11 July, 2018

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, 2018

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

http://www.rns-pdf.londonstockexchange.com/rns/3708U_1-2018-7-11.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.

For further information, please contact:

Administrative Enquiries:

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Doric Nimrod Air Two Limited

Consolidated Annual Financial Report

From 1 April 2017 to 31 March 2018

SUMMARY INFORMATION

Listing	Specialist Fund Segment of the London Stock Exchange's Main Market
Ticker	DNA2
Share Price	214.0 pence (as at 31 March 2018) 205.31 pence (as at 10 July 2018)
Market Capitalisation	GBP 354.6 million (as at 10 July 2018)
Aircraft Registration Numbers	A6-EDP, A6-EDT, A6-EDX, A6-EDY, A6-EDZ, A6-EEB, A6-EEC
Current / Future Anticipated	Current dividends are 4.5 pence per quarter per share (18 pence per annum) and it is anticipated this will

Dividend	continue until the aircraft leases begin to terminate in 2023.
Dividend Payment Dates	April, July, October, January
Currency	Sterling
Launch Date / Share Price	14 July 2011 / 200 pence
Incorporation and Domicile	Guernsey
Asset Manager	Doric GmbH
Corporate and Shareholder Advisor	Nimrod Capital LLP
Administrator	JTC Fund Solutions (Guernsey) Limited
Auditor	Deloitte LLP
Market Makers	Canaccord Genuity Ltd, finnCap Ltd, Jefferies International Ltd, Numis Securities Ltd, Shore Capital Limited, Winterflood Securities Ltd
SEDOL, ISIN	B3Z6252, GG00B3Z62522
Year End	31 March
Stocks & Shares ISA	Eligible
Website	www.dnairtwo.com

COMPANY OVERVIEW

Doric Nimrod Air Two Limited (LSE Ticker: DNA2) ("**DNA2**" or the "**Company**") is a Guernsey company incorporated on 31 January 2011.

Pursuant to the Company's prospectus dated 30 June 2011, the Company on 14 July 2011 raised approximately £136 million by the issue of Ordinary Preference Shares at an issue price of £2 each (the "**Placing**"). The Company's Ordinary Preference Shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange's Main Market (the "**SFS**") 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 10 July 2018, the last practicable date prior to the publication of this report, the Company's total issued share capital consisted of 172,750,000 Ordinary Preference Shares (the "**Ordinary Shares**") and these shares were trading at 205.31 pence per share.

Investment Objectives and Policy

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

Subsidiaries

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

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

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

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

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

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

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

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

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

In order to complete the purchase of the related Assets, MSN077 Limited, MSN090 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 per cent. of the loan in MSN090 which has a related interest rate swap entered into to fix the interest rate. MSN077 Limited drew down $151,047,509 under the terms of the first loan agreement to complete the purchase of the first Asset; MSN090 Limited drew down $146,865,575 in accordance with the second loan agreement to finance the acquisition of the second Asset; and MSN105 Limited drew down $145,751,153 in accordance with the third loan agreement to finance the acquisition of the third Asset. The first loan agreement, the second loan agreement and the third loan agreement are on materially the same terms.
Further information about the construction of these leases is available in Note 11 to the Financial Statements.

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

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

There can be no guarantee that dividends will be paid to Shareholders and, if dividends are paid, as to the timing and amount of any such dividend. There can also be no guarantee that the Company will, at all times, satisfy the solvency test required to be satisfied pursuant to section 304 of the 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. One interim dividend of 4.50 pence per Share was declared after the reporting period. Further details of dividend payments can be found on page 19.

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 the Company's shareholders ("**Shareholders**") with the Group's seventh Consolidated Annual Financial Report covering the period from 1 April 2017 until 31 March 2018.

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 Airbus A380-861 aircraft, 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 12 years of the leases, with the aim of leaving the aircraft unencumbered on 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 Group's Airbus A380-861 aircraft (the "**Assets**") during the lifetime of the leases.

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

News flow relating to the Airbus A380, the sole model owned by the Group, has been widespread over the period and the Board keeps a close eye on such developments, receiving regular market updates from Doric and Nimrod. Whilst there has been much negative coverage, the confirmation of a new order from Emirates in February 2018 was accompanied by a public commitment by Airbus to produce the A380 at least for another ten years. This order underlines the importance of the A380 to Emirates business model. With 102 A380s now flying as part of the Emirates fleet, it is a key aircraft and likely is to be so for many years to come. Airbus has also stated that it is confident of further orders for the A380 now that production certainty has been achieved. More recently, news that two A380s owned by German Funds managed by Dr Peters Group are to be sold for parts is disappointing. Whilst providing a positive result for investors, according to Dr Peters, it is noted that this outcome is the product of unique circumstances that are unlikely to be repeated. More positively, news that a European wet lease specialist, Hi Fly, is planning to start operating at least one second hand A380 represents an important milestone in the model's lifecycle. Wet leasing typically refers to the provision of aircraft, crew, maintenance and insurance (also known as ACMI) to an aircraft operator. The Group's remaining lease period, some five to six years, offers a suitable time horizon in which to assess such market developments.

Emirates posted another year of profitability in the 2017/18 financial year, growing its route network to 157 destinations and adding 17 new aircraft to its fleet - including 8 A380s. Emirates' global passenger load factor rose by 0.4 of a percentage point in 2017 to 77.5 per cent. All regions except the Middle East experienced an increase in load factor in 2017.

The Board recognises Emirates is the sole lessee of the asset, 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, instead being required to sell its aircraft and distribute the proceeds to investors. We do not believe such a default is likely 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 Consolidated Financial Statements do not, in the Board's view, properly convey this economic reality due to the accounting treatments for foreign exchange, rental income and finance costs, as required by International Financial Reporting Standards ("**IFRS**").

IFRS require that transactions denominated in currencies other than the presentation currency, (including, most importantly, the cost of the aircraft) are translated into the presentation currency at the exchange rate ruling at the date of the transaction whilst monetary items (principally the outstanding borrowings) are translated at the rate prevailing on the reporting date. The result is that the figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences.

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 loan repayments due which are likewise denominated in US dollars. US dollar lease rentals and loan repayments are furthermore fixed at the outset of the Group's life and are very similar in amount and timing.

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

The Board conducts an annual review of the estimated residual values of the assets at the end of the respective 12-year leases to Emirates for the purpose of validating the depreciation charge. The Board also assesses if an indicator of impairment of aircraft value has arisen which might require the value of the aircraft to be written down. In conducting these reviews, the Board engages three internationally recognised expert appraisers, who provide current and future valuations and also take the advice of Doric, the Company's Asset Manager.

Historically, the residual value of the Aircraft has been determined using market values including inflationary effects. However, for the year ended 31 March 2018, after consulting with the auditor and the Company's advisors, the Directors have concluded that the use of forecast market values excluding inflation best represents residual value in accordance with a strict interpretation of IAS 16 Property, Plant and Equipment. This has resulted in a reduction in the anticipated residual values of the aircraft and an increase in the related depreciation as disclosed in the Statement of Comprehensive Income. Further information about the residual value of the asset may be found in the Audit Committee report on pages 26 to 31 and in Note 9 to the Financial Statements.

Further, the Board has considered the impairment triggers as set out under IAS 36 Impairment of Assets, in the context of the Company and determined that there is no indication of impairment loss for the year ended 31 March 2018. Further details can be found in Note 3.

The Board also recognises that the Assets were purchased on the basis of being leased to Emirates for a 12 year[1] term at attractive rates. The Board is conscious that the independent appraisals of the current market value do not reflect the lease, 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 asset is a reasonable approximation of the residual value within the IAS 16 definition of residual value given a comparable asset is not available.

Finally, regulatory change has continued apace during the period and the Board continues to monitor and respond to these changes. In particular, the turn of the year saw the introduction of the Markets in Financial Instruments Directive and the Packaged Retail Insurance and Investment Products Regulation ("**PRIIPS**"). The PRIIPS EU regulation required the Company to prepare a Key Information Document ("**KID**") which is available on our website. Investors should note that the procedures for calculating the costs, risks and potential returns are prescribed by this regulation, and the figures in the KID may not reflect the results investors will experience in the future. As a result, it is recommended that the KID is not considered in isolation but is read in conjunction with the Company's financial statements and quarterly reports. Further, the Board is conscious of its obligations under the UK Corporate Governance Code and reviews such matters regularly. Further information regarding this can be found in the Directors' Report on pages 19 to 25.

