

CAPITAL LEASE AVIATION PLC
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 6 JUNE 2007
(DATE OF INCORPORATION) TO
30 JUNE 2007

REGISTERED NUMBER: 6271424 (ENGLAND & WALES)

CAPITAL LEASE AVIATION PLC
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FOR THE PERIOD ENDED 30 JUNE 2007

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**CAPITAL LEASE AVIATION PLC
COMPANY INFORMATION
FOR THE PERIOD ENDED 30 JUNE 2007**

DIRECTORS: Robert Jeffries Chatfield
Peter Anthony Freeman
Richard Header Sinclair (Appointed: 16/07/2007)

SECRETARY: Siobhan Cool

REGISTERED OFFICE: Georgian House
63 Coleman Street
London
EC2R 5BB

REGISTERED NUMBER: 6271424 (England & Wales)

AUDITORS: Kingston Smith LLP
Chartered Accountants and Registered Auditors
Devonshire House
60 Goswell Road
London
EC1M 7AD

BANKERS: Lloyds TSB Bank Plc
25 Gresham Street
London
EC2V 7HN

**CAPITAL LEASE AVIATION PLC
REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 30 JUNE 2007**

The directors have pleasure in presenting their report and financial statements for the period to 30 June 2007.

Principal activities and business review

The principal activities of the company are engaged in investment holding and leasing of aircraft. The company expects to lease a series of aircraft in the near term and anticipates growing its asset base.

Results and dividends

The income statement for the period is set out on page 5. No dividends will be distributed for the period ended 30 June 2007.

Directors

The directors who served the company during the period together with their interests (including family interests) in the shares of the company and other group companies at the beginning (or subsequent date of appointment) and end of the period, were as follows;

Avation Plc	<u>Ordinary shares of 0.1p each</u>	
	30 June 2007	At date of appointment
R. J. (Jeff) Chatfield	3,089,490	3,089,490
Peter Freeman	10,000	10,000

Equal Opportunities Policy

It is the company's policy to employ individuals with the necessary qualifications without regard to sex, marital status, race, creed, colour, nationality or religion. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities.

The company recognises the great importance of the contribution made by all employees and aims to keep them informed of matters affecting them as employees and developments within the company. Communication and consultation is achieved by a variety of means both within individual companies or branches and on a group-wide basis.

Directors' Insurance

The company maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the group.

**CAPITAL LEASE AVIATION PLC
REPORT OF THE DIRECTORS
FOR THE PERIOD ENDED 30 JUNE 2007**

Creditors Payment Policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented xxx days' purchases.

Statement as to disclosure of information to auditors

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Kingston Smith LLP were appointed during the year and have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

On behalf of the board



R. Sinclair
Director
On behalf of the Board

Date: 15th October 2007

**CAPITAL LEASE AVIATION PLC
DIRECTORS' RESPONSIBILITIES & REPORT OF THE AUDITORS
FOR THE PERIOD ENDED 30 JUNE 2007
Statement of Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards.

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and prepare the financial statements on a going concern basis unless it is inappropriate to assume the company will continue in business.

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 Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Shareholders of Capital Lease Aviation PLC

We have audited the financial statements of Capital Lease Aviation plc for the period ended 30 June 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

**CAPITAL LEASE AVIATION PLC
DIRECTORS' RESPONSIBILITIES & REPORT OF THE AUDITORS (CONTINUED)
FOR THE PERIOD TO 30 JUNE 2007**

Respective responsibilities of directors and auditors (Continued)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Report of the Directors is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is inconsistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

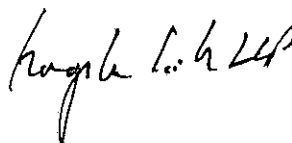
Opinion

In our opinion:

- The financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 June 2007 and of its loss for the period then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985;
- The information given in the Report of the Directors is consistent with the financial statements.

Kingston Smith LLP

Chartered Accountants and Registered Auditors
Devonshire House
60 Goswell Road
London
EC1M 7AD
Date: 15th October 2007



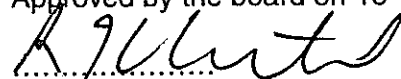
**CAPITAL LEASE AVIATION PLC
INCOME STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007**

	<u>Note</u>	<u>2007</u> £
Revenue		-
Cost of sales		<u>-</u>
Gross profit		-
Administrative expenses		<u>(12)</u>
Loss from operations	6	(12)
Finance income and expenses		<u>-</u>
Loss before income tax		(12)
Taxation	8	<u>-</u>
Loss after income tax		<u>(12)</u>

**CAPITAL LEASE AVIATION PLC
BALANCE SHEET
AS AT 30 JUNE 2007**

	<u>Note</u>	<u>2007</u> £
<u>ASSETS</u>		
Current asset:		
Cash and cash equivalents		<u>50,088</u>
Total assets		<u>50,088</u>
<u>EQUITY</u>		
Capital and reserves:		
Share capital	9	50,100
Retained loss		<u>(12)</u>
Net equity		<u>50,088</u>
Total equity		<u>50,088</u>

