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Application has been made for the Ordinary Shares to be admitted to trading on the AIM Market of the London Stock Exchange ("AIM"). **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.** The Company's Ordinary Shares are not admitted to trading on any recognised investment exchange and apart from the application for Admission, no such other applications have been or are intended to be made.

This document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules. This document does not constitute an offer to the public in accordance with the provisions of section 85 of FSMA and is not a prospectus for the purposes of the Prospectus Rules made under section 73A of FSMA. Accordingly, this document has not been prepared in accordance with the Prospectus Rules, nor has it been approved by the Financial Services Authority (the "FSA") pursuant to section 85 of FSMA and a copy has not been delivered to the FSA under regulation 3.2 of the Prospectus Rules. The Directors, whose names appear on page 4 of this document, accept full responsibility, collectively and individually, for the Company's compliance with the AIM Rules for Companies and the Company and the Directors accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

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## **CAPITAL LEASE AVIATION PUBLIC LIMITED COMPANY**

*(Incorporated and registered in England and Wales under the Companies Act 1985 with*

*registered number 6271424)*



**Admission to trading on AIM**

by

**WH IRELAND LIMITED**

*Nominated Adviser & Broker*

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### **SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION**

Number of Issued and fully paid Ordinary Shares of £0.001 each

97,808,339

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**PROSPECTIVE INVESTORS SHOULD READ THE WHOLE TEXT OF THIS DOCUMENT AND SHOULD BE AWARE THAT AN INVESTMENT IN THE COMPANY IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS ARE ADVISED TO READ IN PARTICULAR, PART I "INFORMATION ON THE GROUP" AND THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT.**

It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on 14 December 2007.

The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not be offered or sold, directly or indirectly, in or into the United States, the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland or any person located in the United States. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law. In particular, this document should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, in, and in particular, should not be distributed to persons with addresses in, the United States of America, the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland. No action has been taken by the Company or by WH Ireland Limited that would permit an offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. Persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

WH Ireland Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority and is a member of London Stock Exchange plc, is acting as Nominated Adviser and Broker for the purposes of the AIM Rules exclusively for the Company in connection with the Admission and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of WH Ireland Limited, or for advising any other person in connection with Admission. The responsibilities of WH Ireland Limited, as Nominated Adviser, are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or Shareholder or to any subsequent purchaser of Ordinary Shares and accordingly no duty of care is accepted in relation to them. No representation or warranty, express or implied, is made by WH Ireland Limited as to, and no liability whatsoever is accepted by WH Ireland Limited in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Copies of this document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of WH Ireland Limited at 24 Martin Lane, London EC4R 0DR from the date of this document and for a period of at least one month from Admission.

The duties of WH Ireland Limited pursuant to the declaration in Schedule Two of the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange plc and to no other party. WH Ireland Limited accepts no responsibility or liability whatsoever to any other party who relies upon that declaration.

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## DIRECTORS, SECRETARIES AND ADVISERS

Directors	Robert ("Jeff") Jeffries Chatfield ( <i>Executive Chairman</i> ) Richard Headon Sinclair ( <i>Chief Executive Officer, Finance Director</i> ) Peter Anthony Freeman ( <i>Non-Executive Director</i> ) Olivier Pierre-Yves Garrigue ( <i>Non-Executive Director</i> ) Soeren Eric Ferré ( <i>Non-Executive Director</i> )  All are of: Georgian House, 63 Coleman Street, London, EC2R 5BB
Company Secretaries	Siobhán Cool Loh Chuen Thim
Registered Office	Georgian House 63 Coleman Street London EC2R 5BB
Principal Place of Business and telephone number	510 Thomson Road #12-04 SLF Building Singapore 298135 Telephone +65 6252 2077
Website	<a href="http://www.capitalleaseaviation.com">www.capitalleaseaviation.com</a>
Nominated Adviser and Broker	WH Ireland Limited 24 Martin Lane London EC4Y 0DR
Solicitors to the Company as to English Law	Speechly Bircham LLP 6 St Andrew Street London EC4A 3LX
Solicitors to the Nominated Adviser and Broker	Kirkpatrick & Lockhart Preston Gates Ellis LLP 110 Cannon Street London EC4N 6AR
Auditors and Reporting Accountants	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD
Bankers	Lloyds TSB Bank plc 25 Gresham Street London EC2V 7HN
Registrars	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS13 8AE