The Board encourages Shareholders to read the Company's quarterly Fact Sheets which we believe provide a great deal of interesting information and we hope these regular reports, in addition to the communication you receive from Nimrod, the Company's Corporate and Shareholder Adviser, are useful and informative. We welcome Shareholder feedback and encourage you to contact Nimrod to request a meeting.

On behalf of the Board, I would like to thank our service providers for all their help and all Shareholders for their continuing support of the Company and we look forward to keeping all Shareholders up to date with further progress.

Finally, I wish to express my gratitude for and appreciation of all the hard work of my predecessor as Chairman, Norbert Bannon. Norbert brought leadership and great commercial insight to the Company during his tenure, and he leaves with our thanks and good wishes.

Geoff Hall
Chairman
11 July 2018

ASSET MANAGER'S REPORT

[1] Please refer to Note 3 – 'Operating Lease Commitments - Group as Lessor' for more information about the structure of these leases. The leases are for 10 years with an option to extend for a further two years. In the event that an extension does not take place a penalty fee equivalent to two years' worth of rental payments is payable,

At the request of the Directors of the Company, this commentary has been provided by the Asset Manager of the Company.

1. The Assets

The Company acquired a total of seven Airbus A380-861 aircraft between October 2011 and November 2012. Each aircraft is leased to Emirates Airline ("**Emirates**") – the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates – for an initial term of 12 years from the point of delivery, with fixed lease rentals for the duration. In order to complete the purchase of the first three aircraft, MSN077 Limited, MSN090 Limited and MSN105 Limited entered into three separate loans, each of which will be fully amortised with quarterly repayments in arrear over 12 years.

The net proceeds from the C Share issue ("the **Equity**") were used to partially fund the purchase of four of the seven Airbus A380s. In order to help fund the acquisition of these final four aircraft, DNAFA issued two tranches of enhanced equipment trust certificates ("the **Certificates**" or "**EETC**") – a form of debt security – in June 2012 in the aggregate face value of $587.5 million. DNAFA used the proceeds from both the Equity and the Certificates to finance the acquisition of four new Airbus A380 aircraft leased to Emirates.

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

Aircraft utilisation for the period from delivery of each Airbus A380 until the end of March 2018 was as follows:

MSN	Delivery Date	Flight Hours	Flight Cycles	Average Flight Duration
077	14/10/2011	29,854	3,539	8 h 25 min
090	02/12/2011	26,607	4,371	6 h 5 min
105	01/10/2012	24,342	3,909	6 h 15 min
106	01/10/2012	26,914	3,140	8 h 35 min
107	12/10/2012	26,338	3,096	8 h 30 min
109	09/11/2012	23,421	3,728	6 h 15 min
110	30/11/2012	23,695	3,887	6 h 5 min

Maintenance Status

Emirates maintains its A380 aircraft fleet based on a maintenance programme according to which minor maintenance checks are performed every 1,500 flight hours, and more significant maintenance checks ("**C checks**") at 36 month or 18,000 flight hour intervals, whichever occurs first. The 12 month increased C check interval allows for a higher aircraft availability due to lower downtime.

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

Inspections

Asset Manager, performed inspections of MSN 106 in April 2017, MSN 077 in May 2017, MSN 109 in September 2017, MSN 110 in November 2017, MSN 107 in December 2017 and MSNs 090 and 105 in January 2018. The physical condition of each aircraft was in compliance with the provisions of the respective lease agreements.

Furthermore, the Asset Manager performed record audits for MSNs 105, 106 and 107 in September 2017, MSN 109 and 110 in November 2017 and MSNs 077 and 090 in January 2018. 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

2017 saw global revenue passenger kilometres ("**RPKs**") grow by 7.6 per cent. compared to the previous year. As a result, 2017 was another year of above-trend passenger growth, surpassing the ten-year average pace of 5.5 per cent. This momentum in global passenger traffic has continued into 2018, assisted by positive economic conditions. Nevertheless, the International Air Transport Association ("**IATA**") anticipates a moderate slowdown in full-year growth as the stimulus to demand from lower airfares has been fading. RPK growth in 2018 is forecast to be 6.0 per cent., mainly due to the increase in input costs such as fuel prices and labour costs.

In 2017, industry-wide available seat kilometres increased by 6.4 per cent. compared to 2016. As a result of the RPK growth exceeding this, the global passenger load factor ("**PLF**") rose by 1.0 percentage points to 81.5 per cent. compared to the previous year, achieving a record high for a calendar year. All regions except the Middle East experienced an increase in PLF in 2017.

The market share of Middle Eastern airlines fell in 2017 for the first time since 1997. It was the only region to experience a slowdown in its full-year international RPK growth rate (down from 11.8 per cent. in 2016 to 6.4 per cent. in 2017) following a challenging first half of the year, which included the now-lifted ban on personal electronic devices on flights and the proposed travel bans to the US. The seasonally adjusted passenger traffic numbers did however recover somewhat during the second half of the year. IATA's January 2018 Air Passenger Market Analysis report showed passenger traffic was trending upwards at an annualized pace of 1 per cent.

In 2017, Asia/Pacific-based operators recorded the highest RPK growth rate with 10.2 per cent. Europe experienced the second highest growth rate with 8.2 per cent., followed by Latin America with 7.0per cent. The Middle East and Africa achieved growth rates of 6.4 per cent. each, while North America saw a growth rate of 4.2 per cent.

For 2018, IATA forecasts an industry-wide net profit of $38.4 billion, the highest nominal net profit on record. This comes despite rising unit costs, which are partially offset by the rise in achieved load factors. Fuel prices, the single largest operating cost for airlines, are expected to increase to $73.8 per barrel and represent 20.5 per cent. of average operating costs in 2018, an increase of 1.8 percentage points compared to the previous year.

3. Lessee – Emirates Key Financials

In the 2017/18 financial year ending on 31 March 2018, Emirates recorded its 30th consecutive year of profit with a net result of AED 2.8 billion ($762 million), an improvement of 124% compared to the previous financial year, leading to a profit margin of 3.0 per cent. Despite continuing political challenges impacting traveller demand and fare adjustments due to a highly competitive business environment, Emirates increased its revenue to AED 92.3 billion ($25.2 billion). This was aided by the decline of the US dollar against currencies in most of Emirates' key markets, which had an AED 661 million ($180 million) positive impact on the airline's bottom line.

Emirates' overall passenger traffic continued to grow during the 2017/18 financial year. The airline carried a record 58.5 million passengers (a 4 per cent. increase over last financial year) and achieved a passenger load factor of 77.5 per cent. compared to last year's 75.1 per cent. The increase in the passenger load factor was the result of capacity management in response to political uncertainty and strong competition in many markets despite a moderate 2 per cent. increase in seat capacity.

Total operating costs increased by 7 per cent. over the previous financial year, largely due to the 15 per cent. increase in the average price of jet fuel during the financial year. Including a 3 per cent. uplift in line with capacity expansion, the airline’s fuel bill increased by 18 per cent. to AED 24.7 billion ($6.7 billion) compared to the previous financial year. Fuel now accounts for 28 per cent. of operating costs, compared to 25 per cent. in the 2016/17 financial year, and it remains the largest cost category for the airline.

As of 31 March 2018, Emirates’ balance sheet amounted to AED 127.6 billion (US$ 34.8 billion), an increase of 5 per cent. compared to the previous financial year. Total equity increased by 5.6 per cent. to AED 37.0 billion ($10.1 billion) due to higher profit which was partially offset by dividend payments to the owners amounting to AED 1.0 billion ($272 million). The equity ratio remained stable at nearly 29 per cent. The airline’s cash balance amounted to AED 20.4 billion (US$ 5.6 billion) at the end of the period, up by AED 4.7 billion ($1.3 billion) compared to the previous financial year. Proceeds from the Sukuk financing of AED 2.2 billion ($600 million) issued in the last quarter of the financial year have been invested in short term bank deposits and will be used to finance aircraft deliveries in 2018/19.The current ratio stood at 0.84, meaning the airline would be able to meet over 80 per cent. of its current liabilities by liquidating all its current assets. Changes on the liabilities’ side of the balance sheet included the financing of seven new aircraft and the Sukuk issue, which were offset by repayments of finance lease liabilities, bonds and term loans.

