (2016: £6,057,000)
	2% (2016: 2%) of shareholders' equity
	Our materiality is based on the shareholders' equity of the Group as comprehensive income for the Group is significantly influenced by fluctuations in exchange rates. We consider shareholders' equity to be the most important balance on which the shareholders would judge the performance of the Company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £98,000 (2016: £121,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • proper accounting records have not been kept by the parent company; or • the financial statements are not in agreement with the accounting records.	***We have nothing to report in respect of these matters.***
Corporate Governance Statement Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of the Group's compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the Group's compliance with certain provisions of the UK Corporate Governance Code.	***We have nothing to report arising from our review.***
Our duty to read other information in the Annual Report Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.	***We confirm that we have not identified any such inconsistencies or misleading statements.***

Respective responsibilities of Directors and Auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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/or those further matters we have expressly agreed to report to them on in our engagement letter 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nicola Sarah Paul FCA
for and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
10 July 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017

	Notes	Year ended 31 Mar 2017 GBP	Year ended 31 Mar 2016 GBP
INCOME			
A rent income	4	91,052,018	81,853,990
B rent income	4	36,359,140	36,509,140
Bank interest received		20,615	22,827
Other income		434,808	-
		127,866,581	118,385,957
EXPENSES			
Operating expenses	5	(3,514,203)	(3,335,596)
Depreciation of Aircraft	9	(31,375,111)	(42,125,621)
		(34,889,314)	(45,461,217)
Net profit for the year before finance costs and foreign exchange losses		92,977,267	72,924,740
Finance costs	10	(27,884,777)	(25,344,768)
Net profit for the year after finance costs and before foreign exchange losses		65,092,490	47,579,972
Unrealised foreign exchange loss	18b	(74,802,828)	(20,012,594)
(Loss) / profit for the year		(9,710,338)	27,567,378
Other Comprehensive Income		-	-
Total Comprehensive (Loss) / Income for the year		(9,710,338)	27,567,378
		Pence	**Pence**
(Loss) / Earnings per Ordinary Preference Share for the year - Basic and Diluted	8	(5.62)	15.96

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

The notes on pages 44 to 68 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Notes	31 Mar 2017 GBP	31 Mar 2016 GBP
NON-CURRENT ASSETS			
Aircraft	9	856,490,032	887,865,143
CURRENT ASSETS			
Accrued income		2,562,252	1,856,010
Receivables	12	269,299	51,738
Short-term investments		3,720,301	-
Cash and cash equivalents	16	22,095,157	23,231,712
		28,647,009	25,139,460
TOTAL ASSETS		885,137,041	913,004,603
CURRENT LIABILITIES			
Borrowings	14	77,714,247	69,945,010
Deferred income		9,960,159	8,704,735
Payables - due within one year	13	266,726	258,167
		87,941,132	78,907,912
NON-CURRENT LIABILITIES			
Borrowings	14	403,892,049	418,953,249
Deferred income		137,499,298	118,533,542
		541,391,347	537,486,791
TOTAL LIABILITIES		629,332,479	616,394,703
TOTAL NET ASSETS		255,804,562	296,609,900
EQUITY			
Share capital	15	319,836,770	319,836,770
Retained earnings		(64,032,208)	(23,226,870)
		255,804,562	296,609,900
		Pence	**Pence**
Net Asset Value per Ordinary Preference Share based on 172,750,000 (Mar 2016: 172,750,000) shares in issue		148.08	171.70

The financial statements were approved by the Board of Directors and authorised for issue on 10 July 2017 and are signed on its behalf by:

Charles Wilkinson | John Le Prevost
Director | Director

The notes on pages 44 to 68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2017

	Notes	Year ended 31 Mar 2017 GBP	Year ended 31 Mar 2016 GBP
OPERATING ACTIVITIES			
(Loss) / profit for the year		(9,710,338)	27,567,378
Movement in deferred income		9,754,351	10,769,578
Interest received		(20,615)	(22,827)
Depreciation of Aircraft	9	31,375,111	42,125,621
Loan interest payable	10	26,865,228	26,526,373
Increase / (decrease) in payables		8,559	(501,583)
(Increase) / decrease in receivables		(217,561)	12,117
Foreign exchange movement	18b	74,802,828	20,012,594
Amortisation of debt arrangement costs	10	1,019,549	(1,181,605)
NET CASH FROM OPERATING ACTIVITIES		133,877,112	125,307,646
INVESTING ACTIVITIES			
Interest received		20,615	22,827
Increase in short-term investments		(3,720,301)	-
NET CASH FROM INVESTING ACTIVITIES		(3,699,686)	22,827
FINANCING ACTIVITIES			
Dividends paid	7	(31,095,000)	(31,095,000)
Repayments of capital on borrowings		(75,574,082)	(68,159,823)
Payments of interest on borrowings		(25,901,467)	(25,277,459)
NET CASH USED IN FINANCING ACTIVITIES		(132,570,549)	(124,532,282)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		23,231,712	22,092,349
(Decrease) / increase in cash and cash equivalents		(2,393,123)	798,191
Effects of foreign exchange rates		1,256,568	341,172
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	22,095,157	23,231,712

