# DORIC NIMROD AIR ONE LIMITED

## Annual Financial Report

From 1 April 2012 to 31 March 2013

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# COMPANY OVERVIEW

Doric Nimrod Air One Limited (LSE:DNA) ("**DNA**" or the "**Company**") is a Guernsey company incorporated on 8 October 2010, and admitted to trading on the Specialist Fund Market of the London Stock Exchange ("LSE") and the Channel Islands Stock Exchange ("CISX") on 13 December 2010.

The Company's total issued share capital currently consists of 42,450,000 Ordinary Preference Shares ("**Shares**") which were admitted to trading at an issue price of 100 pence per Share. As at 26 July 2013, the latest practicable date prior to publication of this report, the Shares are trading at 118.50 pence.

**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 a single aircraft. The Company purchased one Airbus A380-861 Aircraft, manufacturers' serial number 016 (the "**Asset**") in December 2010, which it leased (the "**Lease**") to Emirates Airlines ("**Emirates**"), a national carrier owned by The Investment Corporation of Dubai based in Dubai, United Arab Emirates.

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

The Company will receive income from the lease rentals paid by Emirates pursuant to the Lease. 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 2.25 pence per Share per quarter.

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

In accordance with the Distribution Policy DNA declared four dividends of 2.25 pence per Ordinary Preference Share during the financial year to 31 March 2013 and two dividends of 2.25 pence per Ordinary Preference Share after the reporting period. Future dividend payments are anticipated to continue to be declared and paid on a quarterly cycle and as per the Prospectus are targeted at 2.25 pence per Ordinary Preference Share per quarter subject to compliance with applicable laws and regulations.

**Return of Capital**
If and when the Company is wound up (pursuant to a shareholder resolution, including the liquidation resolution) the Company intends to return to Shareholders the net capital proceeds upon the eventual sale of the Asset subject to compliance with the relevant laws (including any applicable requirements of the solvency test contained therein).

**Liquidation Resolution**
Although the Company does not have a fixed life, the articles of incorporation (the "**Articles**") require that the Directors convene a general meeting of the Company six months before the end of the term of the Lease where an ordinary resolution will be proposed that the Company proceed to an orderly wind-up at the end of the term of the Lease and the Directors will consider (and if necessary, propose to Shareholders) alternatives for the future of the Company, including re-leasing the Asset, or selling the Asset and reinvesting the capital received from the sale of the Asset in another aircraft.

# CHAIRMAN'S STATEMENT

I am very pleased to present shareholders with the Company's second annual financial report, covering the period from 1 April 2012 until 31 March 2013.

Notwithstanding the extreme turbulence and uncertainty within the global economy, and international markets, I am glad to report that the Company has performed well. During the reporting period, and in line with the targeted distribution policy outlined in the Company's Prospectus, the Company has declared four interim dividends of 2.25p per Ordinary Preference share and subsequently the Company declared two further interim dividends of 2.25p per Ordinary Preference share for the period from 1 April 2013 to date. Future divided payments are anticipated to be declared and paid on a quarterly basis.

The Company's 42,450,000 shares were admitted to trading on the Specialist Fund Market of the London Stock Exchange plc. and listed on the Channel Islands Stock Exchange on 13 December 2010. The Company's investment objective is to obtain income returns and a capital return for its shareholders by acquiring, leasing and then selling a single aircraft. The Company purchased one Airbus A380-861, aircraft manufacturer's serial number 016, which it leased to Emirates Airlines, the national carrier owned by the Investment Corporation of Dubai, based in Dubai, United Arab Emirates. A senior secured finance facility provided by Westpac, in the amount of $122m provided the monies along with the placing proceeds for the acquisition of the aircraft. On the purchase of the plane, the Company entered into a lease with Emirates for an initial term of 12 years, with fixed lease rentals for the duration. The debt portion of the funding will be fully amortised over the 12-year term of the lease, with the aim of leaving the aircraft unencumbered on the conclusion of the lease.

Both the aircraft and the lessee have performed well over the period. Despite the turmoil in the global economy, international passenger air traffic remained robust (though air freight traffic was more subdued). Emirates continue to report strong performance. This was greatly aided by the airline's ability to adjust flight schedules swiftly, and redeploy aircraft about the network, thus optimising revenue. The airline operates with a remarkably high passenger seat factor, whilst at the same time increasing seat capacity.

The lease payments received by the Company from Emirates cover repayment of the debt and all interest, as well as income to pay dividends to shareholders. Emirates bears all costs (including maintenance, repair and insurance) relating to the aircraft, during the lifetime of the lease. The aircraft is equipped with four Engine Alliance 7200 power plants. One of the aircraft's original engines which experienced an in-flight shutdown has been replaced at no cost to the Company, by Emirates and the manufacturer, Engine Alliance. The Company's Asset Manager, Doric GmbH, continues to monitor the lease and reports regularly to the Board. Nimrod Capital LLP, the Company's Placing and Corporate and Shareholder Advisory Agent, continues to liaise between the Board and shareholders, which includes distribution of quarterly factsheets.

In economic reality, the Company has performed well. Four interim dividends were declared in the year and future dividends are anticipated to be declared and paid on a quarterly basis. However, the financial statements do not properly convey this economic reality due to several factors; foreign exchange and the accounting treatments for rental income and finance costs.

Foreign exchange has influenced the financial statements as, under the requirements of International Financial Reporting Standards, the items in the Statement of Financial Position are translated into Sterling from US Dollars at varying foreign exchange rates, either the year end rate or the historic transaction rate, which will inevitably produce foreign exchange differences (losses for the year ended 31 March 2013). In reality those lease rentals received in US Dollars are used to pay the loan repayments due, also in US Dollars. Both US Dollars lease rentals and loan repayments are fixed and are for similar sums and similar timings. The matching of lease rentals to settle loan repayments therefore mitigates risks caused by foreign exchange fluctuations.

# CHAIRMAN’S STATEMENT (continued)

In addition to this the rental income is spread evenly over the term of each of the leases, rather than the rentals being accounted for as actually received into the Company’s bank account. Furthermore, interest on borrowings is recognised using the effective interest rate method, resulting in higher charges in earlier periods when the outstanding principal balances are greater. The loan repayments are, in reality, constant over much of the lease term, reducing in the final two years.

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

**Charles Wilkinson**
Chairman

# ASSET MANAGER’S REPORT

**1. The Doric Nimrod Air One Airbus A380**
The Airbus A380 with the manufacturer’s serial number (MSN) 016 is registered in the United Arab Emirates under the registration mark A6-EDC. For the period from original delivery of the aircraft to Emirates in November 2008 until the end of May 2013, a total of 2,421 flight cycles were registered. Total flight hours were 20,090. This equates to an average flight duration of approximately eight hours and 20 minutes.

On 11 November 2012 the engine with the serial number P550121 owned by the Company and installed on another Emirates A380 aircraft at that moment, underwent an in-flight shutdown during climb out of Sydney on the aircraft’s way to Dubai. Emirates and the manufacturer, Engine Alliance (EA), agreed to replace the damaged propulsor with a new one. The transfer of ownership to the Company for the new power plant with serial number P550349 took place on 23 May 2013.

The A380 (MSN 016) owned by the Company visited Bangkok, Jeddah, London Heathrow, New York JFK, Tokyo and Sydney during the second quarter of 2013.

***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) every 24 months or 12,000 flight hours, whichever comes first. The second C check of the aircraft took place in the Emirates engineering facility at Dubai International Airport in November 2012. The next heavy maintenance check will be the 6-year check (which will include the third C check) scheduled for November 2014.

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

***Inspections***
Doric inspected the aircraft during the above-mentioned C check in November 2012. The aircraft’s physical condition is good and consistent with its age. After four years in service, the passenger cabin has undergone a major refurbishment, including replacement of soft furnishings and floor coverings.

***Hairline Cracks***
Since late 2011, hairline cracks have been detected in a small number of L-shaped metal brackets (known as wing rib feet) within the wing structure of some A380s. The aircraft remains fully airworthy and the hairline cracks pose no risk to flight safety as affirmed by the European Aviation Safety Agency (EASA) and Airbus.