In April 2018 Tim Clark, president of Emirates, told journalists that Emirates could operate its A380s until the end of their service life, despite the airline’s previous record of phasing out aircraft at an earlier stage. Emirates received 17 new aircraft, comprising of eight A380s and nine Boeing 777-300ERs. During this time, eight older aircraft were phased out, leading to a total fleet count of 268 at the end of March. This fleet roll-over resulted in an average fleet age of 5.7 years. Due to the more moderate fleet renewal pace compared to the previous year, the figure increased by around 6 months. Funding has come from the Japanese structured finance market in conjunction with debt from a wide-ranging group of institutions in China, France, the United Kingdom, and Japan. Emirates raised over AED 3.7 billion ($1 billion) during the year from this source. Emirates has also refinanced a commercial bridge facility (due to non-availability of ECA cover) of AED 3.8 billion ($1.0 billion) using a finance lease structure for five A380 aircraft, accessing an institutional investor and bank market base from Korea, Germany, the United Kingdom, and the Middle East. In total, Emirates raised AED 17.9 billion ($4.9 billion) using a variety of financing structures, including the 600 million US dollar Sukuk in March.

In the 2017/18 financial year, Emirates launched two new passenger services (Phnom Penh in Cambodia and Zagreb in Croatia) and added capacity on 15 existing routes. Additionally, Emirates entered into strategic partnerships with flydubai and Cargolux, increasing its global connectivity and expanding the choice of air services on offer to passenger and cargo customers respectively. Emirates also received authorisation to extend its partnership with Qantas until 2023. Its global route network spanned 155 destinations in 83 countries by fiscal year end.
Source: ch-aviation, CNN, Emirates, FlightGlobal

4. Aircraft — A380

With the addition of Tokyo-Narita, Casablanca, Sao Paulo, Johannesburg and Nice the airline grew its A380 network by five new destinations during the course of 2017. As of the end of March 2018, Emirates operated a fleet of 102 A380s, which currently serve 46 destinations within its global network via its hub in Dubai. A380 destinations include: Amsterdam, Auckland, Bangkok, Barcelona, Beijing, Birmingham, Brisbane, Casablanca, Christchurch, Copenhagen, Dusseldorf, Frankfurt, Guangzhou, Hong Kong, Johannesburg, Kuala Lumpur, Kuwait, London Gatwick, London Heathrow, Los Angeles, Madrid, Manchester, Mauritius, Melbourne, Milan, Moscow, Mumbai, Munich, New York JFK, Nice, Paris, Perth, Prague, Rome, San Francisco, Sao Paulo, Seoul, Shanghai, Singapore, Sydney, Taipei, Tokyo, Toronto, Vienna, Washington, and Zurich.

As of the end of March 2018, the global A380 fleet consisted of 219 commercially operated planes in service. The 13 operators are Emirates (102), Singapore Airlines (17), Deutsche Lufthansa (14), Qantas (12), British Airways (12), Korean Air Lines (10), Etihad Airways (10), Air France (10), Qatar Airways (9), Malaysia Airlines (6), Thai Airways (6), Asiana Airlines (6), and China Southern Airlines (5). Another four were temporarily parked: two for lease return preparations and two were returned to their lessor. Following its redelivery from Singapore Airlines (SIA) earlier in 2018, the second A380 to come off lease has been placed into temporary storage in France whilst its engines are reportedly on short terms leases to Rolls Royce. The number of undelivered A380 orders stood at 108 and no longer includes a six aircraft order from Virgin Atlantic, which has been cancelled after the delivery was postponed multiple times.

Speaking during the Aviation Festival event in London on 7 September 2017, Emirates president Tim Clark stated that the airline will capitalize on its flexibility in order to compete with long-haul, low-cost operators. Clark noted that Emirates' fleet of A380s would enable the airline to "compartmentalise" by offering "three or four economy classes" on the main deck alone. This would allow Emirates to match long-haul, low-cost operators in their base price while still being able to offer additional enhancements.

Emirates, the most important customer of the A380 program, has tied its business model to the capacity offered by the superjumbo more closely than any other A380 operator and currently serves nearly 50 destinations with the aircraft. According to an analysis conducted by CAPA – Centre for Aviation (an independent market commentator), if earlier A380s were to be replaced with Boeing 777-9s, of which Emirates currently has 115 on order, it would lead to a 25-32 per cent. loss in capacity. In order to maintain the current capacity levels on the route between London Heathrow and Dubai alone, Emirates would need to deploy up to three additional flights daily and acquire the landing rights for each additional flight. However, this would prove difficult as Emirates already faces challenges from limited slots, hub congestion and traffic rights.

In February 2018, Emirates confirmed an order for an additional 20 Airbus A380 plus an option for another 16 aircraft with deliveries starting from early 2020 onwards. Emirates, which is currently using both Engine Alliance and Rolls-Royce engines, is evaluating the engine options for this order. HH Sheikh Ahmed bin Saeed Al Maktoum explained: “Our customers love it, and we've been able to deploy it on different missions across our network, giving us flexibility in terms of range and passenger mix.”

Airbus also announced that it intends to reduce the A380 output to six per year from 2020 onwards in order to sustain the programme and keep losses from the production of this aircraft compressed. The production rate, which is planned at 12 A380s to be delivered this year, will follow with a decrease to eight by 2019 and six by 2020. Tom Enders, Airbus' departing chief executive, explained that he anticipates further A380 orders in the future from existing or new operators, specifically in Asia and, particularly, China. Enders states that the A380 is currently being under-represented in China, but would ideally suit such a market.

Source: CAPA, Emirates, FlightGlobal

DIRECTORS

Geoffrey Alan Hall - Chairman (Age 69) (Independent non-executive director)

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

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

Charles Edmund Wilkinson (Age 75) (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.

John Le Prevost (Age 66) (Independent non-executive director)

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

SERVICE PROVIDERS

Management and the Delegation of Functions

The Directors, whose details are set out on page 12 are responsible for reviewing the business affairs of the Group in accordance with the Articles and 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 Group's Airbus A380-861 aircraft (the "**Assets**"**)** to Doric GmbH ("**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 (the "**GFSC**") for the provision of administration services. The registrar function is delegated to Anson Registrars Limited ("**Anson**") which is licensed and regulated by the GFSC.

Asset Manager

Doric has been appointed by the Company to provide asset management services to the 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, Hong Kong, the United Kingdom, and the United States, and a multinational team which offers access to extensive relationship networks and expert asset knowledge maintaining regulated financial institutions in the United States and Europe. One of the firm's core competencies is its asset management expertise, which is an integrated part of all Doric transactions and a cornerstone of the business. For further information about the Doric Group, please visit www.doric.com.

The aircraft portfolio currently managed by the Doric Group is valued at $7 billion and consists of 45 aircraft under management. These aircraft include commercial airliners ranging from ATR 72-500s and the Airbus A320 family, through the Boeing 737, 777, 787 and Airbus A330/A340 family, up to the Boeing 747-8F and Airbus A380.

The Doric Group has 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, where 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. The aircraft portfolio currently managed by the Amedeo group is valued at over $8billion and consists of 50 aircraft under management. These aircraft include commercial airliners including A380, A350, A330, A321 and Boeing 777, 787 and 747-F. Amedeo is a member of 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 plc is a multijurisdictional, independent provider of institutional and private client services admitted to trading on the Main Market of the London Stock Exchange. Founded in 1987, JTC plc has significant global experience and over £63 billion ($85 billion) assets under administration. For further information about JTC plc, please visit www.jtcgroup.com.

JTC Fund Solutions (Guernsey) Limited (the "**Secretary and Administrator**") 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 Specialist Fund Segment of the London Stock Exchange's Main Market.

JTC is also responsible for the Group's general administrative functions such as the calculation of the net asset value of Ordinary 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 and the OECD's Common Reporting Standards.

Registrar

Anson Registrars Limited ("**Anson**") is the Company's CREST compliant registrar. The Company's registrar is responsible for the maintenance of the Company's share register and for the processing of dividend payments and stock transfers. Anson is licensed and regulated by the Guernsey Financial Services Commission and further information about Anson 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 the Company's 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 43 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 have undertaken a detailed review of the effectiveness of its risk management and internal control systems. The Board is comfortable that the risks are being appropriately monitored on a regular basis.

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

The principal risks associated with the Group are:

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

• **Investment risk:** there are a number of risks associated with the Group's A380-861 aircraft (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 leases between the Group and Emirates Airline (the "**Leases**").

• **Borrowings and financing risk:** there is a risk that the Group is exposed to fluctuations in market interest rates and foreign exchange rates. This risk has been mitigated by ensuring that 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 is headquartered in the Middle East. Should Emirates default on the rental payments due to domestic events, events in the wider airline industry or other reasons it is unlikely the Company will be able to meet its targeted dividends or, in the case of ongoing default, continue as a going concern. The risk of default is mitigated by the ability of the Company to sell or re-lease the Asset in the event of a single default.