The notes on pages 44 to 68 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2017

	Notes	Share Capital GBP	Retained Earnings GBP	Total GBP
Balance as at 1 April 2016		319,836,770	(23,226,870)	296,609,900
Total Comprehensive Loss for the year		-	(9,710,338)	(9,710,338)
Dividends paid	7	-	(31,095,000)	(31,095,000)
Balance as at 31 March 2017		319,836,770	(64,032,208)	255,804,562

	Notes	Share Capital GBP	Retained Earnings GBP	Total GBP
Balance as at 1 April 2015		319,836,770	(19,699,248)	300,137,522
Total Comprehensive Income for the year		-	27,567,378	27,567,378
Dividends paid	7	-	(31,095,000)	(31,095,000)
Balance as at 31 March 2016		319,836,770	(23,226,870)	296,609,900

The notes on pages 44 to 68 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

1 GENERAL INFORMATION

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

The Company was incorporated in Guernsey on 31 January 2011 with registered number 52985. The address of the registered office is given on page 72. Its share capital consists of one class of Ordinary Preference Shares ("Ordinary Shares" or "Shares") and one class of Subordinated Administrative Shares ("Admin Shares"). The Company's Ordinary Shares have been admitted to trading on the Specialist Fund Segment ("SFS") of the London Stock Exchange ("LSE").

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling Aircraft. The principal activities of the Group are set out in the Chairman's Statement on pages 5 and Management Report on pages 17 to 19.

2 ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

Changes in accounting policies and disclosure

The following Standards or Interpretations have been adopted in the current year. Their adoption has not had any impact on the amounts reported in these consolidated financial statements and is not expected to have any impact on future financial years:

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

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

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

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

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

- IFRS 15 Revenue from contracts with customers - deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations and is endorsed by the EU. This standard is effective for annual periods beginning on or after 1 January 2018.

- IFRS 16 Leases - specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 (EU endorsement is outstanding) and is effective for annual periods beginning on or after 1 January 2019.

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

- IFRIC 22 'Foreign currency transactions and advance consideration' - this IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice and is effective for annual periods beginning on or after 1 January 2018 (EU endorsement is outstanding).

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

(b) Basis of Consolidation

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

(c) Taxation

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

(d) Share Capital

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

(e) Expenses

All expenses are accounted for on an accruals basis.

(f) Interest Income

Interest income is accounted for on an accruals basis.

(g) Foreign Currency Translation

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

Transactions denominated in foreign currencies are translated into GBP at the rate of exchange ruling at the date of the transaction.

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

(h) Cash and Cash Equivalents

Cash at bank and short term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as call deposits, short term deposits with a term of no more than 3 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.

(i) Short-term Investments

Short-term investments which are held to maturity are carried at cost. Short-term investments are defined as call deposits, short term deposits with a term of more than 3 months, but less than 12 months from the start of the deposit and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value

(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

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors believe the Group is well placed to manage its business risks successfully as the loan and Equipment Notes interest has been fixed and the fixed rental income under the operating leases means that the rents should be sufficient to repay the debt and provide surplus income to pay for the Group's expenses and permit payment of dividends. Accordingly, the Directors have adopted the going concern basis in preparing the consolidated financial statements. Management is not aware of any material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

(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 11.

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

(m) Property, Plant and Equipment - Aircraft

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

Depreciation is recognised so as to write off the cost of the each Asset less the estimated residual value over the estimated useful life of the Asset of 12 years, using the straight line method. The estimated residual value of the seven planes ranges from £88.4 million to £91.3 million. Residual values have been arrived at by taking into account disposition fees. The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed annually and is an estimate of the fair amount the entity would receive currently if the Assets were already of the age and condition expected at the end of their useful life. Useful life is also reviewed annually and for the purposes of the financial statements represents the likely period of the Group's ownership of these Assets. Depreciation starts when the Asset is available for use.

At each 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).

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.

(n) Financial Liabilities

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

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

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

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 on going 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 consolidated financial statements.