As previously reported, Airbus has since developed a permanent fix to wing rib feet cracking. In March 2013 EASA certified the retrofit modification programme and confirmed that modified in-service A380 will preserve their full design service life without further repeat inspections of the wing rib feet. In May 2013 EASA released its latest Airworthiness Directive (AD) outlining which modifications need to be made and the respective compliance times. In addition to the retrofit solution Airbus has developed a modified wing for new aircraft. Delivery of the first aircraft with the reworked wing design is expected in early 2014.

The wing rib feet modification programme for Emirates’ aircraft is essentially managed by Airbus. All modification activities will be covered by the applicable manufacturer’s warranties. Emirates decided to embody all modifications in one step. Airbus is confident that the downtime required to incorporate the permanent fix might be reduced from the originally planned eight weeks to six weeks. Subject to changes in Emirates’ timeline, it is currently envisaged to implement the final fix for MSN 016 from mid-January to mid-March 2014. The modification work on the A380 owned by the Company will be completed by Ameco Beijing (Aircraft Maintenance and Engineering Corporation). Founded in 1989 by Lufthansa and Air China, Ameco Beijing is the largest provider of maintenance, repair and overhaul services (MRO) in China and has the largest hangar in Asia with space for up to four A380 at the same time.

# ASSET MANAGER'S REPORT (continued)

**2. Market Overview**

During the first four months of the current year, passenger demand, measured in revenue passenger kilometres (RPKs), expanded by 4.1% compared to the same period in the previous year. Growth in air travel has been supported by a relatively better business environment over the past six months than what airlines experienced during the middle parts of 2012. Although business confidence has been broadly flat throughout 2013, levels remained above the lows registered in the third quarter of last year.

Regional growth patterns continue to be uneven and similar to last year when the Middle East replaced Latin America as the world's fastest growing region. Between January and April 2013 Middle East airlines increased their RPKs by 12.1% compared to the previous year's period. The slowest growth was observed in North America with an increase in RPKs of 1.5% compared to the same period in the previous year.

The International Air Transport Association (IATA) has reduced its 2013 estimate for worldwide RPK growth by 10 basis points to 5.3%. This number is still above the long-term growth rate although the Eurozone has fallen into the longest recession since records began in 1995. From January to March 2013 the economic output contracted for the sixth consecutive quarter. In its latest 20-year forecast from June 2013 Boeing expects passenger traffic and cargo traffic to grow by 5% annually over the next two decades until 2032. The airframe manufacturer is also projecting a more robust outlook for worldwide aircraft demand, predicting the fleet of in-service commercial aircraft will grow from 20,310 aircraft in 2012 to more than 41,000 by 2032.

After a slight recovery in air freight demand during the fourth quarter of 2012, global freight-tonne-kilometres (FTKs) were falling in February and March 2013. Between January and April 2013 FTKs decreased by 0.6% compared to the same period the year before. Notwithstanding the encouraging figures for April 2013, some market observers expect a decline in business confidence – which is closely correlated to air freight demand – in the second half of this year. Against the background of the uncertain outlook, IATA has revised its target for FTK growth during 2013 down to 1.5%. This would be nonetheless an improvement compared to 2012, when the air freight market contracted.

Expenses for jet fuel are expected to remain on a high level during 2013 with an average price of USD 127 per barrel, a slight relief compared to the previous forecast in March 2013 of USD 130 per barrel. This would marginally reduce the share of fuel costs from 33% to 31% of airlines' total operating costs. A decade ago, the share was 14% and has more than doubled since then.

IATA released its latest industry outlook in June 2013 according to which global industry profits are expected to reach USD 12.7 billion this year. This is higher than IATA's March 2013 estimate of USD 10.6 billion and is based on the expectation that airlines' capacity reductions will result in record passenger loads for the full year 2013. IATA predicts airlines will carry more than three billion passengers for the first time, at an average seat occupancy of 80.3%.

Source: Aviation Today, Boeing, IATA, Reuters

# ASSET MANAGER'S REPORT (continued)

**3. Lessee – Emirates Key Financials and Outlook**

Emirates has announced its 25th consecutive year of profit and company-wide growth for the financial year ending 31 March 2013, despite continuing high fuel prices and a weak global economic environment.

Revenue reached a record high of USD 19.9 billion, up by 17% compared to the previous financial year, and continues to be well balanced with no region contributing more than 30%. East Asia and Australasia remained the highest revenue contributing region with USD 5.7 billion, up 15% from 2011/2012. Europe (up 18% to USD 5.5 billion) and the Americas (up 24% to USD 2.3 billion) saw the most significant growth, reflecting new destinations as well as increased frequency and capacity to these regions.

The airline posted a net profit of USD 622 million, representing an increase of 52% over last year's results. Although Emirates' fuel bill increased by 15% to reach USD 7.6 billion, total operating costs showed a smaller increase (+16%) than revenue (+17%) in the financial year 2012/2013.

As of 31 March 2013 the balance sheet total amounted to USD 25.8 billion, an increase of 23% from the previous year. Total equity increased by 7.3% to USD 6.3 billion with an equity ratio of 24.3%. The current ratio was 1.12; therefore the airline would be able to meet its current liabilities by liquidating all of its current assets. Significant items on the liabilities side of the balance sheet included finance leases in the amount of USD 7.4 billion and revenues received in advance from passenger and freight sales (USD 2.9 billion). As of 31 March 2013 the carrier's cash balance reached USD 6.7 billion.

Emirates continued with its growth plan and during the financial year 2012/2013 saw the largest increase in capacity in the airline's history, receiving 34 wide-body aircraft, including ten Airbus A380s and four freighters. As of 31 May 2013 Emirates has 200 aircraft in operation, with firm orders for another 195 aircraft, including 57 A380s, 63 Boeing 777-300ER and 50 Airbus A350-900 XWB. The airline operates the world's largest fleets of Airbus A380s and Boeing 777-300ER. Emirates raised USD 7.8 billion in new funding mainly to secure its on-going fleet expansion, a record amount for the airline.

With its increased fleet and resources, Emirates launched 10 destinations during the last financial year. In June 2013 Emirates operated flights to 134 destinations in 77 countries on six continents. New routes launched so far this year include Warsaw, Algiers and Tokyo Haneda. Services to Stockholm begin on 4 September 2013, followed by Clark International Airport in the Philippines as of 1 October 2013. Depending on the demand of the respective routes, the carrier is constantly adjusting its capacities to meet customer expectations and utilization targets. Bangkok, one of Emirates' earliest destinations in the Far East, will receive a second daily non-stop A380 service starting in October 2013. Also at the beginning of the fourth quarter 2013, Emirates will commence its first transatlantic flights from Europe. One out of three current daily flights from Dubai to Milan (Italy) will continue to New York's John F. Kennedy Airport (JFK). According to Tim Clark, Emirates' President, the airline has identified strong demand, which is currently underserved on this route. The service will be operated by a Boeing 777-300ER.

The rapidly expanding fleet allowed an almost 18% increase of available seat kilometres between April 2012 and March 2013, as compared to the prior financial year. Measured in RPKs passenger traffic grew by 17.6%, resulting in an average passenger load factor of nearly 80%. A record 39.4 million passengers flew with Emirates between April 2012 and March 2013 – an increase of 15.9% compared to the previous period.

On 1 April 2013 Emirates and Qantas started their global aviation partnership with two Qantas flights operated from Melbourne and Sydney to London Heathrow via Dubai, Emirates' home. Passengers from these two destinations save more than two hours on average to the top ten destinations in Europe, according to Alan Joyce, CEO of Qantas. In addition to the Australian Competition and Consumer Commission (ACCC), which already granted approval in March 2013, the New Zealand Minister of Transport gave his consent on trans-Tasman routes for passenger and cargo transport operations and related services. First results of the new partnership look encouraging for both airlines: Qantas has seen a sixfold increase in bookings to Europe during the first nine weeks of sales, compared to the same period last year. Emirates is benefiting from this feed for its European, African and Middle Eastern destinations. During the same period, the number of Emirates customers who booked flights on Qantas' domestic network, was almost seven times higher.