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985, including any statutory modification or re-enactment thereof for the time being in force and any provisions of the Companies Act 2006 for the time being in force.
“1985 Act”	the Companies Act 1985
“2006 Act”	the Companies Act 2006, as amended from time to time
“Admission”	the admission of the Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“Admission Agreement”	the conditional agreement dated 7 December 2007 and made between the Company, the Directors and WH Ireland relating to Admission further details of which are set out in paragraph 7.1(j) of Part V of this document
“Admission Price”	75p per Ordinary Share
“AIM”	a market operated by London Stock Exchange plc
“AIM Rules”	together the AIM Rules for Companies and the AIM Rules for Nominated Advisers, as amended from time to time
“AIM Rules for Companies”	the AIM Rules for Companies, together with the guidance notes set out in Part Two thereof and the guidance note, issued by the London Stock Exchange, as amended from time to time
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers issued by the London Stock Exchange, as amended from time to time
“Articles”	the articles of association of the Company, further details of which are set out in paragraph 3.2 of Part V of this document
“Avation”	Avation plc, a company incorporated in England & Wales with registered number 05872328 whose share capital is admitted to trading on the PLUS-quoted Market
“City Code”	the City Code on Takeovers and Mergers issued from time to time by or on behalf of the Panel
“Controlling Shareholder’s Agreement”	the agreement dated 21 November 2007 and made between the Company and Avation governing the relationship between the companies from Admission, further details of which are set out in paragraph 7.1(g) of Part V of this document
“Combined Code”	the revised code on the principles of good governance and best practice published by the Financial Reporting Council in June 2006

“Company” or “CLA”	Capital Lease Aviation Public Limited Company, a company incorporated in England and Wales on 6 June 2007 with registered number 6271424
“CP1”	the wholly owned subsidiary of the Company, Capital Lease Australian Portfolio One Pty Ltd, a company registered on 11 September 2007 in the state of Victoria, Australia with A.C.N. 127 491 605, whose registered address is at Level 1, 216 St Georges Terrace, Perth, Western Australia
“CP1 Finance Offer”	the letter of approval entered into by CP1 on 26 September 2007 which conditionally offer CP1 a facility up to an amount of US\$7,574,000, further details of which are set out in paragraph 7.1(e) of Part V of this document
“CREST”	the computerised settlement system to facilitate the holding of and transfer of title to or interests in securities in uncertificated form, operated by Euroclear UK and Ireland Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“Director Warrant Deeds”	warrant deeds granting certain Directors the right to subscribe for an aggregate amount of 3,247,916 Shares, further details of which are set out in paragraph 7.1(p) of Part V of this document
“Directors” or “Board”	the directors of the Company whose names are set out on page 4 of this document
“Epsom”	Epsom Assets Limited, a company incorporated in the Republic of Mauritius whose registered office is at 307 St James Court, St Denis Street, Port Louis, Republic of Mauritius
“F100 Pty”	the wholly owned subsidiary of Avation, F100 Pty Limited, a company incorporated in Victoria, Australia (company number ACN122 645 130) whose registered office is at Level 1, 216 St Georges Terrace, Perth WA 6850, Australia
“FSA”	the Financial Services Authority of the United Kingdom
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time
“Group”	the Company and CP1
“London Stock Exchange”	London Stock Exchange plc
“Initial Portfolio”	the aircraft portfolio of the Company on Admission comprising two Fokker F100 aircraft, in respect of which the Company entered into a sale and purchase agreement dated 22 August 2007, further details of which are set out in paragraph 7.1(b) of Part V of this document
“Official List”	the Official List of the UKLA

“Ordinary Shares”	ordinary shares of £0.001 each in the capital of the Company
“Share Capital”	the issued and fully paid Ordinary Share capital of the Company at Admission comprising 97,808,339 Ordinary Shares
“Shareholder”	a holder of Ordinary Shares
Skywest Airlines	Skywest Airlines Ltd (formerly known as Advent Air Ltd), a company incorporated in Singapore and whose shares are admitted to trading on AIM
“Skywest”	Skywest Airlines Pty Ltd., a company incorporated in Western Australia with ACN 008 997 662 whose ultimate holding company is Skywest Airlines
“Substantial Shareholder”	a Shareholder holding 10% or more of the Ordinary Shares, as set out in paragraph 6 of Part V of this document
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the United Kingdom Listing Authority, being the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the US and the District of Columbia and all other areas subject to its jurisdiction
“WH Ireland” or “WH Ireland Limited”	WH Ireland Limited, the Company’s nominated adviser and broker, a member of the London Stock Exchange and authorised and regulated in the United Kingdom by the FSA
“WHI Warrant Deed”	a warrant deed granting WH Ireland the right to subscribe for up to 2,000,000 Ordinary Shares further particulars of which are set out in paragraph 7.1(o) of Part V of this document
“WHI Warrants”	warrants to subscribe for 2,000,000 Ordinary Shares which may be issued pursuant to the WHI Warrant Deed