Residual Value and Useful Life of Aircraft

As described in Note 2 (m), the Group depreciates the Assets on a straight line basis over the estimated useful life of the Assets after taking into consideration the estimated residual value. IAS 16 Property, Plant and Equipment requires residual value to be determined as an estimate of the amount that the Group would currently obtain from disposal of the Asset, after deducting the estimated costs of disposal, if the Asset were of the age and condition expected at the end of its useful life. However, there are currently no aircraft of a similar type of sufficient age for the Directors to make a direct market comparison in making this estimation. After consulting with the Asset Manager, the Directors have concluded that a forecast market value for the Aircraft at the end of its useful life (including inflationary effects) best approximates residual value. In estimating residual value, the Directors have concluded that a forecast market value for the Aircraft at the end of their useful life (including inflationary effects) best approximates residual value. In estimating residual value, the Directors have made reference to forecast market values for the Aircraft obtained from 3 independent expert aircraft valuers and determined that the residual value of the Assets was USD 812 million at the year end (2016: USD 882 million, as determined per the initial appraisal at inception). An adjustment has been made to residual values due to material foreign exchange movements. This has been disclosed in Note 9.

The estimation of residual value remains subject to uncertainty. If the estimate of residual value had been decreased by 20% with effect from the beginning of this year, the net profit for the year and closing shareholders' equity would have been decreased by approximately £16.9 million (31 March 2016: £11.1 million). An increase in residual value by 20% would have had an equal but opposite effect. This reflects the range of estimates of residual value that the Directors believe would be reasonable at this time. The estimated useful life of the Assets are based on the expected period for which the Group will own and lease the Aircraft.

Operating Lease Commitments - Group as Lessor

The Group has entered into operating leases on seven (2016: seven) Assets. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these Assets and accounts for the contracts as operating leases.

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

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

The Group has determined that there is no indication of an impairment loss for 1 April 2016 to
31 March 2017 year end. (None for the 1 April 2015 to 31 March 2016 year end.)

4 RENTAL INCOME

	Year ended 31 Mar 2017 GBP	Year ended 31 Mar 2016 GBP
A rent income	101,502,382	93,469,584
Revenue received but not yet earned	(43,358,361)	(41,027,749
Revenue earned but not yet received	24,997,744	21,555,225
Amortisation of advance rental income	7,910,254	7,856,930
	91,052,018	81,853,990
B rent income	35,663,126	35,663,124
Revenue earned but not yet received	719,815	856,206
Revenue received but not yet earned	(23,801)	(10,190)
	36,359,140	36,509,140
Total rental income	127,411,158	118,363,130

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

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

5 OPERATING EXPENSES

	Year ended 31 Mar 2017 GBP	Year ended 31 Mar 2016 GBP
Corporate shareholder and adviser fee	799,918	773,708
Asset Management fee	1,934,523	1,891,986
Administration fees	201,221	207,924
Bank interest & charges	1,844	1,407
Accountancy fees	30,534	30,431
Registrars fee	18,818	23,068
Audit fee	43,200	43,920
Directors' remuneration	212,000	212,000
Directors' and Officers' insurance	36,075	36,268
Legal & professional expenses	32,938	31,298
Annual fees	167,920	62,450
Travel costs	8,343	6,818
Other operating expenses	26,869	14,318
	3,514,203	3,335,596

6 DIRECTORS' REMUNERATION

Under their terms of appointment, each Director is paid a fee for their services as a director of the Company at a fee of £23,000 per annum, except for the Chairman, who receives £25,000 per annum. The chairman of the audit committee of the Company receives an additional £4,000 for his services in this role.

In respect of their capacity as directors of DNAFA each director receives a fee of £25,000 per annum (£30,000 for the Chairman) payable by or on behalf of DNAFA. The chairman of the audit committee of DNAFA receives an additional £5,000 for his services in this role.

7 DIVIDENDS IN RESPECT OF EQUITY SHARES

Dividends in respect of Ordinary Shares	Year ended 31 Mar 2017 GBP	Pence per share
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
Third interim dividend	7,773,750	4.50
Fourth interim dividend	7,773,750	4.50
	31,095,000	18.00

Dividends in respect of Ordinary Shares	Year ended 31 Mar 2016	
	GBP	**Pence per share**
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
Third interim dividend	7,773,750	4.50
Fourth interim dividend	7,773,750	4.50
	31,095,000	18.00

8 (LOSS) / EARNINGS PER SHARE

(Loss) / Earnings per Share ("LPS" / "EPS") is based on the net loss for the year of £9,710,338 (31 March 2016: net profit for the year of £27,567,378) and 172,750,000 (31 March 2016: 172,750,000) Ordinary Shares being the weighted average number of Shares in issue during the year.

There are no dilutive instruments and therefore basic and diluted (loss) / earnings per Share are identical.