Source: Bloomberg, Emirates

# ASSET MANAGER'S REPORT (continued)

**4. Aircraft – A380**

Emirates has a fleet of 33 A380s which currently serve 20 destinations worldwide: Amsterdam, Auckland, Bangkok, Beijing, Hong Kong, Jeddah, Kuala Lumpur, London Heathrow, Manchester, Melbourne, Moscow, Munich, New York JFK, Paris, Rome, Seoul, Shanghai, Singapore, Sydney and Toronto. Emirates announced an upgrade of service from Dubai to Los Angeles with the introduction of the A380 starting in December 2013. Brisbane and Zurich are scheduled to complement the list of A380 destinations in October 2013 and January 2014 respectively. As of May 2013 Emirates operated 46 different routes, more than any other A380 operator worldwide. The carrier is also the largest A380 operator in terms of aircraft number. Emirates has an additional 57 aircraft of this type on firm order for delivery through 2017; receiving one A380 delivery per month, on average. Together with its partner Qantas, the two airlines operate a combined fleet of 45 A380s, which is more than 40% of the world's current A380 capacity.

At the end of May 2013, the global A380 fleet consisted of 103 planes that were in service with nine operators: Emirates (33 A380 aircraft), Singapore Airlines (19), Qantas (12), Deutsche Lufthansa (10), Air France (8), Korean Airways (6), China Southern Airlines (5), Malaysia Airlines (6) and Thai Airways (4). British Airways is set to receive its first A380 in July 2013.

As of May 2013, 1,048 weekly A380 flights were scheduled worldwide, with lessee Emirates holding a share of nearly 40%. There are currently nine operators who employ the A380 fleet on 128 routes. With a distance of 1,202 km the shortest A380 route is operated by China Southern Airlines between Guangzhou and Shanghai. Qantas operates the longest route, from Los Angeles to Melbourne (12,751 km). On average an A380 flight is 7,517 km. Dubai and Singapore, home of the two largest A380 operators Emirates and Singapore Airlines, are the most frequented destinations.

Source: Ascend, Centre for Aviation

# DIRECTORS

**Charles Edmund Wilkinson – Chairman (Age 70)**
Charles Wilkinson is a solicitor who retired from Lawrence Graham LLP in March 2005. While at Lawrence Graham he specialised in corporate finance and commercial law, latterly concentrating on investment trust and fund work.

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

**Norbert Bannon (Age 64)**
Norbert Bannon is a director of the Irish and UK regulated subsidiaries of a major Canadian bank and is the Chairman of a £1 billion UK DB pension scheme and also chairs one of the largest DC pension schemes in Ireland. He is Chairman of Doric Nimrod Air Two Limited and Chairman of the Audit Committee of Doric Nimrod Air Three Limited. He is a director of and advisor to a number of other financial companies.

He has extensive experience in international finance having been CEO of banks in Singapore and New York. He was Managing Director of Ireland’s largest venture capital company and was Finance Director and Chief Risk Officer of AIB Capital Markets plc. which he left in 2002. He has worked as a consultant to a number of international companies.

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

**Geoffrey Alan Hall (Age 64)**
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 Two Limited and Doric Nimrod Air Three Limited.

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

# SERVICE PROVIDERS

**Management and the Delegation of Functions**
The Directors, whose details are set out on page 8 are responsible for reviewing the business affairs of the Company in accordance with the Articles and the Prospectus and have overall responsibility for the Company's activities including all business decisions, review of performance and authorisation of distributions. All of the Directors are independent and non-executive. The Company has delegated management of the Asset to Doric GmbH ("**Doric**" or the "**Asset Manager**"), which is a Company incorporated in Germany and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, as outlined in more detail below under the heading Asset Manager. The Directors delegate secretarial and administrative functions to Anson Fund Managers Limited ("**Anson**" or the "**Secretary & Administrator**") which is a Company incorporated in Guernsey and licenced by the Guernsey Financial Services Commission.

**Asset Manager**
Doric has been appointed by the Company to provide asset management services to the Company. Pursuant to the Asset Management Agreement, Doric will: (i) monitor Emirates' and any subsequent lessees' performance of its obligations under the Leases and any subsequent lease 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 the Company reasonably believes is required from time to time to fulfil any contractual arrangements it enters into with the Company. Doric Partners LLP, a limited liability partnership incorporated in England and Wales, has been appointed by the Company, pursuant to the Liaison Services Agreement, to: (i) coordinate the provision of services by Doric to the Company under the Asset Management Agreement; and (ii) facilitate communication between the Company and Doric.

Doric is the holding company of the Doric group of companies and provides for the fund administration and asset management services of the Doric Group.

The Doric Group is a leading provider of products and services for investors in the fields of aviation, shipping, renewable energy and real estate. The Doric Group has an international presence, with offices in Germany, the United States and the United Kingdom, and a multinational team which offers access to extensive relationship networks and expert asset knowledge. 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. The Doric Group is also a member of ISTAT, the International Society of Transport Aircraft Trading.

The aircraft portfolio currently managed by the Doric Group is valued at US$7 billion and consists of 35 aircraft under management. These aircraft include commercial jet airliners ranging from the Airbus A320 family, through the Boeing 777 and Airbus A330/A340 family, up to the Airbus A380.

The Doric Group has 18 Airbus A380 aircraft currently under management and is therefore considered well positioned to perform the technical asset management of this aircraft type.

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

Nimrod Capital LLP 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 six listed investment companies since its formation and it also provides investment, marketing, distribution and advisory services to investment companies and their Board and managers.

# SERVICE PROVIDERS (continued)

Nimrod, together with Doric Group 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 for the first stock market listed aircraft investment vehicle Doric Nimrod Air One Limited.

**Secretary & Administrator**
Anson is a Guernsey incorporated privately owned company and provides administration and secretarial services to the Company pursuant to an Administration and Secretarial Agreement. In such capacity, Anson is responsible for the general secretarial functions required by The Companies (Guernsey) Law, 2008 (the "**Law**") and ensures that the Company complies with its continuing obligations as well as advising on the corporate governance requirements and recommendations as applicable to a company listed on the Channel Islands Stock Exchange and admitted to trading on the Specialist Fund Market of the London Stock Exchange.

The Administrator is also responsible for the Company's general administrative functions such as the calculation of the net asset value of Shares and the maintenance of accounting and statutory records.

Anson specialises in providing a wide range of support services to companies and funds. Anson's clients include trading companies, and closed ended funds, unit trusts, investment companies and limited partnerships, many of which are listed on stock exchanges such as the LSE, CISX and Euronext Amsterdam.

**Review**
The Board keeps under review the performance of the Asset Manager, Nimrod LLP and the Secretary & Administrator and the powers delegated to each service provider. In the opinion of the Board the continuing appointments of the Asset Manager, Nimrod LLP and Secretary & Administrator on the terms agreed is in the interest of Shareholders as a whole.

# MANAGEMENT REPORT

from 1 April 2012 to 31 March 2013

A description of important events which have occurred during the financial period, their impact on the performance of the Company as shown in the financial statements and a description of the principal risks and uncertainties facing the Company are given in the Chairman's Statement, Asset Managers Report and the notes to the financial statements contained on pages 23 to 38 and are incorporated here by reference.

**Going Concern**

The Company's principal activities are set out within the Company Overview on page 1. The financial position of the Company is set out on pages 19 to 22. In addition, Note 17 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives and its exposures to credit risk and liquidity risk. The Loan interest rate has been fixed and the fixed rental income under the Lease means that the rent should be sufficient to repay the Loan and provide surplus income to pay for the Company's expenses and permit payment of dividends.

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

**Responsibility Statement**

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

(a) The financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profits of the Company and performance of the Company; and

(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 Company, together with a description of the principal risks and uncertainties that it faces.

| | |
|---|---|
| **Charles Wilkinson** | **Norbert Bannon** |
| Chairman | Chairman of the Audit Committee |

# DIRECTORS' REPORT

The Directors present their report and financial statements of the Company for the period from 1 April 2012 to 31 March 2013 (the "**Period**").

**Principal Activities and Business Review**

The principal activity of the Company is to acquire, lease and then sell a single aircraft. The Directors do not envisage any change in these activities for the foreseeable future. A description of the activities of the Company in the period under review is given in the Asset Manager's Report on pages 4 to 7.