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

• **Regulatory risk:** the Group is required to comply with the disclosure guidance and transparency rules of the Financial Conduct Authority and the requirements imposed by the Companies (Guernsey) Law 2008 (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 Company's secretary also monitors compliance with regulatory requirements.

Data Protection

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

Going Concern

The Group's principal activities are set out within the Company Overview on pages 2 to 4. The financial position of the Group is set out on page 39 to 42. 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 six years from present until the liquidation resolution is put to Shareholders six months before the last lease is due to terminate in 2024. In choosing the period of viability for the Company the Board has considered the prospect of Emirates choosing to exercise its option to purchase the Assets two years before the expiration of the lease or the possibility of the Assets being re-leased.

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

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

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

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

Responsibility Statement

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

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

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

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

(d) The Annual Report and Financial 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 **Director**	**Charles Wilkinson** **Director**

11 July 2018

DIRECTOR'S REPORT

The Directors present their report and Financial Statements of the Group for the period from 1 April 2017 to 31 March 2018 ("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 to 7 and 8 to 11 respectively.

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

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

The Company declared dividends during the period from 1 April 2017 to date as follows:

Quarter End	Announcement Date	Payment Date	Dividend per Share (pence)
31 March 2017	11 April 2017	28 April 2017	4.50
30 June 2017	12 July 2017	28 July 2017	4.50
30 September 2017	11 October 2017	27 October 2017	4.50
31 December 2017	11 January 2018	31 January 2018	4.50
31 March 2018	12 April 2018	30 April 2018	4.50

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

Directors
The Directors in office are shown on page 12 and all Directors remain in office as at the date of signing of these Financial Statements. Shortly before the end of the year, on 27 March 2018, Mr Norbert Bannon resigned as a director of the Company. Further details of the Directors' responsibilities are given on page 21 to 22.

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

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

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

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

Other than the above no Director has a contract of service with the Company, nor are any such contracts proposed.
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 DGTRs. These are based on notifications made to the Company since inception and may differ substantially from positions recorded on the Company's share register.

There have been no material changes in the below list of substantial controlling interests between the end of the year under review and 11 July 2018, being the latest practicable date prior to the date of approval of this report.

Controlling Entity	% of Total Voting Rights	Number of Ordinary 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, 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 Guernsey Financial Services Commission Code of Corporate Governance.

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 terms of the leases between the Group and Emirates (the "**Leases**") are each twelve years, the Board considers that the defined life of the Company means that the Directors should be appointed to serve until the leases end, 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 comprised four then three Directors following the resignation of Mr Norbert Bannon on 27 March 2018, who meet at least twice per year to consider the affairs of the Company in a prescribed and structured manner. Biographies of the Directors appear on page 12 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 and Directors are able and encouraged to provide statements to the Board of their concerns and ensure that any items of concern are recorded in the Board minutes. When undertaking a search for a new director the Board is mindful of diversity and meritocracy.

Following the resignation of Mr Norbert Bannon as a Director of the Company on 27 March 2018,a structured search and selection process incorporating recommendations from advisors independent of the Board is currently taking place for a new director.

In accordance with the Company's Articles the Directors shall determine the fees payable provided that the aggregate amount of such fees paid in respect of services rendered to the Company shall not exceed £150,000 per annum. All Directors receive an annual fee and there are no share options or other performance related benefits available to them. 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 & Administrator (JTC Fund Solutions (Guernsey) Limited.

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

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

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 each quarter to consider and if thought suitable, approve the payment of a dividend in accordance with the Company's Distribution Policy.

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

The Directors are kept fully informed by the Asset Manager and Secretary & Administrator of all matters that are relevant to the business of the Group and should be brought to the attention of the Directors and/or the Company's shareholders ("**Shareholders"**). All Directors have direct access to the Secretary & Administrator 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.

In addition to the scheduled meetings held to consider the declaration of dividends, during the Period the Board met three times, the Directors' attendance is summarised below:-

Director	**Board Meetings during the Period**
Charles Wilkinson	3 of 3
Geoffrey Hall	3 of 3
John Le Prevost	3 of 3
Norbert Bannon (resigned 27 March 2018)	3 of 3

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 2018 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 auditor reports to the Board. The Audit Committee can request information from the Group's service providers with the majority of information being directly sourced from the Asset Manager, JTC Fund Solutions (Guernsey) Limited (the "**Secretary & Administrator**" or **"JTC")** and the external auditor. 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 considers the Audit Committee has the right composition in terms of expertise and has effectively undertaken its activities and reported them to the Board during the 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.

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

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

Dialogue with Shareholders
All holders of Ordinary 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 & Administrator.

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

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

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

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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

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

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

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

John Le Prevost	**Charles Wilkinson**
Director	**Director**

Signed on behalf of the Board on 11 July 2018

AUDIT COMMITTEE REPORT

Membership
Charles Wilkinson – Chairman of the Audit Committee
Geoffrey Hall – Chairman of the Board
John Le Prevost – Director
Norbert Bannon – Chairman of the Company until 27 March 2018

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

Responsibilities
The key duties of the Audit committee (the “**Committee”)** are as follows:
- reviewing the Group’s financial results announcements and financial statements and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of the Group’s accounting policies and practices including critical accounting policies and practices;
- advising the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position, performance, business model and strategy;

- overseeing the relationship with the external auditor and reviewing the effectiveness of the external audit process; and
- monitoring the systems of internal controls operated by the Group and by the Group's principal service providers.

Committee Meetings
The Committee meet 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 year under review (the "**Period**") the Committee formally reported to the Board on two occasions.

Main Activities of the Committee during the Period
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 financial statements were fair, balanced and understandable.

Financial Reporting and Significant Issues
The Committee's primary role in relation to financial reporting is to review, with its service providers and the external auditor, the appropriateness of the half-year and annual financial statements, the significant financial reporting issues and accounting policies and disclosures in the financial statements. The Committee has considered the key risks identified as being significant to these accounts and the most appropriate treatment and disclosure of any new significant issues identified during the audit and half-year reviews as well as any recommendations or observations made by the external auditor. To aid its review the Committee considered reports prepared by external service providers, including Doric GmbH ("**Doric**") and Nimrod Capital LLP ("**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 2018 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	The Group has engaged three internationally recognised expert appraisers to provide the Group with third party consultancy valuation services. In the absence of sales data for similar used assets, appraisers are heavily reliant on databases containing historical data points of aircraft sales relating to large commercial aircraft. Interpretation of historical data is the basis for the current market value and provides, together with the expected developments in the future, the foundation for their opinions on future values. Furthermore, the appraisers' valuations take into account specific technical and economic developments as well as general future trends in the aviation industry and the macro-economic outlook. The Group has historically used the average forecast base values of the independent appraisers, inclusive of inflationary effects as a guide to determine the residual value. However, following discussions between the Directors and the auditor for the

technique is to make reference to the most recently produced forecast value (excluding inflation), not an estimate of the amount that would currently be achieved, and so this is not a direct application of the IAS 16 definition. This approach has been taken because a current market value in today's prices for a twelve year old A380 does not exist at the reporting date.	year ended 31 March 2018, it was determined that the strict application of IAS 16 be applied to the assets of the Group and that the use of forecast values excluding inflation best approximates residual value as required by IAS 16 Property, Plant and Equipment. This, together with the effect of foreign exchange fluctuations on the residual values, has resulted in an adjustment made to depreciation, details of which have been disclosed in Note 9. As of 31 March 2018 the aircraft portfolio's current market value in US Dollars is $1,155 million as per the average of the latest opinion of three internationally recognised expert appraisers which is 9.1 per cent. below the book value at this point in time in US dollar terms. The Committee notes that Sterling has depreciated significantly against the US Dollar since the Assets were acquired.
	Apart from the aforementioned, the Asset Manager has confirmed in the year ending 31 March 2018 that there were no other required changes to the methodology used to determine the residual values. As updated investment valuations of all Assets as at the year end were commissioned and received from third party professional valuers and analysed by the Asset Manager and the directors, the Committee believes that those valuations are appropriate for use in preparing the financial statements. Therefore, the residual values used in the accounts are based on these appraisals. Upon review of the advice they have received from Doric and the appraisers, the Committee is of the opinion that, the current estimate of the residual valuation of the Assets is a reasonable approximation of the definition of residual value within the IAS 16.
Recording foreign exchange gains/losses IFRS require that certain transactions denominated in currencies other than the presentation currency (including, most importantly, the cost of the Assets) be translated into the presentation currency at the exchange rate ruling transaction date whilst monetary balances (principally the outstanding borrowings) are translated at the rate prevailing on the reporting date. The resultant figures sometimes show very large mismatches which are reported as unrealised foreign exchange differences.	In assessing foreign exchange, the Committee has considered the issue at length and is of the opinion that, on an on-going basis and assuming the lease and debt payments are made as anticipated, such exchange differences do not reflect the commercial substance of the situation in the sense that the key transactions denominated in US dollars are in fact closely matched. Rental income received in US dollars is used to pay debt repayments due which are likewise denominated in US dollars. US dollar lease rentals and debt repayments are furthermore fixed at the outset of the Group's life and are very similar in amount and timing. The Committee concluded that the matching of the lease rentals to settle debt repayments therefore mitigates risks of foreign exchange fluctuations. The Committee carefully considered the disclosure in Note 18 (b) to the Consolidated Financial Statements to ensure that the reality of the Group's foreign exchange risk