9 PROPERTY, PLANT AND EQUIPMENT - AIRCRAFT

	MSN077 GBP	MSN090 GBP	MSN105 GBP	MSN106 GBP	MSN107 GBP	MSN109 GBP	MSN110 GBP	TO G
COST								
As at 1 Apr 2016	149,423,436	151,310,256	146,958,203	146,626,809	147,668,555	149,126,548	148,034,384	1,039,
As at 31 Mar 2017	149,423,436	151,310,256	146,958,203	146,626,809	147,668,555	149,126,548	148,034,384	1,039,
ACCUMULATED DEPRECIATION								
As at 1 Apr 2016	25,748,005	25,670,168	19,689,958	20,303,984	20,264,233	20,040,637	19,566,063	151,283,048
Depreciation based on original residual value	6,090,180	6,242,092	5,879,255	5,934,522	5,975,081	6,031,047	5,982,146	42,134,323
Adjustment due to FX movements and updated residual values	(1,572,717)	(1,313,367)	(1,412,862)	(1,844,294)	(1,773,713)	(1,393,341)	(1,448,918)	(10,759,212)
Net charge for the year	4,517,463	4,928,725	4,466,393	4,090,228	4,201,368	4,637,706	4,533,228	31,375,111
As at 31 Mar 2017	30,265,468	30,598,893	24,156,351	24,394,212	24,465,601	24,678,343	24,099,291	182,658,159
CARRYING AMOUNT								
As at 31 Mar 2017	119,157,968	120,711,363	122,801,852	122,232,597	123,202,954	124,448,205	123,935,093	856,490,032
As at 31 Mar 2016	123,675,431	125,640,088	127,268,245	126,322,825	127,404,322	129,085,911	128,468,321	887,865,143

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

Cost	234,000,000	234,000,000	234,000,000	234,000,000	234,000,000	234,000,000	234,000,000
GBP/USD exchange rate	1.5820	1.5623	1.6089	1.6167	1.6053	1.5896	1.6013

Following review of the Aircrafts' projected residual value, as is required by IFRS on an annual basis, using the values and methodology set out in whilst the underlying USD residual values of the A380 aircraft have stayed at similar levels, the GBP values converted at year end GBP exchange ra significantly increased by £95,711,816. The Directors have adjusted the residual values for this movement which has resulted in £10,759,212 decrea 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 c therein).

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

10 FINANCE COSTS

	Year ended 31 Mar 2017 GBP	Year ended 31 Mar 2016 GBP
Amortisation of debt arrangements costs	1,019,549	(1,181,605)
Loan interest	26,865,228	26,526,373
	27,884,777	25,344,768

11 OPERATING LEASES

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

31 March 2017	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft - A rental receipts	101,116,520	380,068,141	75,392,233	556,576,894
Aircraft - B rental receipts	35,663,124	143,030,382	89,610,362	268,303,868
	136,779,644	523,098,523	165,002,595	824,880,762

31 March 2016	Next 12 months GBP	1 to 5 years GBP	After 5 years GBP	Total GBP
Aircraft - A rental receipts	94,028,046	345,656,948	140,766,451	580,451,445
Aircraft - B rental receipts	35,663,124	142,652,496	125,651,372	303,966,992
	129,691,170	488,309,444	266,417,823	884,418,437

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

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

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

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

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

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

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

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

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

12 RECEIVABLES

	31 Mar 2017 GBP	31 Mar 2016 GBP
Prepayments	15,937	15,826
Sundry debtors	253,362	35,912
	269,299	51,738

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

13 PAYABLES (amounts falling due within one year)

	31 Mar 2017 GBP	31 Mar 2016 GBP
Accrued administration fees	19,058	20,088
Accrued audit fee	26,500	26,920
Accrued corporate shareholder and adviser fee	202,229	193,427
Other accrued expenses	18,939	17,732
	266,726	258,167

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

14 BORROWINGS

	31 Mar 2017 GBP	31 Mar 2016 GBP
Bank loans	209,398,932	211,478,565
Equipment Notes	279,644,221	285,876,101
Associated costs	(7,436,857)	(8,456,407)
	481,606,296	488,898,259
Current portion	77,714,247	69,945,010
Non-current portion	403,892,049	418,953,249

Notwithstanding the fact that £76 million capital was repaid during the year, as per the Cash Flow Statement, the value of the borrowings has only decreased by £7 million due to the 13% decline in the GBP/USD exchange rate for the year ended 31 March 2017.

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

Amount due for settlement within 12 months	100,954,451	93,886,409
Amount due for settlement after 12 months	462,956,181	492,832,760

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

The loan to MSN090 Limited was arranged with The Australia and New Zealand Banking Group Limited ("ANZ") for USD 146,865,575 and runs for 12 years until December 2023 and has an effective interest rate of 4.5580%.

The loan to MSN105 Limited was arranged with ICBC, BoC and Commerzbank for USD 145,751,153 and runs for 12 years until October 2024 and has an effective interest rate of 4.7800%.