**Status**

The Company is a Guernsey domiciled company the Ordinary Preference Shares of which are admitted to the official list of the Channel Islands Stock Exchange and to trading on the Specialist Fund Market of the London Stock Exchange. Its registered number is 52484. The Company operates in accordance with the Companies (Guernsey) Law, 2008, as amended (the "**Law**").

**Results and Dividends**

The results of the Company for the Period are set out on pages 19 to 22.

The Company declared dividends during the period from 1 April 2012 to date as follows:

| | Quarter End | Announcement Date | Dividend per Share (pence) |
|---|---|---|---|
| Final interim for financial period ended 31 March 2012 | 31 March 2012 | 3 April 2012 | 2.25 |
| First interim for financial period ended 31 March 2013 | 30 June 2012 | 3 July 2012 | 2.25 |
| Second interim for financial period ended 31 March 2013 | 30 September 2012 | 11 October 2012 | 2.25 |
| Third interim for financial period ended 31 March 2013 | 31 December 2012 | 4 January 2013 | 2.25 |
| Fourth interim for financial period ended 31 March 2013 | 31 March 2013 | 2 April 2013 | 2.25 |
| First interim for financial period ended 31 March 2014 | 30 June 2013 | 2 July 2013 | 2.25 |

The Company aims to continue to pay quarterly dividends of 2.25 pence per Ordinary Preference Share, in line with the distribution policy. There is no guarantee that any future dividends will be paid.

# DIRECTORS' REPORT (continued)

**Directors**

The Directors in office are shown on page 8, and all Directors remain in office as at the date of signature of these financial statements. Further details of the Director's responsibilities are given on pages 14 to 17.

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

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

| | Number of Ordinary Preference Shares |
|---|---|
| Charles Wilkinson | 100,000 |
| Geoffrey Hall | 50,000 |

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

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

There were no material related party transactions which took place in the financial period, other than those disclosed in the Directors' Report and at Note 20 to the financial statements.

**Substantial Shareholdings**

The Company has been notified of the following substantial interests, in accordance with Chapter 5 of the Disclosure and Transparency Rules, in the Company's share capital as at the date of this report.

| Registered Holder | % of Total Voting Rights | Number of Ordinary Shares |
|---|---|---|
| Baillie Gifford & Co | 17.04% | 7,234,550 |
| Insight Investment Management (Global) Limited | 11.78% | 5,000,000 |
| East Riding of Yorkshire Council | 10.60% | 4,500,000 |
| City of Bradford Metropolitan District Council | 9.42% | 4,000,000 |
| Nestle Capital Management Limited | 9.42% | 4,000,000 |
| Baring Asset Management Limited | 4.94% | 2,097,500 |

**Corporate Governance**

***Statement of Compliance with the UK Corporate Governance Code***

The Guernsey Financial Services Commission ("**GFSC**") has issued a new Corporate Governance Code (the "**GFSC Code**") which came into effect on 1 January 2012. However the Company is not required by Guernsey law to comply with the GFSC Code, as it is not regulated by the GFSC.

The Company has, however, voluntarily committed to comply with the UK Corporate Governance Code. A copy of the UK Corporate Governance Code is available for download from the Financial Reporting Council's website (www.frc.org.uk). Companies which report against the UK Corporate Governance Code are also deemed to meet the requirements of the GFSC Code.

# DIRECTORS' REPORT (continued)

***Statement of Compliance with the UK Corporate Governance Code (continued)***

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 term of six years (given the term of the Leases is twelve years) 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 UK Corporate Governance Code.

**Board Responsibilities**

The Board comprises three Directors, who meet quarterly to consider the affairs of the Company in a prescribed and structured manner. Biographies of the Directors appear on page 8 demonstrating the wide range of skills and experience they bring to the Board. All the Directors are non-executive and independent. The Board regularly reviews the balance, knowledge and effectiveness of the Board, to identify if any additional experience or skills are needed and to ensure that the current Directors have sufficient available time to undertake the tasks required and remain independent. When considering the composition of the Board Directors will be mindful of diversity, and meritocracy.

To date no Director of the Company has resigned. However, 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.

All Directors receive an annual fee and there are no share options or other performance related benefits available to them. All Directors are paid a fee of £15,000 per annum and the Chairman is paid an additional fee of £5,000 per annum. The Chairman of the Audit Committee is paid an additional £3,000 per annum.

Board meetings are held at least four times per year to consider the business and affairs of the Company for the previous quarter, at which meetings the Directors also consider and if thought suitable, approve the payment of a dividend in accordance with the Company's Distribution Policy. A further two regular meetings are held each year to consider and approve the Company's financial statements as well as to consider the business and affairs of the Company during the preceding financial period and going forward thereafter.

Between these 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 hold strategy meetings with relevant advisors in attendance as appropriate.

The Directors are kept fully informed by the Asset Manager and Secretary of all matters that are relevant to the business of the Company and should be brought to the attention of the Directors and/or Shareholders. All Directors have complete direct access to the Secretary and the Secretary is responsible for ensuring that Board procedures are followed and that there are good information flows both within the Board and between Committees and the Board. The Directors also have access to the advice and services of the Asset Manager and Corporate and Shareholder Advisory Agent and may also, in the furtherance of their duties, take independent professional advice at the Company's expense.

During the Period the Board met six times per the regular schedule of meetings outlined above. The Director's attendance is summarised below:

| Director | Board Meetings |
|---|---|
| Charles Wilkinson | 5 of 6 |
| Norbert Bannon | 5 of 6 |
| Geoffrey Hall | 3 of 6 |

# DIRECTORS' REPORT (continued)

**Audit Committee**

The Directors are all members of the Audit Committee, with Norbert Bannon acting as Chairman. The Audit Committee has regard to the Guidance on Audit Committees published by the Financial Reporting Council in September 2012. The Audit Committee examines the effectiveness of the Company's and service provider 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 Company's service providers, quality control procedures, management 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 in respect of the Company's calculations should it undertake a 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 Company's external auditor be proposed to Shareholders at the 2013 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 Company'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 Company's external auditor report to the Board. The Audit Committee can request information from the Company's service providers with the majority of information being directly sourced from the Asset Manager, Secretary & Administrator 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 considered the Audit Committee had the right composition in terms of expertise and has effectively undertaken its activities and reported them to the Board during the year.

The Audit Committee has no significant issues which it wishes to report.

# DIRECTORS' REPORT (continued)

**Internal Control and Financial Reporting**
The Board is responsible for the Company'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 Company.

The internal control systems are designed to meet the Company'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 a annual basis conducts a full review of the Company'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. Administration and Secretarial duties for the Company are performed by Anson.

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

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

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

**Dialogue with Shareholders**
All holders of Ordinary Preference 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.

# DIRECTORS' REPORT (continued)

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The Law requires the Directors to prepare financial statements for each financial year. Under the Law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- 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 Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Law. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect 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 Company'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 Company'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 therefore be submitted at the Company's forthcoming general meeting.

| **Charles Wilkinson** | **Norbert Bannon** |
|---|---|
| Chairman | Chairman of Audit Committee |

Signed on behalf of the Board on 30 July 2013

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

We have audited the financial statements of Doric Nimrod Air One Limited for the year ended 31 March 2013 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash flows, the Statement of Changes in Equity and the related Notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

**Respective Responsibilities of Directors and Auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the Audit of the Financial Statements**

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

**Opinion on Financial Statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

**Matters on Which we are Required to Report by Exception**

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

John Clacy FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditor
St Peter Port, Guernsey
Date: 30 July 2013

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

| | Notes | Year ended 31 Mar 2013 GBP | 8 Oct 2010 to 31 Mar 2012 GBP |
|---|---|---|---|
| **Income** | | | |
| A rent income | *4* | 6,766,120 | 12,902,645 |
| B rent income | *4* | 3,558,847 | 6,767,214 |
| Bank interest received | | 4,307 | 2,205 |
| | | 10,329,274 | 19,672,064 |
| **Expenses** | | | |
| Operating expenses | *5* | (538,705) | (711,544) |
| Depreciation of Asset | *9* | (3,831,398) | (4,789,248) |
| | | (4,370,103) | (5,500,792) |
| Net profit for the period before finance costs and foreign exchange losses | | 5,959,171 | 14,171,272 |
| **Finance costs** | | | |
| Finance costs | *10* | (3,957,600) | (5,177,879) |
| Unrealised foreign exchange (loss)/profit | | (3,381,260) | 397,593 |
| (Loss)/profit for the period | | (1,379,689) | 9,390,986 |
| Other Comprehensive Income | | – | – |
| Total Comprehensive (Loss)/income for the period | | (1,379,689) | 9,390,986 |
| | | **Pence** | **Pence** |
| Earnings per Share for the period – Basic and Diluted | *8* | (3.25) | 22.12 |