During the Period the Group recorded a significant foreign exchange rate gain due to the appreciation of Sterling against US dollars and the consequent decrease in the Sterling value of the US dollar denominated debt.	exposure is properly explained.
Consideration of any triggers for impairment IAS 36 Impairment of Assets requires that a review for impairment be carried out by the Group when there is an indication of impairment of an asset and if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review will compare the carrying amount of the asset with its recoverable amount, which is the higher of its value if sold (if known) and its value in use.	The Committee has considered the issue at length and are of the opinion that there is no indication of an impairment loss for the current year. Accordingly, no impairment review has been undertaken. As detailed in Note 3, the Committee has considered various factors such as: a lack of conclusive comparable current market data for the A380 aircraft, the nature of the operations of the Group being aircraft leasing as opposed to an airline operating business, as well as other mitigating factors such as the close monitoring by the Group of Emirates' usage of the Aircraft and their compliance with agreed maintenance schedules.
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 has 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 carefully considered the disclosure in Note 18 (c) to the Consolidated Financial Statements to ensure that this concentration of credit risk is properly reflected.

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

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

Internal Controls

The Committee has made due enquiry of the internal controls of the Secretary & Administrator. The Committee is satisfied with the controls currently implemented by the Secretary & Administrator. However it has requested that the Secretary & Administrator keeps the Committee informed of any developments and improved internal control procedures. The most recent report on the Internal control of JTC's administration services, prepared in accordance with the International Standard on Assurance Engagement 3402 ("**ISAE 3402**"), for the period from 1 February 2017 to 31 January 2018 supported by a bridging letter for the period from 1 February 2018 to 9 April 2018 has been provided to the Committee.

Internal Audit

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

External Audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee receives from the auditor, Deloitte LLP ("**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 Group's Airbus A380-861 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 seeks feedback from the Administrator on the effectiveness of the audit process.

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

The Committee holds meetings with the external auditor to provide additional opportunity for open dialogue and feedback from the auditor. Should it be necessary Committee members may meet with the external auditor without the Secretary & 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 Secretary & Administrator, confirmation that there has been no restriction in scope placed on them by the Secretary & Administrator on the independence of their audit and how they have exercised professional scepticism.

Appointment and Independence

The Committee considers the reappointment of the external auditor, including the rotation of the audit partner, each year and also 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 Company's shareholders on the reappointment of Deloitte as external auditor for the year ending 31 March 2019. Accordingly a resolution proposing the reappointment of Deloitte as the Group's auditor will be put to the Company's shareholders at the 2018 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. The Committee will consider arranging for the external audit contract to be tendered in 2024 (being 10 years from the date of initial appointment of Deloitte) with the aim of ensuring a high quality and effective audit.

Non-Audit Services

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

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

Committee Evaluation

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

An internal evaluation of the Committee's effectiveness was carried out in November 2017.

Yours faithfully

Charles Wilkinson
Chairman of the Audit Committee

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:
- **give a true and fair view of the state of the Group's affairs as at 31 March 2018 and of the Group's profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.**

We have audited the financial statements of Doric Nimrod Air Two Limited (the 'Company') and its subsidiaries (the 'Group') which 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 22.

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

Basis for opinion

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

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the Financial Reporting Council's Ethical Standard were not provided to the Group and the Company.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation and ownership of aircraft; • Recognition of lease rental income; and • Accounting for debt using the effective interest method. All key audit matters are consistent with the prior year.
Materiality	The materiality we used in the current year was £7,040,000 which was determined on the basis of 2% of the forecasted shareholders' equity. This is consistent with the prior year.
Scoping	The Consolidated Financial Statements of the Group incorporate its special purpose subsidiaries through which aircraft are held and through which debt finance has been obtained. Whilst statutory audits of the financial statements of each of these subsidiaries are not required, they are included within the scope of our audit of the Consolidated Financial Statements. Audit work to respond to the risks of material misstatement was performed by the same audit engagement team.

Significant changes in our approach	There has been no significant changes in our approach from prior year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

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

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

Principal risks and viability statement

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

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

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

We also report on whether the directors' statement relating to the prospects of the Company as set out in Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Key audit matters

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

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

Valuation and ownership of aircraft	
Key audit matter	Included on the Group's statement of financial position as at 31 March 2018 are aircraft assets of £805 million (2017: £856 million) as disclosed in Note 9 to the financial statements. As explained in Note 2(m), the

description	Group's accounting policy is to measure its aircraft asset at depreciated historic cost less impairment. The assets are being depreciated on a straight-line basis over the terms of the lease 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 financial statements. Refer to the considerations by the audit committee on residual value as discussed on pages 27-28. Our key audit matter relates to the following areas as there are risks that: • the selected useful life or residual values 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 of the assets might arise in which case an impairment review should be performed and the value of the assets written down to recoverable amount if less than carrying values; and • the assets do not belong to the Group.
How the scope of our audit responded to the key audit matter	Our procedures included: • critically assessing the conclusions reached by the Board on the appropriateness of the selected residual values and evaluating their consistency with available market information, including forecast valuations obtained by the Group from expert aircraft valuers and the terms of the aircraft lease agreements. We 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 reviewing the Board and Asset Manager's conclusions on the assessments made on residual values used at year end; • 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 the asset owned and obtaining certificate of registration directly from 'The International Registry for International Interests in Mobile Equipment' to confirm ownership.
Key observations	Having carried out the procedures, we concluded that the useful life selected, residual values used and the Board's assessment that no impairment review is required were appropriate. We also concluded that the assets recorded in the financial statements are owned by the Group.
Recognition of lease rental income	
Key audit matter description	The Group's leases have been classified as operating leases and as such rental income which amounts to £129 million (2017: £128 million) should be recognised on a straight-line basis over the lease term, which differs from the profile of actual rental payments. As set out in Note 4 of the financial statements, a significant portion of these lease rentals are receivable in US Dollars and must be appropriately translated into the Sterling functional and presentation currency. The recognition of revenue also requires consideration of all terms of the signed lease contracts. As stated in Note 3, classification of leases as operating leases is a key source of uncertainty in preparing the financial statements. The risk is that revenue is not properly recorded in accordance with these requirements and the related deferred or accrued income is not correctly calculated.
How the scope of our audit responded to the key audit matter	Our procedures included: • consideration on whether the classification of the leases as operating is appropriate with reference to the lease terms and the nature of the assets 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; • recalculating deferred and accrued rental income recognised in the Consolidated Statement of Financial Position and testing accuracy of related translation differences; and • tracing all rental income receipts to bank statements.
Key observations	Having performed the procedures above, we concluded that the classification of the leases is appropriate and that revenue recognition is in line with the terms of the signed lease contract and is in line with IAS17:Leases. We also concluded that deferred and accrued income balances recorded were appropriate as these were not materially different from results of our recalculations.
Accounting for debt using the effective interest method	
Key audit matter description	In order to part-finance the acquisition of the assets the Group has obtained debt. As at 31 March 2018 the value of the total debt held by the Group was £362 million (2017: £482 million) as disclosed in Note 14 to the financial statements. The debt is amortising over the lease and loan term. As set out in Note 2(o) to the financial statements, the debt instrument is 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. The Group has a floating rate loan and a related swap contract to hedge the cash flow interest rate risk. There is risk that the swap contract is not appropriately accounted for at fair value in the Consolidated Financial Statements.
How the scope of our audit responded to the key audit matter	Our procedures included: • reviewing the debt amortisation schedules prepared by management to recalculate the effective interest rates on the debt and checked 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; • developing an expectation of the interest charges for the period using the average outstanding principal balances during the period and the effective interest rates; and • utilising our internal valuation specialists to perform an independent valuation of the swap on the floating rate loan to determine if management's valuations fell within a reasonable range.
Key observations	Having carried out the procedures, we concluded that the debt was appropriately valued in line with the effective interest rate method and related interest calculations were within our expectation. We also conclude that the valuation of swaps was within our expectation.