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

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

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

15 SHARE CAPITAL

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

Issued	**Administrative Shares**	**Ordinary Shares**	**C Shares**
Shares issued at incorporation	-	2	-
Shares issued 8 February 2011	-	3,999,998	-
Shares repurchased and cancelled 10 May 2011	-	(1,000,000)	-

Bonus issue 22 June 2011	-	1,500,000	-
Shares issued 30 June 2011	2	-	-
Shares issued in Placing July 2011	-	68,000,000	-
Shares issued 7 February 2012	-	-	6,000,000
Shares issued in Placing March 2012	-	-	94,250,000
C Share Conversion March 2013	-	100,250,000	(100,250,000)
Issued shares as at 31 March 2017 and 31 March 2016	2	172,750,000	-

Administrative	Ordinary	C Shares	Total

Issued	Shares GBP	Shares GBP	GBP	GBP
Ordinary Share Capital				
Shares issued at incorporation	-	2	-	2
3,999,998 Shares issued 8 February 2011	-	18	-	18
Shares issued 30 June 2011	-	-	-	-
68,000,000 Shares Issued in Placing July 2011	-	136,000,000	-	136,000,000
Shares issued in Placing March 2012	-	-	188,500,000	188,500,000
C Share Conversion March 2013	-	188,500,000	(188,500,000)	-
Share issue costs	-	(4,663,250)	-	(4,663,250)
Total Share Capital as at 31 March 2017 and as at 31 March 2016	-	319,836,770	-	319,836,770

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

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

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

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

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

16 CASH AND CASH EQUIVALENTS

	31 Mar 2017 GBP	31 Mar 2016 GBP
Cash at bank	13,030,707	23,231,712
Cash deposits	9,064,450	-
	22,095,157	23,231,712

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

17 FINANCIAL INSTRUMENTS

The Group's main financial instruments comprise:

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

(b) Loans secured on non-current assets.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

	31 Mar 2017 GBP	31 Mar 2016 GBP
Financial assets		
Cash and cash equivalents	22,095,157	23,231,712
Short-term investments	3,720,301	-
Receivables	253,362	35,912
Financial assets at amortised cost	26,068,820	23,267,624

Financial liabilities		
Payables	266,726	258,167
Debt payable	489,043,153	497,354,666
Financial liabilities measured at amortised cost	489,309,879	497,612,833

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

(a) Capital Management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 14, cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 2016.

(b) Foreign Currency Risk

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

Lease rentals (as detailed in Notes 4 and 11) are received in USD and GBP. Those lease rentals received in USD are used to pay the debt repayments due, also in USD (as detailed in Note 14). Both USD lease rentals and debt repayments are fixed and are for similar sums and similar timings. The matching of lease rentals to settle debt repayments therefore mitigates 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 2017 GBP	**31 Mar 2016 GBP**
Debt (USD) - Liabilities	(489,043,153)	(497,354,666)
Short-term investments (USD) - Asset	1,515,123	-
Cash and cash equivalents (USD) - Asset	7,852,760	7,867,819

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

	31 Mar 2017 GBP	**31 Mar 2016 GBP**
Profit or loss	96,489,842	63,846,111
Assets	(1,873,577)	(1,026,237)
Liabilities	97,808,631	64,872,348

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

(c) Credit Risk

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

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

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

	31 Mar 2017 GBP	**31 Mar 2016 GBP**
Receivables (excluding prepayments)	253,362	35,912

Short-term investments	3,720,301	-
Cash and cash equivalents	22,095,157	23,231,712
	26,068,820	23,267,624

Surplus cash in the Company is held in Barclays. Surplus cash in the Subsidiaries is held in accounts with Barclays, Westpac and ANZ, which have credit ratings given by Moody's of A2 , Aa2 and Aa2 respectively. The banks are shown as having a negative rating, as the ratings are currently under review by Moody's, with the near term possibility of a downgrade.
There is a contractual credit risk arising from the possibility that the lessee may default on the lease payments. This risk is mitigated, as under the terms of the lease agreements between the lessee and the Group, any non-payment of the lease rentals constitutes a Special Termination Event, under which the lease terminates and the Group may either choose to sell the Asset or lease the Assets to another party.

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

(d) **Liquidity Risk**

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

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

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

31 Mar 2017	**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	266,726	-	-	-	-
Bank loans	10,778,436	32,335,307	43,113,742	123,720,879	28,095,998
Equipment Notes	28,926,304	28,914,405	57,792,265	158,562,276	51,671,019
	39,971,466	61,249,712	100,906,007	282,283,155	79,767,017

31 Mar 2016	**1-3 months GBP**	**3-12 months GBP**	**1-2 years GBP**	**2-5 years GBP**	**Over 5 years GBP**
Financial liabilities					
Payables - due within one year	258,167	-	-	-	-
Bank loans	9,419,872	28,259,617	37,679,489	113,038,468	57,322,206
Equipment Notes	30,916,404	25,290,516	50,550,202	143,822,234	90,420,161
	40,594,443	53,550,133	88,229,691	256,860,702	147,742,367

(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 its debts and the lease rentals.