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

The notes on pages 23 to 38 form an integral part of these financial statements

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

| | Notes | 31 Mar 2013 GBP | 31 Mar 2012 GBP |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Aircraft | *9* | 106,538,525 | 110,369,924 |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 4,580,076 | 4,484,057 |
| Receivables | *12* | 5,441 | 7,632 |
| | | 4,585,517 | 4,491,689 |
| **TOTAL ASSETS** | | 111,124,042 | 114,861,613 |
| **CURRENT LIABILITIES** | | | |
| Borrowings | *14* | 6,528,741 | 5,829,257 |
| Deferred income | | 4,969,675 | 1,286,991 |
| Payables – due within one year | *13* | 116,783 | 53,234 |
| | | 11,615,199 | 7,169,482 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | *14* | 60,463,068 | 63,446,167 |
| | | 60,463,068 | 63,446,167 |
| **TOTAL LIABILITIES** | | 72,078,267 | 70,615,649 |
| **TOTAL NET ASSETS** | | 39,045,775 | 44,245,964 |
| **EQUITY** | | | |
| Share premium | *15* | 39,016,728 | 39,016,728 |
| Retained earnings | | 29,047 | 5,229,236 |
| | | 39,045,775 | 44,245,964 |

| | Pence | Pence |
|---|---|---|
| Net asset value per Ordinary Share based on 42,450,000 shares in issue | 91.98 | 104.23 |

The Financial Statements were approved by the Board of Directors and authorised for issue on 30 July 2013 and are signed on its behalf by Charles Wilkinson, Chairman.

The notes on pages 23 to 38 form an integral part of these financial statements

# STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

| | Year ended 31 Mar 2013 GBP | 8 Oct 2010 to 31 Mar 2012 GBP |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| (Loss)/profit for the period | (1,379,689) | 9,390,986 |
| Movement in deferred income | 3,682,684 | 1,286,991 |
| Interest received | (4,307) | (2,205) |
| Depreciation of Asset | 3,831,398 | 4,789,248 |
| Loan interest | 3,949,696 | 5,164,885 |
| Increase in payables | 63,549 | 53,234 |
| Decrease/(increase) in receivables | 2,191 | (7,632) |
| Amortisation of debt arrangement costs | 7,904 | 12,994 |
| Foreign exchange loss/(profit) | 3,381,260 | (397,594) |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | 13,534,686 | 20,290,907 |
| **INVESTING ACTIVITIES** | | |
| Purchase of Aircraft | – | (115,159,172) |
| Interest received | 4,307 | 2,205 |
| **NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES** | 4,307 | (115,156,967) |
| **FINANCING ACTIVITIES** | | |
| Dividends paid | (3,820,500) | (3,820,500) |
| Repayments of capital on borrowings | (5,799,472) | (6,918,735) |
| Repayments of interest on borrowings | (3,945,022) | (5,149,834) |
| Proceeds on issue of shares | – | 39,625,022 |
| Share issue costs | – | (949,544) |
| New bank loans raised | – | 76,729,560 |
| Costs associated with loans raised | – | (72,500) |
| **NET CASH FLOW (USED IN)/FROM FINANCING ACTIVITIES** | (13,564,994) | 99,443,469 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 4,484,057 | – |
| (Decrease)/increase in cash and cash equivalents | (26,001) | 4,577,409 |
| Exchange rate adjustment | 122,020 | (93,352) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 4,580,076 | 4,484,057 |

The notes on pages 23 to 38 form an integral part of these financial statements

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

| | Notes | Share Capital GBP | Revenue Reserve GBP | Total GBP |
|---|---|---|---|---|
| Balance as at 1 April 2012 | | 39,016,728 | 5,229,236 | 44,245,964 |
| Total Comprehensive (Loss) income for the period | | – | (1,379,689) | (1,379,689) |
| Dividends paid | *7* | – | (3,820,500) | (3,820,500) |
| Balance as at 31 March 2013 | | 39,016,728 | 29,047 | 39,045,775 |

| | Notes | Share Capital GBP | Revenue Reserve GBP | Total GBP |
|---|---|---|---|---|
| Balance as at 8 October 2010 | | – | – | – |
| Total Comprehensive Income for the period | | – | 9,390,986 | 9,390,986 |
| Share issue proceeds | *15* | 39,625,022 | – | 39,625,022 |
| Share issue costs | *15* | (949,544) | | (949,544) |
| Fair value adjustment on share issue | *15* | 341,250 | (341,250) | – |
| Dividends paid | *7* | – | (3,820,500) | (3,820,500) |
| Balance as at 31 March 2012 | | 39,016,728 | 5,229,236 | 44,245,964 |

The notes on pages 23 to 38 form an integral part of these financial statements

# NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2013

## 1 GENERAL INFORMATION

Doric Nimrod Air One Limited (the “Company”) was incorporated in Guernsey on 8 October 2010 with registered number 52484. Its share capital consists of one class of Ordinary Preference Shares and one class of Subordinated Administrative Shares. The Company’s Ordinary Preference Shares have been admitted to trading on the Specialist Fund Market (“SFM”) of the London Stock Exchange (“LSE”) and are listed on the Channel Islands Stock Exchange (“CISX”).

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

## 2 ACCOUNTING POLICIES

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

**(a) Basis of Preparation**

The 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, which are expected to affect the Company, have been issued but not yet adopted by the Company. Other Standards or Interpretations issued by the IASB and IFRIC are not expected to affect the Company.

IFRS 7 *Financial Instruments – Disclosures* – amendments requiring disclosures about the initial application of IFRS9 effective for annual periods beginning on or after 1 January 2015 (or otherwise when IFRS 9 is first applied).

IFRS 9 *Financial Instruments* – Classification and Measurement (revised November 2009) effective for annual periods beginning on or after 1 January 2013.

IFRS 9 *Financial Instruments* – accounting for financial liabilities and derecognition effective for annual periods beginning on or after 1 January 2015.

IAS 1 *Presentation of Financial Statements* – amendments resulting from Annual Improvements effective for annual periods beginning on or after 1 January 2013.

IAS 16 *Property Plant & Equipment* – amendments resulting from Annual Improvements effective for annual periods beginning on or after 1 January 2013.

IAS 32 *Financial Instruments: Presentation* – amendments to application guidance on the offsetting of financial assets and financial liabilities effective for annual periods beginning on or after 1 January 2014.

IAS 32 *Financial Instruments: Presentation* – annual improvements effective for annual periods beginning on or after 1 January 2013.

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 Company’s financial statements except for the presentation of additional disclosures and changes to the presentation of components of the financial statements. These items will be applied in the first financial period for which they are required.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

## 2 ACCOUNTING POLICIES (continued)

### (b) Taxation

The Company has been assessed for tax at the Guernsey standard rate of 0%.

### (c) Share capital

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

### (d) Expenses

All expenses are accounted for on an accruals basis.

### (e) Interest Income

Interest income is accounted for on an accruals basis.

### (f) Foreign currency translation

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

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

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

### (g) Cash and Cash equivalents

Cash at bank and short term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as call deposits, short term deposits with a term of no more than 3 months from the start of the deposit and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

### (h) Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being acquiring, leasing and selling of one Airbus A380-861 aircraft (the "Asset").

### (i) Going concern

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

## 2 ACCOUNTING POLICIES (continued)

### (j) Leasing and rental income

The lease relating to the Asset has been classified as an operating lease as the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee. The Asset is shown as a non-current asset in the Statement of Financial Position. Further details of the lease are given in Note 11.

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

### (k) Property, plant and equipment – Aircraft

In line with IAS 16 Property Plant and Equipment, the 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. Accumulated depreciation and any recognised impairment loss are deducted from cost to calculate the carrying amount of the Asset.