Our application of materiality

An overview of the scope of our audit

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that: • *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or • *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or • *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement relating to the Company's compliance with the UK Corporate Governance Code containing provisions that for premium listed entities are specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.	***We have nothing to report in respect of these matters.***

Responsibilities of directors

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Nicola Sarah Paul FCA
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
11 July 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018

	Notes	Year ended 31 Mar 2018 GBP	Year ended 31 Mar 2017 GBP
INCOME			
A rent income	4	92,155,469	91,052,018
B rent income	4	36,434,141	36,359,140
Bank interest received		78,296	20,615
Other income		-	434,808
		128,667,906	127,866,581
EXPENSES			
Operating expenses	5	(3,421,706)	(3,514,203)
Depreciation of Aircraft	9	(51,873,285)	(31,375,111)
		(55,294,991)	(34,889,314)
Net profit for the year before finance costs and foreign exchange gains/(losses)		73,372,915	92,977,267
Finance costs	10	(22,340,336)	(27,884,777)
Net profit for the year after finance costs and before foreign exchange gains/(losses)		51,032,579	65,092,490
Unrealised foreign exchange gain/(loss)	18b	55,639,024	(74,802,828)
Profit / (loss) for the year		106,671,603	(9,710,338)
Other Comprehensive Income		-	-
Total Comprehensive Income / (Loss) for the year		106,671,603	(9,710,338)
		Pence	**Pence**
Earnings / (Loss) per Ordinary Share for the year - Basic and Diluted	8	61.75	(5.62)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Notes	31 Mar 2018 GBP	31 Mar 2017 GBP
NON-CURRENT ASSETS			
Aircraft	9	804,616,747	856,490,032
Financial assets at fair value through profit and loss	18	378,813	-
		804,995,560	856,490,032
CURRENT ASSETS			
Accrued income		3,333,270	2,562,252
Receivables	12	46,078	269,299
Short-term investments		3,026,711	3,720,301
Cash and cash equivalents	16	24,440,324	22,095,157
		30,846,383	28,647,009
TOTAL ASSETS		835,841,943	885,137,041
CURRENT LIABILITIES			
Borrowings	14	73,380,012	77,714,247
Rental income received in advance		1,069,187	-
Deferred income		8,917,107	9,960,159
Payables - due within one year	13	267,141	266,726
		83,633,447	87,941,132
NON-CURRENT LIABILITIES			
Borrowings	14	288,456,196	403,892,049
Deferred income		132,371,135	137,499,298
		420,827,331	541,391,347
TOTAL LIABILITIES		504,460,778	629,332,479
TOTAL NET ASSETS		331,381,165	255,804,562
EQUITY			
Share capital	15	319,836,770	319,836,770
Retained earnings		11,544,395	(64,032,208)
		331,381,165	255,804,562
		Pence	**Pence**
Net Asset Value per Ordinary Share based on 172,750,000 (Mar 2017: 172,750,000) shares in issue		191.83	148.08

The financial statements were approved by the Board of Directors and authorised for issue on 11 July 2018 and are signed on its behalf by:

John Le Prevost
Director

Charles Wilkinson
Director

The notes on pages 43 to 68 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2018

	Notes	Year ended 31 Mar 2018 GBP	Year ended 31 Mar 2017 GBP
OPERATING ACTIVITIES			
Profit / (loss) for the year		106,671,603	(9,710,338)
Movement in deferred income		3,826,192	9,754,351
Movement in rental income received in advance		1,069,187	-
Interest received		(78,296)	(20,615)
Depreciation of Aircraft	9	51,873,285	31,375,111
Loan interest payable	10	21,699,598	26,865,228
Interest rate swap	10	(378,813)	-
Increase in payables		415	8,559
Decrease / (increase) in receivables		223,221	(217,561)
Foreign exchange movement	18b	(55,639,024)	74,802,828
Amortisation of debt arrangement costs	10	1,019,551	1,019,549
NET CASH FROM OPERATING ACTIVITIES		130,286,919	133,877,112
INVESTING ACTIVITIES			
Interest received		78,296	20,615
Decrease / (increase) in short-term investments		693,590	(3,720,301)
NET CASH FROM INVESTING ACTIVITIES		771,886	(3,699,686)
FINANCING ACTIVITIES			
Dividends paid	7	(31,095,000)	(31,095,000)
Repayments of capital on borrowings	19	(74,444,864)	(75,574,082)
Payments of interest on borrowings	19	(22,315,451)	(25,901,467)
NET CASH USED IN FINANCING ACTIVITIES		(127,855,315)	(132,570,549)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		22,095,157	23,231,712
Increase / (decrease) in cash and cash equivalents		3,203,490	(2,393,123)
Exchange rate adjustment		(858,323)	1,256,568
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	24,440,324	22,095,157

The notes on pages 43 to 68 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2018

	Notes	Share Capital GBP	Retained Earnings GBP	Total GBP

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

		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

The notes on pages 43 to 68 form an integral part of these Consolidated Financial Statements.

1 GENERAL INFORMATION

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

The Company was incorporated in Guernsey on 31 January 2011 with registered number 52985. The address of the registered office is given on page 69. Its share capital consists of one class of Ordinary Preference Shares ("**Ordinary Shares**) and one class of Subordinated Administrative Shares ("**Administrative Shares**"). The Company's Ordinary Shares have been admitted to trading on the Specialist Fund Segment of the London Stock Exchange's Main Market (the "**SFS**").

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft. The principal activities of the Group are set out in the Chairman's Statement on pages 5 to 7 and Management Report on pages 16 to 18.

2 ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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:

- IAS 7 Statement of Cash Flows - amendments resulting from the disclosure initiative effective for annual periods beginning on or after 1 January 2017 and is endorsed by the EU. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative year in Note 19.

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 - Classification and Measurement'. Effective for accounting periods commencing on or after 1 January 2018 and is endorsed by the EU. The Group intends to adopt the standard once it becomes mandatory.

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

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

- The interest rate swap in MSN090 will remain to be measured as a financial asset or liability at fair value through profit and loss; and
- Financial instruments currently measured at amortised cost are receivables, borrowings and payables which will continue to be measured at amortised cost under IFRS 9.

- Amendments to IFRS 9 'Prepayment Features with Negative Compensation and modifications of financial liabilities' - Amendments to IFRS 9 have been issued to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at FVTPL. The amendment is effective for annual periods beginning on or after 1 January 2019, that is, one year later than the effective date of IFRS 9 and is endorsed by the EU. Early adoption is permitted. This will enable companies to adopt the amendment when they first apply IFRS 9.

- IFRS 15 Revenue from contracts with customers - deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts', related interpretations and is endorsed by the EU. The standard is effective for a period beginning on or after 1 January 2018. The only contractual receipts which the Group currently has is rental income from Emirates leasing its Airbus A380-861 aircraft (the "**Aircraft**"). Rental income is currently recognised in accordance with IAS 17 (which will be replaced by IFRS 16 (see below) which is specifically excluded from IFRS 15. The standard will thus not materially impact the financial statements.

- Amendments to IFRS 15, 'Revenue from contracts with customers'. Effective for accounting periods commencing on or after 1 January 2018 and is endorsed by the EU.

  - 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. The standard is effective for annual periods beginning on or after 1 January 2019 and is endorsed by the EU. The Group intends to adopt the standard once it becomes mandatory. Although rental income will be recognised in accordance with the new standard, it will not materially impact the financial statements as lessors will continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

  - 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 and is endorsed by the EU.

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

(b) Basis of Consolidation

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

(d) Share Capital

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

(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 Pounds Sterling ("£" or "Sterling"), which is also the presentation currency.

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

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

(h) Cash and Cash Equivalents

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

(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 £67.2 million to £70.1 million (2017: £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.

In the prior year, the residual values of the A380 aircraft were determined using values including inflationary effects. However, following discussions between the Directors, the auditor and the Company's advisors for the year ended 31 March 2018, it was determined that the strict application of IAS 16 be applied to the assets of the Group and that the use of forecast values excluding inflation best approximates residual value as required by IAS 16 Property, Plant and Equipment. This has resulted in a reduction in USD terms in the anticipated residual values of the aircraft since the prior financial year.

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). Further details are given in Note 3.

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

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

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

(n) Financial Assets and Financial Liabilities at fair value through profit or loss

(a) Classification

The Group classifies its derivative i.e. the interest rate swap, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are designated by the Board of Directors at fair value through profit or loss. The Group does not classify any derivatives as hedges in a hedging relationship.