## ABBREVIATIONS

ft	feet
hr	hour
kg	kilograms
kts	knots
ltr	litre
m	metre
SGD\$	Singapore dollars, the lawful currency of Singapore
US\$	US dollars, the lawful currency of the United States
£ and p	respectively, pounds and pence sterling, the lawful currency of the United Kingdom
VAT	UK value added tax
%	per cent.

## KEY INFORMATION

### ADMISSION STATISTICS

Admission Price	75p
Number of issued and fully paid Ordinary Shares	97,808,339
Market capitalisation of the Company following Admission at the Admission Price	£73,356,254.25
ISIN Number	GB00B1Z7WX97
AIM Symbol	CLA

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	12 December 2007
Admission and dealings expected to commence in the Ordinary Shares on AIM	14 December 2007

## PART I

### INFORMATION ON THE GROUP

#### 1. INTRODUCTION

Avation was incorporated by Skywest Airlines in 2006, with the purpose of, amongst other things, acquiring and leasing passenger aircraft to Skywest which it has done through its wholly owned subsidiary F100 Pty. F100 Pty currently owns four Fokker F100 passenger jet aircraft all of which are under lease or subject to lease to Skywest.

CLA was incorporated by Avation on 6 June 2007 with the purpose of owning and leasing a portfolio of commercial jet aircraft to a wider customer base of regional and international airlines. The Company currently owns two Fokker F100 passenger jet aircraft both of which are under lease to Skywest.

The Directors have identified a trend in the commercial aviation sector towards “leasing-in” capacity whereby airlines lease part of their fleet rather than purchasing aircraft, and the Directors intend that CLA will exploit this trend in the future.

Avation has a 51.22% shareholding in the Company.

#### 2. STRATEGY

The Company’s strategy is to continue to expand its aircraft leasing business by:

- *Capitalising on continued growth in the aircraft leasing market by acquiring additional aircraft:* the Company intends to exploit the current growth dynamic in the aircraft leasing market by identifying and acquiring additional aircraft. The Company will adopt a flexible approach to the type of aircraft it purchases and this will depend principally on the requirements of its customers.
- *Leasing aircraft to regional and international airlines:* the Directors expect CLA’s customer base to comprise both regional and global airline companies. CLA’s customer base will not be restricted to a particular geography or type of customer.
- *Efficiently raising capital to execute its growth strategy:* the Company expects to fund its growth strategy through a mix of retained cashflow, debt and equity financing in order to maintain an efficient capital structure. The Company may utilise a broad range of funding options to support its growth strategy. The Company expects to use appropriate financing and hedging strategies to manage interest and exchange rate volatility.

#### 3. INITIAL PORTFOLIO

The Initial Portfolio comprises two Fokker F100 passenger jet aircraft, which were acquired from AerCap Leasing II B.V.. A summary of key information on the aircraft in the Initial Portfolio is given in the table below:

<b>Manufacturer’s Serial Number</b>	<b>Date of manufacture</b>	<b>Date of acquisition</b>	<b>Acquisition cost (US\$)</b>
11326	March 1991	22 August 2007	5,110,000
11461	August 1995	22 August 2007	5,710,000

## General Information on the Fokker F100

The Fokker F100 is a 100 seat short-range class passenger jet aircraft. It was introduced in 1988 and is popular due to its low operational costs and lack of competition in its class at that time. Production ended in 1997, with 283 airframes delivered. As at August 2006, 229 Fokker F100 remained in service with 47 airlines around the world.

The Fokker F100 has a maximum economical cruising speed of 820 km/hr, and a maximum operating altitude of 35,000 feet, allowing it to offer a high quality service standard.