Depreciation is recognised so as to write off the cost of the Asset less the estimated residual value of £69.2 million over the estimated useful life of the Asset of 12 years, using the straight line method. The depreciation method reflects the pattern of benefit consumption. The residual value is reviewed annually and is the amount the Company would receive currently if the asset were already of the age and condition expected at the end of its useful life. Useful life is also reviewed annually and for the purposes of the financial statements represents the likely period of the Company's ownership of these Assets. Depreciation starts when the asset is available for use.

At each balance sheet date, the Company reviews the carrying amounts of its Asset to determine whether there is any indication that the Asset has suffered any impairment loss. If any such indication exists, the recoverable amount of the Asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and 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 the 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.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

**2 ACCOUNTING POLICIES (continued)**

**(l) Financial liabilities**

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. 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 Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

**(m) Net asset value**

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

**3 SIGNIFICANT JUDGEMENTS AND ESTIMATES**

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

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

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

**Residual value and useful life of the Asset**

As described in Note 2 (k), the Company depreciates the Asset on a straight line basis over the estimated useful life of the Asset and taking into consideration the estimated residual value. In making its judgement regarding residual value estimate the Directors considered previous sales of similar aircraft and other available aviation information. The useful life of the Asset is estimated based on the expected period for which the Company will own and lease the aircraft.

**Operating lease commitments – Company as lessor**

The Company has entered into a lease on the Asset. The Company 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 this asset and accounts for the contract as an operating lease.

The Company has determined that the operating lease on the Asset is 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 their lease at the end of the initial term of 10 years, a penalty equal to the present value of the remaining 2 years lease rentals would be due.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

## 3 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

### Issue of initial shares

As described in Note 15, Shares issued prior to the public Placing were accounted for at the fair value of the Shares on the date of issue. The Directors estimated the value of these Shares issued based on the anticipated launch price and their assessment of the respective dates of issue and the probability of a successful launch. The difference between fair value and actual cash proceeds is shown as a movement in reserves in the Statement of Changes in Equity.

### Impairment

As described in Note 2 (k), 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 Intangible Assets.

## 4 RENTAL INCOME

| | Year ended 31 Mar 2013 GBP | 8 Oct 2010 to 31 Mar 2012 GBP |
|---|---|---|
| A rent income | 9,686,019 | 14,474,402 |
| Revenue received but not yet earned | (2,919,899) | (1,571,757) |
| | 6,766,120 | 12,902,645 |
| B rent income | 4,321,632 | 6,482,448 |
| Revenue received but not yet earned | (762,785) | 284,766 |
| | 3,558,847 | 6,767,214 |
| Total rental income | 10,324,967 | 19,669,859 |

The total rental income for the current period is net of an adjustment of £2,802,862 in relation to income accounted for in the prior period attributable to the current year.

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

A and B rental income receivable will decrease/increase respectively, 10 years from the start of each lease. An adjustment has been made to spread the actual total income receivable evenly over the term of the lease.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

## 5 OPERATING EXPENSES

| | Year ended 31 Mar 2013 GBP | 8 Oct 2010 to 31 Mar 2012 GBP |
|---|---|---|
| Management fee | 102,263 | 129,932 |
| Asset management fee | 257,063 | 324,323 |
| Administration fees | 61,143 | 78,421 |
| Accountancy fees | 10,273 | 12,719 |
| Registrars fee | 8,837 | 10,772 |
| Audit fee | 15,000 | 23,500 |
| Directors' remuneration | 53,000 | 70,025 |
| Directors' and Officers' insurance | 7,981 | 10,720 |
| Legal & professional expenses | 4,053 | 13,375 |
| Annual fees | 500 | 6,164 |
| Sundry costs | 9,929 | 18,373 |
| Other operating expenses | 8,663 | 13,220 |
| | 538,705 | 711,544 |

## 6 DIRECTORS' REMUNERATION

Under their terms of appointment, each Director is paid a fee of £15,000 per annum by the Company, except for the Chairman, who receives £20,000 per annum. The Chairman of the Audit Committee also receives an extra £3,000 per annum.

## 7 DIVIDENDS IN RESPECT OF EQUITY SHARES

| | Year ended 31 Mar 2013 | |
|---|---|---|
| | GBP | Pence per share |
| First interim payment | 955,125 | 2.25 |
| Second interim payment | 955,125 | 2.25 |
| Third interim payment | 955,125 | 2.25 |
| Fourth interim payment | 955,125 | 2.25 |
| | 3,820,500 | 9.00 |

| | 8 Oct 2010 to 31 Mar 2012 | |
|---|---|---|
| | GBP | Pence per share |
| First interim payment | 955,125 | 2.25 |
| Second interim payment | 955,125 | 2.25 |
| Third interim payment | 955,125 | 2.25 |
| Fourth interim payment | 955,125 | 2.25 |
| | 3,820,500 | 9.00 |

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

## 8 EARNINGS PER SHARE

Earnings Per Share ('EPS') is based on the net loss for the period attributable to Shareholders of £1,379,689 (31 March 2012: profit of £9,390,986) and on 42,450,000 (31 March 2012: 42,450,000) Shares being the weighted average number of Shares in issue during the period. There are no dilutive instruments and therefore basic and diluted earnings per Share are identical.

## 9 PROPERTY, PLANT AND EQUIPMENT – AIRCRAFT

| | **Aircraft GBP** |
|---|---|
| **COST** | |
| As at 1 Apr 2012 | 115,159,172 |
| Additions | – |
| As at 31 Mar 2013 | 115,159,172 |
| **ACCUMULATED DEPRECIATION** | |
| As at 1 Apr 2012 | 4,789,249 |
| Charge for the year | 3,831,398 |
| As at 31 Mar 2013 | 8,620,647 |
| **CARRYING AMOUNT** | |
| As at 31 Mar 2013 | 106,538,525 |
| As at 31 Mar 2012 | 110,369,924 |

The Company cannot sell the Asset during the term of the Lease without terminating the Lease or Special Termination Events (as defined by the Lease) occurring. If at the end of the Lease the Company makes the choice to sell the Asset rather than leasing it out again, Emirates will be given first refusal to purchase the Asset at an independently appraised market value.

Under IAS 17 Leases the direct costs attributed in negotiating and arranging the Lease have been added to the carrying amount of the Asset and will be recognised as an expense over the lease term.

## 10 FINANCE COSTS

| | **31 Mar 2013 GBP** | **31 Mar 2012 GBP** |
|---|---|---|
| Amortisation of debt arrangement costs | 7,904 | 12,994 |
| Loan interest | 3,949,696 | 5,164,885 |
| | 3,957,600 | 5,177,879 |

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

## 11 OPERATING LEASES

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

| 31 Mar 2013 | Next 12 months GBP | 2 to 5 years GBP | After 5 years GBP | Total GBP |
|---|---|---|---|---|
| Aircraft – A rental payments | 10,048,056 | 40,192,454 | 31,112,304 | 81,352,815 |
| Aircraft – B rental payments | 4,321,632 | 17,286,528 | 20,360,298 | 41,968,458 |
| | 14,369,688 | 57,478,982 | 51,472,602 | 123,321,273 |

| 31 Mar 2012 | Next 12 months GBP | 2 to 5 years GBP | After 5 years GBP | Total GBP |
|---|---|---|---|---|
| Aircraft – A rental payments | 9,536,489 | 38,146,138 | 39,877,274 | 87,559,901 |
| Aircraft – B rental payments | 4,321,632 | 17,286,528 | 26,047,104 | 47,655,264 |
| | 13,858,121 | 55,432,666 | 65,924,378 | 135,215,165 |

The Operating lease is for an Airbus A380-861 aircraft. The term of the lease is for 12 years ending November 2022. The initial lease is for 10 years ending November 2020, with an extension period of 2 years ending November 2022, in which rental payments reduce. The present value of the remaining rentals in the extension period must be paid even if the option is not taken.