(b) Recognition/derecognition

Financial assets or liabilities are recognised on the trade date - the date on which the Group commits to enter into the transactions. Financial assets or liabilities are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income in the year in which they arise.

(o) 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.

Estimates

Residual Value and Useful Life of Aircraft

As described in Note 2 (m), the Group depreciates the Assets on a straight line basis over the estimated useful life of the Assets after taking into consideration the estimated residual value. IAS 16 Property, Plant and Equipment requires residual value to be determined as an estimate of the amount that the Group would currently obtain from 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 Auditors and the Company’s Advisors, the Directors have concluded that an uninflated value for the Aircraft at the end of its useful life best represents residual value, as required by a strict interpretation of relevant accounting standards. In estimating residual value for the 2017/18 year, the Directors have made reference to uninflated values for the Aircraft obtained from three independent expert aircraft valuers and determined that the residual value (using uninflated values as the basis) of the Assets ranged from £67.2 million to £70.1 million at the year end (2017: £88.4 million to £91.3 million including inflation taking into account the associated costs of disposal). The residual value has been changed to reflect the most recent average appraised value of the aircraft excluding the effects of inflation. This has been disclosed in Note 9.

In the prior year, the residual values of the A380 aircraft were determined using base values including inflationary effects. However, following discussions between the Directors, the Auditors and the Company’s advisors for the year ended 31 March 2018, it was determined that the strict application of IAS 16 be applied to the assets of the Group and that the use of forecast values excluding inflation best represents residual value as required by IAS 16 Property, Plant and Equipment. This, together with the effect of foreign exchange fluctuations on the residual value, has resulted in a reduction in the anticipated residual values of the aircraft since the prior financial year, details of which have been disclosed in Note 9. Apart from the aforementioned, the Asset Manager has confirmed in the year ending 31 March 2018 that there were no other required changes to the methodology used to determine the residual value in the current year and they believe that the values of the aircraft are, absent the two factors explained above, not substantially different from those of the aircraft as appraised at 31 March 2017.

The estimation of residual value remains subject to uncertainty. If the estimate of residual value had been decreased by 20 per cent. with effect from the beginning of this year, the net profit for the year and closing shareholders’ equity would have been decreased by approximately £13.2 million (31 March 2017: £16.9 million). An increase in residual value by 20 per cent. would have had an equal but opposite effect.

This reflects the range of estimates of residual value that the Directors believe would be reasonable at this time. The estimated useful lives of the Assets are based on the expected period for which the Group will own and lease the Aircraft.

Judgements

Operating Lease Commitments - Group as Lessor

The Group has entered into operating leases on seven (2017: 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 present value of the remaining 2 years would be due.

Impairment

As described in note 2(m), 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.

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

The Group has determined that there is no indication of an impairment loss for the 1 April 2017 to 31 March 2018 year (none for the 1 April 2016 to 31 March 2017 year). This is due to various factors such as the following: a lack of conclusive comparable current market data for the A380 aircraft, the nature of the operations of the Group being aircraft leasing as opposed to an airline operating business, as well as other mitigating factors such as the close monitoring by the Group of each airline’s usage of the aircraft and their compliance with agreed maintenance schedules. Accordingly, no impairment review has been undertaken.

4 RENTAL INCOME

	Year ended 31 Mar 2018 GBP	**Year ended 31 Mar 2017 GBP**
A rent income	96,752,677	101,502,382
Revenue received but not yet earned	(35,756,039)	(43,358,361)
Revenue earned but not received	23,318,042	24,997,744
Amortisation of advance rental income	7,840,789	7,910,254
	92,155,469	91,052,018

	Year ended 31 Mar 2018	**Year ended 31 Mar 2017**

	GBP	GBP
B rent income	35,663,125	35,663,126
Revenue earned but not yet received	791,433	719,815
Revenue received but not yet earned	(20,417)	(23,801)
B rent income	36,434,141	36,359,140
Total rental income	128,589,610	127,411,158

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

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

5 OPERATING EXPENSES

	Year ended 31 Mar 2018 GBP	Year ended 31 Mar 2017 GBP
Corporate shareholder and adviser fee (note 21)	813,466	799,918
Asset Management and Liaison Agent fee (note 21)	1,984,333	1,934,523
Administration fees	203,494	201,221
Bank interest and charges	1,421	1,844
Accountancy fees	31,105	30,534
Registrars fee (note 21)	18,639	18,818
Audit fee	45,200	43,200
Directors' remuneration (note 6)	211,344	212,000
Directors' and Officers' insurance	35,679	36,075
Legal and professional expenses	45,853	32,938
Annual fees	11,411	167,920
Travel costs	1,877	8,343
Other operating expenses	17,884	26,869
	3,421,706	3,514,203

6 DIRECTORS' REMUNERATION

Under their terms of appointment, each Director is paid a fee for their services as a director of the Company at a fee of £23,000 per annum, except for the Chairman, who receives an additional £6,000 per annum. The chairman of the audit committee of the Company (where appointed) receives an additional £4,000 for his services in this role.

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

7 DIVIDENDS IN RESPECT OF EQUITY SHARES

Dividends in respect of Ordinary Shares	Year ended 31 Mar 2018

	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 2017**	
	GBP	**Pence per Ordinary Share**
First interim dividend	7,773,750	4.50
Second interim dividend	7,773,750	4.50
Third interim dividend	7,773,750	4.50
Fourth interim dividend	7,773,750	4.50
	31,095,000	18.00

8 EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per Share (''EPS'' / 'LPS'') is based on the net profit for the year attributable to holders of Ordinary Shares in the Company ("**Shareholders**") of £106,671,603 (31 March 2017: net loss for the year of £9,710,338) and 172,750,000 (31 March 2017: 172,750,000) Ordinary Shares being the weighted average number of Ordinary Shares in issue during the year.

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

9 PROPERTY, PLANT AND EQUIPMENT - AIRCRAFT

	Aircraft GBP
COST	
As at 1 Apr 2017	1,039,148,191
As at 31 Mar 2018	1,039,148,191
ACCUMULATED DEPRECIATION	
As at 1 Apr 2017	182,658,159
Depreciation based on original residual value	31,378,795
Adjustment due to change in US dollar residual values	12,774,265
Adjustment due to FX movements on residual values	7,720,225
Net charge for the year	51,873,285
As at 31 Mar 2018	234,531,444
CARRYING AMOUNT	
As at 31 Mar 2018	804,616,747
As at 31 Mar 2017	856,490,032

Following review of the Aircrafts' projected residual values, as is required by IFRS on an annual basis, using the values and methodology set out in Note 3, the underlying US dollar residual values of the A380 aircraft has been updated to reflect the uninflated values. This has resulted in a $120,500,000 decrease in the US dollar residual values. The Sterling values converted at the year end Sterling / US dollar exchange rates have decreased by £149,153,317. The combined effect of translating residual values at the Sterling / US dollar exchange rate prevailing at 31 March 2018 of 1.4018 (31 March 2017: 1.255) and a 17.6 per cent. reduction in average appraised residual values in dollar terms (when comparing uninflated residual values at March 2018 with inflated values at March 2017) resulted in a £20,494,490 increase in the annual depreciation charge for the current year.

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

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

10 FINANCE COSTS

	Year ended 31 Mar 2018 GBP	Year ended 31 Mar 2017 GBP
Amortisation of debt arrangements costs	1,019,551	1,019,549
Loan interest	21,699,598	26,865,228
Fair value adjustment on financial assets at fair value through profit and loss	(378,813)	-
	22,340,336	27,884,777

11 OPERATING LEASES

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

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

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

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

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

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

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

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

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

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

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

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

12 RECEIVABLES

	31 Mar 2018 GBP	31 Mar 2017 GBP
Prepayments	10,166	15,937
Sundry debtors	35,912	253,362

	46,078	269,299

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

13 PAYABLES (amounts falling due within one year)

	31 Mar 2018 GBP	31 Mar 2017 GBP
Accrued administration fees	15,042	19,058
Accrued audit fee	27,020	26,500
Accrued asset manager and corporate and shareholder adviser fees	206,779	202,229
Other accrued expenses	18,300	18,939
	267,141	266,726

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

14 BORROWINGS

	31 Mar 2018 GBP	31 Mar 2017 GBP
Bank loans	156,906,919	209,398,932
Equipment Notes	211,346,600	279,644,221
Associated costs	(6,417,311)	(7,436,857)
	361,836,208	481,606,296
Current portion	73,380,012	77,714,247
Non-current portion	288,456,196	403,892,049

In addition to the £74.4 million capital that was repaid during the year, as per the Cash Flow Statement, the value of the borrowings has decreased by a further £45.7 million due to the 11.7 per cent. increase in the Sterling / US dollar exchange rate for the year ended 31 March 2018. See note 19.