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

	Variable interest GBP	**Fixed interest GBP**	**Non-interest Bearing GBP**	**Total GBP**
31 Mar 2017				
Financial assets				
Receivables	-	-	269,299	269,299
Short-term investments	3,720,301	-	-	3,720,301
	22,095,157	-		25,815,458

Cash and cash equivalents			-	
Total Financial Assets	25,815,458	-	269,299	29,805,058
Financial liabilities				
Payables	-	-	266,726	266,726
Bank loans	-	209,398,932	-	209,398,932
Equipment Notes	-	279,644,221	-	279,644,221
Total Financial Liabilities	-	489,043,153	266,726	489,309,879
Total interest sensitivity gap	25,815,458	489,043,153		

	Variable interest GBP	Fixed interest GBP	Non-interest Bearing GBP	Total GBP
31 Mar 2016				
Financial Assets				
Receivables	-	-	51,738	51,738
Cash and cash equivalents	23,231,712	-	-	23,231,712
Total Financial Assets	23,231,712	-	51,738	23,283,450
Financial liabilities				
Payables	-	-	258,167	258,167
Bank loans	-	211,478,565	-	211,478,565
Equipment notes	-	285,876,101	-	285,876,101
Total Financial Liabilities	-	497,354,666	258,167	497,612,833
Total interest sensitivity gap	23,231,712	497,354,666		

If interest rates had been 50 basis points higher throughout the period and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2017 would have been £129,077 (31 March 2016: £116,159) greater due to an increase in the amount of interest receivable on the bank balances.

If interest rates had been 50 basis points lower throughout the period and all other variables were held constant, the Group's net assets attributable to Shareholders as at 31 March 2017 would have been £129,077 (31 March 2016: £116,159) lower due to a decrease in the amount of interest receivable on the bank balances.

19 ULTIMATE CONTROLLING PARTY

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

20 RELATED PARTY TRANSACTIONS

Doric GmbH ("Doric") and Doric Asset Finance GmbH & Co KG ("Doric KG") are the Group's Asset Manager and Agent (the agent is appointed to assist with the purchase of the Aircraft , the arrangement of suitable equity and debt finance and the negotiation and documentation of the lease and financing contracts) respectively. Doric received a fee as at the admission to trading on the SFS of the Ordinary Shares, equal to 0.6556 per cent of £463,371,795 being the aggregate value of the Ordinary Shares in the Company issued under the Ordinary Share placing together with the amounts of debt financing expected to be received by the Company (otherwise known as the "Initial Gross Proceeds of the Ordinary Shares"). Doric also received a fee following the agreement by the Group of the principal contracts relating to the acquisition of the Third Asset equal to 0.3278 per cent of the Initial Gross proceeds of the Ordinary Shares. Under the Asset Management Agreement, the Company will pay Doric a management and advisory fee of £250,000 per annum per Asset (adjusted annually for inflation from 2013 onwards, at 2.25 per cent per annum), payable quarterly in arrears (the "Annual Fee"), save that Doric shall only become entitled to such Annual Fee in relation to each Asset following the acquisition of such Asset by the Company. The Annual Fee for each Asset shall be calculated from the date of acquisition of the Asset.

Under the remuneration terms of the Agency Agreement with Doric KG, the Company paid a fee to Doric KG of 0.95% of the aggregate amounts raised to purchase the fourth to seventh Aircraft acquired by the Group, plus 0.35% of the debt proceeds to acquire those Aircraft raised through The Enhanced Equipment Trust Certificate issue.

Following the disposal of the first three Assets, Doric will be paid an initial interim amount (**"Initial Interim Amount"**) as follows:

If the sale price realised for the first 3 Assets to be sold by the Group, net of costs and expenses (the **"Interim Net Realised Value"**) is less than the "Relevant Proportion" (being 3/X, where X is the aggregate of: (i) the number of Assets the lessor has legal beneficial title to immediately following the third disposal of an Asset and (ii) the number of Assets sold immediately following the third disposal of an Asset) of the aggregate of (i) the Ordinary Share placing proceeds and (ii) proceeds of any further issue of shares (of any class) by the Company including the C Share Placing (the **"Total Subscribed Equity"**), Doric will not be entitled to an Initial Interim Amount;

If the Interim Net Realised Value is between 100 per cent. (inclusive) and 150 per cent. (inclusive) of the Relevant Proportion of the Total Subscribed Equity, Doric will be entitled to an Initial Interim Amount of 2 per cent. of the sale price realised for the first 3 Assets (**"Interim Realised Value"**);

If the Interim Net Realised Value is greater than 150 per cent of the Relevant Proportion of the Total Subscribed Equity, Doric will be entitled to an Initial Interim Amount of 3 per cent. of the Interim Realised Value.