At the end of the lease term the lessee has the right to exercise an option to purchase the Asset if the Company chooses to sell the Asset. If a purchase option event occurs the Company 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 2013 GBP | 31 Mar 2012 GBP |
|---|---|---|
| Prepayments | 5,419 | 7,610 |
| Sundry debtors | 22 | 22 |
| | 5,441 | 7,632 |

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

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

| | 31 Mar 2013 GBP | 31 Mar 2012 GBP |
|---|---|---|
| Accrued administration fees | 6,129 | 6,053 |
| Accrued audit fee | 16,400 | 20,000 |
| Accrued management fees | 91,482 | 25,000 |
| Other accrued expenses | 2,772 | 2,181 |
| | 116,783 | 53,234 |

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

## 14 BORROWINGS

| | TOTAL 31 Mar 2013 GBP | TOTAL 31 Mar 2012 GBP |
|---|---|---|
| Bank loan | 67,043,411 | 69,334,930 |
| Transaction costs | (51,602) | (59,506) |
| | 66,991,809 | 69,275,424 |
| Amount due for settlement within 12 months | 6,528,741 | 5,829,257 |
| Amount due for settlement after 12 months | 60,463,068 | 63,446,167 |

The loan was arranged with Westpac Banking Corporation ("Westpac") for USD 122,000,000, runs for 12 years until December 2022, and has an effective interest rate of 5.4950% which is the same as the contractual fixed interest rate. The loan is secured on the Asset. No breaches or defaults occurred in the period. Transaction costs of arranging the loan have been deducted from the carrying amount of the loan and will be amortised over its life.

In the Directors' opinion, the above carrying value of the bank loan is approximate to its fair value.

## 15 SHARE CAPITAL

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

## 15 SHARE CAPITAL (continued)

| Issued | Subordinated Administrative Shares | Ordinary Preference Shares |
|---|---|---|
| Shares issued at incorporation | – | 1 |
| Shares issued 11 October 2010 | – | 4,000,000 |
| Shares issued 1 December 2010 | – | 1,000,000 |
| Shares redeemed 1 December 2010 | – | (2,175,001) |
| Shares issued 6 December 2010 | 2 | – |
| Shares issued in Placing | – | 39,625,000 |
| Issued share capital as at 31 March 2013 | 2 | 42,450,000 |

| Issued | GBP |
|---|---|
| **Ordinary Preference Shares** | |
| 1,825,000 Shares issued prior to Placing – Fair value | 91,260 |
| 1,000,000 Shares issued prior to Placing – Fair value | 250,010 |
| 39,625,000 Shares issued in Placing | 39,625,000 |
| Share issue costs | (949,544) |
| Issued share capital as at 31 March 2013 | 39,016,726 |
| **Subordinated Administrative Shares** | |
| Shares issued 6 December 2010 | 2 |
| **Total share premium as at 31 March 2013** | 39,016,728 |

Members holding Ordinary Preference Shares are entitled to receive, and participate in, any dividends out of income; other distributions of the Company 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, members are entitled to the surplus assets remaining after payment of all the creditors of the Company. Members have the right to receive notice of and to attend, speak and vote at general meetings of the Company.

The holders of Subordinated Administrative Shares are not entitled to receive, and participate in, any dividends out of income; other distributions of the Company 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 Preference Shares have received a return of their capital paid up but ahead of the return of all additional capital to the holders of Ordinary Preference Shares. Holders of Subordinated Administrative Shares shall not have the right to receive notice of and shall have no right to attend, speak and vote at general meetings of the Company, except for the Liquidation Proposal Meeting (general meeting convened six months before the end term of the Lease where the Liquidation Resolution will be proposed) or if there are no Ordinary Preference Shares in existence.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

## 15 SHARE CAPITAL (continued)

A fair value adjustment arose on the issue of 1,825,000 and 1,000,000 Ordinary Preference shares for which the consideration was £10 and £10 respectively. The fair value adjustment of £341,250 has been adjusted through reserves in the period to 30 September 2011.

The Ordinary Preference Shares are not puttable instruments as the holder does not have the right to put the Shares back to the Company for cash or another financial instrument.

## 16 FINANCIAL INSTRUMENTS

The Company's main financial instruments comprise:

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

(b) Loan secured on non current asset.

## 17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

| | 31 Mar 2013 GBP | 31 Mar 2012 GBP |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 4,580,076 | 4,484,057 |
| Receivables | 22 | 22 |
| **Loans and receivables at amortised cost** | 4,580,098 | 4,484,079 |
| **Financial liabilities** | | |
| Accrued expenses | 116,783 | 53,234 |
| Loans payable | 66,991,809 | 69,275,424 |
| **Financial liabilities measured at amortised cost** | 67,108,592 | 69,328,658 |

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

### (a) Capital management

The Company manages its capital to ensure that the Company 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 Company is not subject to any externally imposed capital requirements.

The capital structure of the Company 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.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

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

### (a) Capital management (continued)

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

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

### (b) Foreign currency risk

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

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

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

| | **31 March 2013 GBP** | **31 March 2012 GBP** |
|---|---|---|
| Bank loan (USD) – liabilities | (67,043,411) | (69,334,930) |
| Cash and cash equivalents (USD) – assets | 2,375,888 | 3,162,388 |

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

| | **USD impact GBP** |
|---|---|
| Profit or loss | 8,434,895 |
| Assets | (309,898) |
| Liabilities | 8,744,793 |

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

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

### (c) Credit Risk

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

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

| | **31 Mar 2013 GBP** | **31 Mar 2012 GBP** |
|---|---|---|
| Receivables | 22 | 22 |
| Cash and cash equivalents | 4,580,076 | 4,484,057 |
| | 4,580,098 | 4,484,079 |

Surplus cash is held in accounts with Barclays and Westpac Banking Corporation, which have credit ratings given by Moody's of A3 and Aa2 respectively.

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

At the inception of the lease, the Company 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 Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The Company's main financial commitments are its ongoing operating expenses and loan repayments to Westpac.

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

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

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

### (d) Liquidity Risk (continued)

The table below details the residual contractual maturities of financial liabilities:

| 31 March 2013 | 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 | 116,783 | – | – | – | – |
| Loans payable | 2,527,136 | 7,582,724 | 10,108,543 | 30,325,629 | 33,749,149 |
| | 2,643,919 | 7,582,724 | 10,108,543 | 30,325,629 | 33,749,149 |

| 31 March 2012 | 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 | 53,234 | – | – | – | – |
| Loans payable | 2,398,474 | 7,195,422 | 9,593,896 | 28,781,689 | 41,624,807 |
| | 2,451,708 | 7,195,422 | 9,593,896 | 28,781,689 | 41,624,807 |

### (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 Company.

The Company mitigates interest rate risk by fixing the interest rate on the loan and the lease rentals.

The following table details the Company's exposure to interest rate risks, by interest rate refinancing period:

| 31 March 2013 | Less than 1 month GBP | Fixed interest GBP | Non-interest Bearing GBP | Total GBP |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Accrued income | – | – | – | – |
| Receivables | – | – | 5,441 | 5,441 |
| Cash and cash equivalents | 4,580,076 | – | – | 4,580,076 |
| **Total financial assets** | 4,580,076 | – | 5,441 | 4,585,517 |
| **Financial liabilities** | | | | |
| Accrued expenses | – | – | 116,783 | 116,783 |
| Loans payable | – | 66,991,809 | – | 66,991,809 |
| **Total financial liabilities** | – | 66,991,809 | 116,783 | 67,108,592 |
| **Total interest sensitivity gap** | 4,580,076 | 66,991,809 | | |

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

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

### (e) Interest rate risk (continued)

| 31 March 2012 | Less than 1 month GBP | Fixed interest GBP | Non-interest Bearing GBP | Total GBP |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Accrued income | – | – | – | – |
| Receivables | – | – | 7,632 | 7,632 |
| Cash and cash equivalents | 4,484,057 | – | – | 4,484,057 |
| **Total financial assets** | 4,484,057 | – | 7,632 | 4,491,689 |
| **Financial liabilities** | | | | |
| Accrued expenses | – | – | 53,234 | 53,234 |
| Loans payable | – | 69,275,424 | – | 69,275,424 |
| **Total financial liabilities** | – | 69,275,424 | 53,234 | 69,328,658 |
| **Total interest sensitivity gap** | 4,484,057 | 69,275,424 | | |

If interest rates had been 50 basis points higher throughout the period and all other variables were held constant, the Company's profit for the period and net assets attributable to Shareholders as at 31 March 2013 would have been £22,900 (31 March 2012: £22,420) 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 Company's profit for the period and net assets attributable to Shareholders as at 31 March 2013 would have been £22,900 (31 March 2012: £22,420) lower due to a decrease in the amount of interest receivable on the bank balances.