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

Amount due for settlement within 12 months	90,338,878	100,954,451
Amount due for settlement after 12 months	324,135,374	462,956,181

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

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

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

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 per cent. 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 per cent. 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 2018 and 31 March 2017	2	172,750,000	-

Issued Ordinary Share Capital	Administrative Shares GBP	Ordinary Shares GBP	C Shares GBP	Total GBP
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 2018 and as at 31 March 2017	-	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 Share class remaining after payment of all the creditors of the Group. Members have the right to receive notice of and to attend, speak and vote at general meetings of the Group.

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

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

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

16 CASH AND CASH EQUIVALENTS

	31 Mar 2018 GBP	31 Mar 2017 GBP
Cash at bank	14,908,327	13,030,707
Cash deposits	9,531,997	9,064,450
	24,440,324	22,095,157

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.

(c) Interest rate swap

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

	31 Mar 2018 GBP	31 Mar 2017 GBP
Financial assets		
Interest rate swap	378,813	-
Financial assets at fair value through profit or loss	378,813	-
Cash and cash equivalents	24,440,324	22,095,157
Short-term investments	3,026,711	3,720,301
Receivables	35,912	253,362
Financial assets at amortised cost	27,502,947	26,068,820
Financial liabilities		
Payables	267,141	266,726
Debt payable	368,253,519	489,043,153
Financial liabilities measured at amortised cost	368,520,660	489,309,879

The Group has adopted IFRS 13, 'Fair value measurement' and this standard requires the Group to price its financial assets and liabilities using the price in the bid-ask spread that is most representative of fair value for both financial assets and financial liabilities. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The level of the fair value hierarchy of an instrument is determined considering the inputs that are significant to the entire measurement of such instrument and the level of the fair value hierarchy within those inputs are categorised.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1: Quoted price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

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

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

Derivative financial instruments

The following table shows the Group's derivative position as at 31 March 2018:

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

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

(a) Capital Management

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

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

(b) Foreign Currency Risk

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

Lease rentals (as detailed in Notes 4 and 11) are received in US dollars and Sterling. Those lease rentals received in US dollars are used to pay the debt repayments due, also in US dollars (as detailed in Note 14). Both US dollar lease rentals and debt repayments are fixed and are for similar sums and similar timings. The MSN090 loan, which is at a variable rate, has an associated interest rate swap contract issued by the lender in effect fixing the loan interest over the term of the loan. The 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 2018 GBP	**31 Mar 2017 GBP**
Debt (US dollar) - Liabilities	(368,253,519)	(489,043,153)
Financial assets at fair value through profit and loss	378,813	-
Short-term investments (US dollar) – Asset	1,073,376	1,515,123
Cash and cash equivalents (US dollar) – Asset	8,726,300	7,852,760

The following table details the Group's sensitivity to a 25 per cent (31 March 2017: 25 per cent) appreciation and depreciation in Sterling against the US dollar. 25 per cent (31 March 2017: 25 per cent) represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 25 per cent (31 March 2017: 25 per cent) change in foreign currency rates. A positive number below indicates an increase in profit and other equity where Sterling strengthens 25 per cent (31 March 2017: 25 per cent) against the US dollar. For a 25 per cent (31 March 2017: 25 per cent) weakening of Sterling against the US dollar, there would be a comparable but opposite impact on the profit and other equity:

	31 Mar 2018 GBP	**31 Mar 2017 GBP**
Profit or loss	71,690,769	95,935,054
Assets	(1,959,935)	(1,873,577)

Liabilities	73,650,704	97,808,631

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

(c) Credit Risk

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

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

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

	31 Mar 2018 GBP	**31 Mar 2017 GBP**
Interest rate swap	378,813	-
Receivables (excluding prepayments)	35,912	253,362
Short-term investments	3,026,711	3,720,301
Cash and cash equivalents	24,440,324	22,095,157
	27,881,760	26,068,820

Surplus cash in the Company is held in Barclays and in various Certificates of Deposit managed by Royal London Asset Management.. Surplus cash in the Subsidiaries is held in accounts with Barclays, Westpac and ANZ, which have credit ratings given by Moody's of A2, Aa3 and Aa3 respectively. Moody's considers the outlook of the banks current ratings to be stable.

There is a contractual credit risk arising from the possibility that the lessee may default on the lease payments. This risk is mitigated, as under the terms of the lease agreements between the lessee and the Group, any non-payment of the lease rentals constitutes a Special Termination Event, under which the lease terminates and the Group may either choose to sell the Asset or lease the Assets to another party.

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

(d) Liquidity Risk

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

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

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

31 Mar 2018	**1-3 months GBP**	**3-12 months GBP**	**1-2 years GBP**	**2-5 years GBP**	**Over 5 years GBP**
Financial liabilities					
Payables - due within one year	267,141	-	-	-	-
Bank loans	9,649,691	28,949,073	38,598,764	88,144,888	9,174,582
Equipment Notes	25,875,574	25,864,541	49,123,487	139,093,651	-
	35,792,406	54,813,614	87,722,251	227,238,539	9,174,582

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

(e) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows. It is the risk that fluctuations in market interest rates will result in a reduction in deposit interest earned on bank deposits held by the Group. The MSN090 loan which are at a variable rate, has an associated interest rate swap contract issued by the lender in effect fixing the loan interest over the term of the loan.

The Group mitigates interest rate risk by fixing the interest rate on its debts with the exception of MSN090, which have an associated interest rate swap as mentioned above. The lease rentals are also fixed.

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 2018				
Financial assets				

Interest rate swap	378,813	-	-	378,813
Receivables	-	-	46,078	46,078
Short-term investments	3,026,711	-	-	3,026,711
Cash and cash equivalents	24,440,324	-	-	24,440,324
Total Financial Assets	27,845,848	-	46,078	27,891,926
Financial liabilities				
Payables	-	-	267,141	267,141
Bank loans	-	150,489,608	-	150,489,608
Equipment Notes	-	211,346,600	-	211,346,600
Total Financial Liabilities	-	361,836,208	267,141	362,103,349
Total interest sensitivity gap	27,845,848	361,836,208		

	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
Cash and cash equivalents	22,095,157	-	-	22,095,157
Total Financial Assets	25,815,458	-	269,299	26,084,757
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		

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 2018 would have been £139,229 (31 March 2017: £129,077) 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 2018 would have been £139,229 (31 March 2017: £129,077) lower due to a decrease in the amount of interest receivable on the bank balances.

19 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table discloses the effects of the amendments to IAS 7 Statement of Cash Flows which requires additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

	31 Mar 2018 GBP	31 Mar 2017 GBP
Opening Balance	489,043,153	497,354,666
Cash flows paid - capital	(74,444,864)	(75,574,082)
Cash flows paid - interest	(22,315,451)	(25,901,467)
Non-cash flows		
- Interest accrued	21,699,598	26,865,228
- Effects of foreign exchange	(45,728,917)	66,298,808
Closing Balance	368,253,519	489,043,153

20 ULTIMATE CONTROLLING PARTY

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

21 RELATED PARTIES AND MATERIAL CONTRACTS

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.

During the year, the Group incurred £1,979,255 (31 March 2017: £1,933,777) of fees and expenses with Doric GmbH ("**Doric**") which consisted of asset management fees of £1,966,938 (31 March 2017: £1,923,656) and liaison agency fees of £12,317 (31 March 2017: £10,121). At 31 March 2018, £1,166 (31 March 2017: outstanding amount of £1,696) was prepaid to this related party.

During the year, the Group incurred £813,466 (31 March 2017: £799,918) of fees and expenses with Nimrod Capital LLP ("**Nimrod**"), of which £206,779 (31 March 2017: £202,229) was outstanding to this related party at 31 March 2018. £813,466 (31 March 2017: £799,918) of expenses related to management fees as shown in Note 5.

John Le Prevost is a director of Anson Registrars Limited ("Anson"), the Group's registrar, transfer agent and paying agent. During the year, the Group incurred £18,639 (31 March 2017: £18,818) of fees and expenses with Anson, of which £3,025 (31 March 2017: £1,300) was outstanding as at 31 March 2018.

22 SUBSEQUENT EVENTS

On 12 April 2018, a further dividend of 4.5 pence per Ordinary Share was declared and this was paid on 30 April 2018.

ADVISERS AND CONTACT INFORMATION

KEY INFORMATION

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

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