Following the disposal of a further three Assets, Doric will be paid a cash amount equal to 1.75 per cent. of the gross sales proceeds following the disposal of each remaining Asset (such payments in the aggregate being the **"Subsequent Interim Amount"**), except for the final Asset, ie. fourth to sixth assets.

Following the disposal of the final Asset, and prior to the liquidation of the Group, if the Disposition Fee (as defined overleaf) is payable, where the aggregate of the Initial Interim Amount and the Subsequent Interim Amount is less than the Disposition Fee payable, the Group shall pay the difference to Doric.

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

During the year, the Group incurred £1,933,777 (31 March 2016: £1,887,134) of expenses with Doric, of which £1,696 (31 March 2016: £139) was outstanding to this related party at 31 March 2017.

Nimrod Capital LLP (**"Nimrod"**) is the Company's Placing Agent and Corporate and Shareholder Adviser. In consideration for Nimrod acting as placing agent in the initial Ordinary Share Placing of July 2011, the Company agreed to pay Nimrod at Admission, a placing commission equal to 0.2186 per cent of the Initial Gross Proceeds of the initial Ordinary Share Placing. Nimrod also received a placing commission following the acquisition of the third Asset by the Company equal to 0.1092 per cent of the Initial Gross Proceeds of the initial Placing.

In consideration for Nimrod acting as Placing Agent, the Group agreed to pay Nimrod, on the acquisition of the Fourth Asset, a placing commission equal to 0.3166 per cent of Initial Gross Proceeds of the March 2012 C Share Placing.

The Group shall pay to Nimrod for its services as Corporate and Shareholder Adviser a fee £200,000 per annum (adjusted annually for inflation from 2013 onwards, at 2.25 per cent per annum) payable quarterly in arrears. From the date the Group acquired the Third Asset, the Group shall pay Nimrod an additional fee of £100,000 per annum (adjusted annually for inflation from 2013 onwards, at 2.25 per cent per annum) payable quarterly in arrears. Furthermore, the Group paid to Nimrod from the date of the C Share Placing an additional annual fee of 0.03714 per cent of the placing proceeds (adjusted annually for inflation from 2013 onwards at 2.25 per cent. per annum) in respect of the issue of C Shares for the acquisition of the fourth to seventh assets. Such fee will be increased to an annual fee of 0.2248 per cent. of the C Share Placing Proceeds (adjusted annually for inflation from 2013 onwards at 2.25 per cent. per annum) from the date the Group acquired the fourth Asset and shall be payable quarterly in arrears.

During the year, the Group incurred £799,918 (31 March 2016: £774,482) of expenses with Nimrod, of which £202,229 (31 March 2016: £193,427) was outstanding to this related party at 31 March 2017. £799,918 (31 March 2016: £773,708) of expenses related to management fees as shown in Note 5.

John Le Prevost is a director of Anson Registrars Limited ("ARL"), the Group's registrar, transfer agent and paying agent. During the period, the Group incurred £18,818 (31 March 2016: £23,068) with ARL, of which £1,300 (31 March 2016: £1,010) was outstanding as at 31 March 2017
.

21 SUBSEQUENT EVENTS

On 11 April 2017, a further dividend of 4.5 pence per Ordinary Share was declared and this was paid on 28 April 2017.

(Incorporated in Guernsey with registered number 52985)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting (the "**AGM**") of the voting members of Doric Nimrod Air Two Limited (the "**Company**") will be held at Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT on Friday, 15 September 2017 at 10.35 a.m. to consider and, if thought fit, pass the below resolutions.

ORDINARY BUSINESS: TO BE PROPOSED AS ORDINARY RESOLUTIONS:

1. To receive the Company's annual financial report for the year ended 31 March, 2017.
2. To re-appoint Deloitte LLP as auditor of the Company, to hold office from the conclusion of the AGM until the conclusion of the next annual general meeting to be held in 2018, and to authorise the directors to determine the auditor's remuneration.
3. To re-elect as a director Mr Charles Wilkinson, who retires in accordance with the provisions of the Company's Articles of Incorporation and the UK Code of Corporate Governance and, being eligible, offers himself for re-election.
4. To re-elect as a director Mr Norbert Bannon, who retires in accordance with the provisions of the Company's Articles of Incorporation and the UK Code of Corporate Governance and, being eligible, offers himself for re-election.
5. To re-elect as a director Mr Geoffrey Hall, who retires in accordance with the provisions of the Company's Articles of Incorporation and the UK Code of Corporate Governance and, being eligible, offers himself for re-election.
6. To re-elect as a director Mr John Le Prevost, who retires in accordance with the provisions of the Company's Articles of Incorporation and the UK Code of Corporate Governance and, being eligible, offers himself for re-election.