## 18 ULTIMATE CONTROLLING PARTY

In the opinion of the Director's, the Company has no ultimate controlling party.

## 19 SUBSEQUENT EVENTS

On 2 April 2013 a further dividend of 2.25 pence per Ordinary Preference Share was declared and this was paid on 19 April 2013.

On 2 July 2013 a further dividend of 2.25 pence per Ordinary Preference Share was declared and this was paid on 19 July 2013.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 March 2013

## 20 RELATED PARTIES

Nimrod Capital LLP ("Nimrod") is the Company's Placing Agent and Corporate and Shareholder Adviser. In consideration for Nimrod acting as placing agent in the Share placing, the Company agreed to pay Nimrod, on admission to trading of the Shares, a placing commission equal to 0.43 per cent of the initial gross proceeds of the placing. The Company pays to Nimrod for its services as Corporate and Shareholder Adviser a fee of £100,000 per annum (adjusted annually for inflation from 2012 onwards at 2.25 per cent. per annum) payable quarterly in arrears.

During the year, the Company incurred £104,443 (31 March 2012: £638,389) of expenses with Nimrod, of which £26,138 (31 March 2012: £25,000) was outstanding to this related party at 31 March 2013. £nil (31 March 2012: £504,859) of expenses have been deducted from equity as a launch cost.

Until 12 March 2012 Doric Asset Finance Limited ("DAFL") was the Company's Asset Manager. DAFL received a fee on admission to trading of the Shares equal to 1.14 per cent of the initial gross proceeds of the placing and issue of the Company's bank loan. From 12 March 2012, Doric GmbH ("Doric") has been the Company's Asset Manager. The Company pays Doric a management and advisory fee of £250,000 per annum (adjusted annually for inflation from 2012 onwards, at 2.25 per cent. per annum), payable quarterly in arrears. Doric will also receive a fee for its sales and remarketing services upon disposition of the Asset and subsequent winding up of the Company ("the Disposition Fee"). This will be payable by the Company out of the proceeds of sale and will follow and incentivised structure. Doric will not be entitled to the Disposition Fee (but for the avoidance of doubt will be entitled to reimbursement for properly incurred costs and expenses) if Shareholders do not recover 100 pence per share net of all costs, fees and expenses upon the winding up of the Company. If Shareholders receive between 100 pence per share and 150 pence per share (inclusive) (in each case net of all cost, fees and expense) upon the winding up of the Company, Doric should receive a Disposition Fee of 2 per cent. of the realised value of the Asset. If Shareholders receive more than 150 pence per share (net of all costs, fees and expenses) Doric should receive 3 per cent. of the Realised Value of the Asset.

During the year, the Company incurred £257,063 (31 March 2012: £1,657,269) of expenses with Doric, of which £65,344 (31 March 2012: £nil) was outstanding to this related party at 31 March 2013. £nil (31 March 2012: £1,325,000) of expenses have been capitalised as direct costs attributable in bringing the Asset into working condition and have been added to the carrying amount of the Asset).

# NOTICE OF GENERAL MEETING

DORIC NIMROD AIR ONE LIMITED

(Incorporated and registered in Guernsey with company number 52484)

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you are advised to consult your stockbroker, solicitor, accountant, or other professional adviser. If you have sold or otherwise transferred all your shares in Doric Nimrod Air One Limited, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer for transmission to the person who now holds shares in Doric Nimrod Air One Limited.**

NOTICE IS HEREBY GIVEN that the GENERAL MEETING of the voting Members of Doric Nimrod Air One Limited (the "**Company**") will be held at Anson Place, Mill Court, La Charroterie, St Peter Port, Guernsey, Channel Islands on 1 October 2013 at 10.00 a.m., to consider and, if thought fit, pass the below resolutions.

**ORDINARY RESOLUTIONS**

1. To receive the Annual Financial Report for the period ended 31 March 2013.
2. To appoint Deloitte LLP as Auditor to the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting to be held in 2014 under section 199 of The Law, as amended, and to authorise the Directors to determine their remuneration.

**By order of the Board**

Anson Fund Managers Limited
Company Secretary

**Registered Office:**
Anson Place
Mill Court
La Charroterie
St. Peter Port
Guernsey
Channel Islands
GY1 1EJ

Dated: 29 July 2013

**Notes:**

1. A shareholder will only be entitled to attend and vote at this General Meeting if they are registered as holders of Shares as at the close of business on 29 September 2013 or, if the General Meeting is adjourned, as at 48 hours before the time of any adjourned General Meeting. This record time is being set for voting because the procedures for updating the registers of members for each class of shares held in uncertificated form require a record time to be set for the purpose of determining entitlements to attend and vote at shareholder meetings.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to speak and vote instead of them. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude members from attending or voting at the General Meeting if they so wish.
3. More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.
4. In accordance with the provisions of E.2.1 of the UK Code of Corporate Governance it should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against each resolution.
5. A Form of Proxy is enclosed for use at the General Meeting. The Form of Proxy should be completed in accordance with the instructions set out therein and sent, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, so as to reach the Company's agent, for this purpose being, Anson Registrars Limited, Anson Place, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 1EJ not less than 48 hours before the time for holding the General Meeting.
6. If the General Meeting falls to be adjourned because it is not quorate, it will be adjourned to the same time and place five business days later or to such other day and/or time and/or place as the directors of the Company may determine, whereupon those shareholders then present in person, by their representative or by proxy, shall form the quorum. In the event of any such adjournment the Company will announce the adjournment via a regulatory information service but no notification will be sent directly to shareholders.

# NOTICE OF GENERAL MEETING (continued)

7. Where there are joint registered holders of any shares such persons shall not have the right of voting individually in respect of such shares but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the register of shareholders shall alone be entitled to vote.
8. On a poll votes may be given either personally or by proxy and a shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
9. Any corporation which is a shareholder may by resolution of its board of directors or other governing body authorise such person as it thinks fit to act as its representative at the General Meeting. Any person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual shareholder.
10. As at 26 July 2013 (the latest practicable date prior to the printing of this notice) the Company's issued share capital consisted of 42,450,000 Ordinary Preference Shares of no par value, all carrying one vote each per share.
11. Copies of the following documents are available for inspection at the registered office of the Company during usual business hours on any weekday (weekends and public holidays excluded) and will be available for inspection at the place of the General Meeting for 15 minutes before and during the General Meeting itself:
    (a) a copy of the Company's Annual Financial Report for the year ended 31 March 2013;
    (b) copies of the non-executive directors' appointment letters; and
    (c) the Articles of Incorporation.

## EXPLANATORY NOTES TO THE NOTICE OF GENERAL MEETING

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

## ORDINARY RESOLUTIONS

### Resolution 1: Annual Report and Accounts

For each financial year the directors are required to present the directors' report, the audited accounts and the auditors' reports to shareholders at a general meeting. Shareholders are asked to receive the annual report and accounts of the Company for the financial year ended 31 March 2013. The Law requires that the accounts and reports are laid before the General Meeting.

### Resolution 2 Appointment of Auditor

Following the previous general meeting of the Company the appointment of the Auditor to continue until the conclusion of the next general meeting to be held in 2013, under section 199 of the Law. Deloitte LLP have indicated that they are willing to continue to be the Company's Auditor for the next year. You are asked to approve their re-appointment and to authorise the Directors of the Company to determine their remuneration.

# KEY ADVISERS AND CONTACT INFORMATION

**KEY INFORMATION**

| | |
|---|---|
| Exchange | Specialist Fund Market of the LSE/CISX |
| Ticker | DNA |
| Listing Date | 13 December 2010 |
| Fiscal Year End | 31 March |
| Base Currency | GBP |
| ISIN | GG00B4MF3899 |
| SEDOL | B4MF389 |
| Country of Incorporation | Guernsey – Registration number 52484 |

**MANAGEMENT AND ADMINISTRATION**

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**Company Secretary and Administrator**
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**Liaison Agent**
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**Registrar**
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