Approved by the board on 15th October 2007



R.J. Chatfield
Director

**CAPITAL LEASE AVIATION PLC
STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2007**

	<u>Note</u>	<u>Share capital</u> £	<u>Retained loss</u> £	<u>Total</u> £
Balance at 6 June 2007 (date of incorporation)		2	-	2
Increase of issued share capital	9	50,098	-	50,098
Net loss for the financial period		<u>-</u>	<u>(12)</u>	<u>(12)</u>
Balance at 30 June 2007		<u>50,100</u>	<u>(12)</u>	<u>50,088</u>

**CAPITAL LEASE AVIATION PLC
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007**

	<u>Period Ended</u> <u>30 June 2007</u> £
Cash flows from operating activities:	
Loss before income tax and net cash from operating activities	(12)
Cash flows from financing activity:	
Issue of shares (net of issue costs)	<u>50,100</u>
Net cash from financing activity	<u>50,100</u>
Net increase in cash and cash equivalent	50,088
Cash and cash equivalent at beginning of financial period	-
Cash and cash equivalent at end of financial period	<u><u>50,088</u></u>

CAPITAL LEASE AVIATION PLC
NOTES TO FINANCIAL STATEMENTS
30 June 2007

1 GENERAL

Capital Lease Aviation plc is a public limited company incorporated in the United Kingdom under the Companies Act 1985 (Registration Number 6271424). The address of the registered office is given on page 1.

As disclosed in the Report of the Directors, the principal activity of the Company is that of an investment holding company and aircraft leasing.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for use in the European Union ("IFRS").

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) **BASIS OF PREPARATION** – The financial statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board, and have been prepared under the historical cost convention.

The financial statements are presented in Pounds Sterling, rounded to the nearest pound.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The accounting policies set out below have been applied consistently throughout the financial period presented in these financial statements.

CAPITAL LEASE AVIATION PLC
NOTES TO FINANCIAL STATEMENTS
30 June 2007

(b) **REVENUE RECOGNITION** – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

- (i) Sales of goods are recognised when goods are delivered and title has passed.
- (ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(c) **INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

Income tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, except that a debit balance for deferred tax is not carried forward unless there is a reasonable expectation of realisation.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

(d) **FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the Company balance sheet when the Company becomes a party to the contractual provisions of the instrument.

- (i) **Cash and cash equivalents** - Cash and cash equivalents comprise cash on hand and call deposits which are subject to an insignificant risk of changes in value.
- (ii) **Equity instruments** - Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

5 HOLDING AND ULTIMATE COMPANY

The Company is a wholly owned subsidiary of Avation Plc, incorporated and registered in England and Wales which is also the ultimate holding company.

CAPITAL LEASE AVIATION PLC
NOTES TO FINANCIAL STATEMENTS
30 June 2007

6 LOSS FROM OPERATIONS

The auditor's remuneration for audit service was borne by the holding company.

7 STAFF AND DIRECTOR COSTS

There are no associated staff costs and staff numbers at the end of the financial period.

No contributions were made on behalf of any directors to money purchase pension schemes.

8 TAXATION

Based on these financial statements there is no charge to UK taxation.

9 SHARE CAPITAL

2007
£

Authorised:

100,000,000 ordinary shares of 0.001p each

100,000

Allotted, called up and fully paid:

50,100,000 ordinary shares of 0.001p each

50,100

On the date of incorporation, the Company issued 2 ordinary shares at 1p each for working capital purposes.

On 13 June 2007, the Company issued 50,098 ordinary shares at 1p each for working capital purposes.

The issued share capital of the company was subdivided, each Ordinary £1 share becoming 1000 new Ordinary 0.001p shares, with the authorised share capital being increased to 100,000,000 shares.

10 COMPARATIVE FIGURES

The financial statements for 30 June 2007 cover the financial period from the date of incorporation (6 June 2007) to 30 June 2007 being the first set of financial statements and thus no comparative information is available.

CAPITAL LEASE AVIATION PLC
NOTES TO FINANCIAL STATEMENTS
30 June 2007

11 SUBSEQUENT EVENTS

Subsequent to the end of the financial period:

- a) On 4 July 2007, the Company has raised a total of £11,450,001.36 (gross of issue costs) through the issue of 47,708,339 new ordinary shares of 0.001 pence each at a price of 24 pence per ordinary share. The total number of ordinary shares in issue in the Company became 97,808,339 and the immediate holding company holds 50,100,000 ordinary shares in CLA, representing a 51.22% holding in the enlarged share capital of the Company.
- b) On 23 July 2007, the Company has secured a further US\$48 million finance facility and entered into a letter of intent to purchase two Fokker 100 jet Aircraft.

12 ADOPTION OF FUTURE IFRS

Certain new accounting standards and interpretations have been published that are mandatory for accounting periods beginning on or after 1 July 2007. The Company does not expect that adoption of these accounting standards or interpretations will have a material impact on the financial statements of the Company.

13 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the financial period ended 30 June 2007 were authorised for issue by the Board of Directors on 15th October 2007.