BY ORDER OF THE BOARD

Registered Office:

JTC Fund Solutions (Guernsey) Limited

Secretary

10 July, 2017

Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 2HT

Notes:

1. A shareholder will only be entitled to attend and vote at the AGM if they are registered as holders of Ordinary Preference Shares of no par value ("**Shares**") as at the close of business on Thursday, 14 September, 2017 or, if the AGM is adjourned, as at the close of business on the day before the adjourned AGM. This record time is being set for the purpose of determining entitlements to attend and vote at shareholder meetings.
2. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to vote instead of them. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude members from attending or voting at the AGM if they so wish.
3. More than one proxy may be appointed, provided that each proxy is appointed to exercise the rights attached to different Shares.
4. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against each resolution.
5. A form of proxy is enclosed for use at the AGM. The form of proxy should be completed in accordance with the instructions set out therein and sent, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, so as to reach the Company's agent, for this purpose being, Anson Registrars Limited, P.O. Box 426, Anson House, Havilland Street, St Peter Port, Guernsey GY1 3WX not less than 48 hours before the time for holding the AGM.
6. If the AGM falls to be adjourned because it is not quorate, it will be adjourned to the same time and place seven days later or to such other day and/or time and/or place as the directors of the Company may determine, whereupon those shareholders then present in person, by their representative or by proxy, shall form the quorum. In the event of any such adjournment the Company will announce the adjournment via a regulatory information service but no other notification will be sent directly to shareholders.
7. Where there are joint registered holders of any Shares, such persons shall not have the right of voting individually in respect of such Shares, but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the register of shareholders shall alone be entitled to vote.
8. On a poll votes may be given either personally or by proxy and a shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
9. Any corporation which is a shareholder may by resolution of its board of directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM. Any person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual shareholder.
10. As at 5 July, 2017 (the latest practicable date prior to the printing of this notice) the Company's issued share capital with voting rights attached consisted of 172,750,000 Shares, each carrying one vote per Share.
11. Copies of the following documents are available for inspection at the registered office of the Company during usual business hours on any weekday (weekends and public holidays excluded) and will be available for inspection at the place of the AGM for 15 minutes before and during the AGM itself:

    (a) the Company's annual financial report for the year ended 31 March, 2017; and

    (b) the Company's articles of incorporation.

EXPLANATORY NOTES TO THE NOTICE OF THE AGM

At the AGM there are six ordinary resolutions which shareholders will be asked to consider and, if thought fit, approve. All resolutions are to be proposed as ordinary resolutions. An ordinary resolution requires more than 50 per cent. of the votes cast at the AGM to be cast in favour of it for the resolution to be passed. An explanation of each of these resolutions is given below.

ORDINARY RESOLUTIONS

Resolution 1: Annual Financial Report

For each financial year the directors are required to present a directors' report, audited financial statements and an auditor's report to shareholders at a general meeting. Shareholders are asked to receive the Company's annual financial report for the financial year ended 31 March, 2017. The Companies (Guernsey) Law 2008, as amended requires that the annual financial report be laid before the AGM.

Resolution 2: Re-appointment of Auditor

Following the previous annual general meeting of the Company the appointment of the auditor was to continue until the conclusion of the next annual general meeting to be held in 2017. Deloitte LLP have indicated that they are willing to continue to act as the Company's auditor for the next year. You are asked to approve their re-appointment, to hold office until the conclusion of the next AGM to be held in 2018, and to authorise the directors of the Company to determine their remuneration.

Resolutions 3 to 6 (inclusive): Re-election of Directors

The Company's Articles of Incorporation require that any director who held office at the two preceding annual general meetings of the Company and did not retire from office shall retire from office and shall be available for re-election at the same meeting.

Having considered the performance and contribution made by each of the directors, the Board believes that each of them continues to perform effectively and with commitment to his role and, as such, the Board recommends their re-election.

Brief biographical details of the directors can be found in the Company's annual financial report. In order to enable the Company to remain validly constituted, if no directors are re-elected, all directors will remain in office until replacement directors are appointed.

ADVISERS AND CONTACT INFORMATION
KEY INFORMATION

Exchange	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA2
Listing Date	14 July 2011
Fiscal Year End	31 March
Base Currency	GBP
ISIN	GG00B3Z62522
SEDOL	B3Z6252
Country of Incorporation	Guernsey - Registration number 52985

MANAGEMENT AND ADMINISTRATION

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

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

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

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

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

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

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

Advocates to the Company (as to Guernsey Law)
Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

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

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

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