### *Dimensions & Specifications*

General information on the dimensions and specifications of the Fokker F100 are given in the table below:

Overall length	35.53 m
Height	8.50 m
Wing Span	28.08 m
Maximum take-off weight	44,452 kg
Maximum landing weight	36,741 kg
Maximum zero fuel weight	36,741 kg
Basic operating weight	24,727 kg
Maximum payload	11,993 kg
Maximum usable fuel	13,405 ltr
Maximum operating altitude	35,000 ft

## Lease of aircraft

Summary information on the leases entered into by the Company is set out below:

<b>Manufacturer's Serial Number</b>	<b>Airline lessee</b>	<b>Commencement date</b>	<b>Lease term (months)</b>	<b>Monthly fixed rent (US\$)</b>
11326	Skywest	28 September 2007	60	99,000
11461	Skywest	26 September 2007	60	99,000

Under the lease agreements, the Company receives from the lessee a fixed monthly rent as stated above, and, in addition, a maintenance rent, which is based on the number of hours flown and number of flights, both rents being paid in US dollars.

The lessee is responsible for all operational costs, insurance costs, maintenance and repairs, airframe and engine overhauls, for obtaining consents and approvals and compliance with conditions for the return of aircraft on lease. On expiry of each lease, the lessee is obliged to ensure in the handback process that the aircraft possesses a valid certificate of airworthiness that is valid for a minimum of 3,000 flight hours.

Further details on the leases are set out in paragraph 7.1(c) and (d) of Part V of this document.

## Information on Skywest

Skywest is a major regional airline in Western Australia, providing scheduled services to sixteen destinations covering Albany, Argyle, Bali, Broome, Carnarvon, Darwin, Esperance, Exmouth, Geraldton, Kalbarri, Kalgoorlie, Karatha, Kununurra, Monkey Mia, Newman and Port Hedland. The airline operates a weekly service linking Port Hedland and Broome to Bali in Indonesia. Skywest

operates a fleet of 12 aircraft, comprising Fokker F50 and Fokker F100 jet aircraft. Jeff Chatfield is Executive Chairman of Skywest.

#### **4. RELATIONSHIP WITH AVATION**

Avation is the majority shareholder in CLA holding 51.22% of the Share Capital at Admission. Jeff Chatfield is Executive Chairman of Avation. From Admission, the relationship between CLA and Avation will be governed by the Controlling Shareholder's Agreement which, amongst other things, provides for the following:

- CLA undertakes and covenants to Avation that it will not, and will procure that members of the Group will not, acquire any aircraft for leasing to Skywest or any member of its group except where Avation has requested such acquisition, and the terms of the acquisition and lease have been approved by those directors who are not directly or indirectly employees of Avation or of Avation's associates (**Independent Directors**). As such, Jeff Chatfield would be excluded from participating in any such approval.
- In the event that both CLA and Avation are interested in acquiring the same aircraft with a view to leasing it to an airline operator, only the Independent Directors will make decisions in relation to the proposed acquisition and lease. Avation will only be able to acquire such an aircraft if it has secured a binding commitment from Skywest to lease the aircraft for a higher rent than that offered by CLA's proposed lessee and vice versa and where either party is permitted to proceed with negotiations for the acquisition, the other will cease from any such negotiations.
- CLA undertakes to Avation that it will not grant any security interest over its assets or undertaking in connection with the provision of a debt facility to Avation, and vice versa.
- Avation undertakes to procure, in so far as it is able, that at least two members of the Board are independent of Avation.

Further details of the Controlling Shareholder's Agreement are set out in paragraph 7.1(g) of Part V.

#### **5. CURRENT TRADING AND PROSPECTS**

Key events undertaken by the Company since its incorporation on 6 June 2007 are set out below:

In July 2007, the Company raised a total of £11,450,001.36 (before costs) through the issue of 47,708,339 new Ordinary Shares at a price of 24p per Ordinary Share.

On 22 August 2007, the Company entered into a sale and purchase agreement to purchase two Fokker F100 jet aircraft from AerCap Leasing II B.V. for an aggregate consideration of US\$10.82 million, further details of which are set out in paragraph 7.1(b) of Part V of this document.

On 26 September 2007, CP1 accepted the CP1 Finance Offer. This letter of approval offers a facility of up to US\$7,574,000, with fixed interest payable under the facility, comprising the lender's cost of funds plus 1.375%. A total interest rate of 6.50% was indicated in the CP1 Finance Offer, further details of which are set out in paragraph 7.1(e) of Part V of this document.

The Directors expect that results of operations will be primarily affected by acquisitions of additional aircraft and by general market and macroeconomic conditions, including the lease rates associated with its aircraft, the re-lease of aircraft upon the expiry of the leases, renewal or early termination of existing leases, whether lessees comply with their lease obligations, prevailing lease rates at the time of leasing or re-leasing of any aircraft and the Group's borrowing costs from time to time.

The Directors are aware that the aircraft leasing industry is highly competitive. The Company's competition is comprised of major aircraft leasing companies including GE Commercial Aviation Services, Interational Lease Finance Corp., CIT Aerospace, Aviation Capital Group, Pegasus Aviation,

RBS Aviation Capital, AWAS, Babcock & Brown, Boeing Capital Corporation, Macquarie Air Finance and Aircastle Advisors.

## 6. KEY STRENGTHS

The Directors believe that the Company's strengths are as follows:

- *Revenues from the Initial Portfolio.* The Initial Portfolio is leased on a long-term, fixed rate basis to Skywest. Each lease is for an initial term of 60 months, providing the Company with a stable revenue stream. Skywest's parent, Skywest Airlines, is a profitable company with profit after tax of £2.664 million in the year ending 30 June 2007.
- *Experienced team.* The executive team has proven expertise in building and running a profitable aircraft leasing business. Jeff Chatfield and Richard Sinclair were both instrumental in building Avation's profitable aircraft leasing business. Since 2005, the executive team has had responsibility for acquiring eight commercial aircraft. The non-executive Directors bring further experience to the team. Soeren Ferré has worked in the aircraft sales and leasing industry since 1990.
- *Access to financial resources.* As at 31 October 2007, the Group had cash resources of £5,748,563.06 and, subject to satisfying certain conditions and agreeing finance documentation, CP1 will be able to draw additional funds of up to US\$7,574,000 under the CP1 Finance Offer, although the availability of such funds is not vital to the future of the Company's business. Further particulars of the CP1 Finance Offer can be found in paragraph 7.1(e) of Part V of this document.

## 7. DIRECTORS

The Directors of the Company on Admission will be:

- Robert Jeffries Chatfield (*Executive Chairman*) age 43

Mr Chatfield is chairman of Avation and has been instrumental in establishing and growing the Company. He is also the Executive Chairman of Skywest Airlines, and Chairman of Skywest. Mr Chatfield has managed and been a director of a number of companies involved in the airline industry, data distribution, electronics, investment, broadcasting and manufacturing sectors. He is the author and registered holder of a variety of patents. He has a Bachelor of Engineering and a Masters in Engineering Science from the University of Western Australia. He is a member of the Australian Institute of Company Directors and the Singapore Institute of Directors. He was born in Perth, Australia and is a permanent resident of Singapore.

- Richard Headon Sinclair (*Chief Executive Officer, Finance Director*) age 37

Mr Sinclair was formerly Finance Director of Avation where in addition to having responsibility for the finance function, he played an active role in securing aircraft purchases and in negotiating lease transactions for Avation. Mr Sinclair has worked in large listed public companies such as Allco (Singapore) Ltd and Westfield Ltd, a public company which leases commercial real estate. He has a Bachelor of Economics from the University of Adelaide and is a member of the Certified Practising Accountants of Australia.

- Peter Anthony Freeman (*Non-executive Director*) age 48

Mr Freeman is a Director and Compliance Officer of Loeb Aron & Company Limited, a corporate finance firm authorised and regulated by the FSA. He spent time at IMRO and gained experience as a financial services regulator. At OFEX he was responsible for overseeing all regulatory aspects of OFEX's business (the OFEX Market and its relationship with its issuers and members) and ensured that the OFEX Rule Book was properly maintained and administered. He also liaised with external bodies on UK and European legislation and

policy. He was the Compliance Officer and Money Laundering Reporting Officer for OFEX. Mr Freeman was a director of both OFEX plc and its parent company OFEX Holdings plc (now PLUS Markets Group plc) when the latter was admitted to AIM. He gained a Bachelor of Science degree from Reading University and an MBA.

- Olivier Pierre-Yves Garrigue, (Non-executive Director) age 42

Mr Garrigue is a senior executive with extensive strategy and corporate finance experience. He is the Managing Director of Mapesbury Capital Partners and was formerly an investment banker with Dresdner Kleinwort Benson and Bear Stearns International, and brings significant experience and expertise in executing M&A, financing and advisory transactions. Mr Garrigue has also served on the boards of both private and public companies including Apptix ASA where he was a Non-Executive director and member of the audit committee and BBC Resources Limited where he was Director of Strategy. Mr Garrigue currently holds three other non-executive directorships with Mapesbury Communications Limited, Guava Limited and Nuera Limited. Mr Garrigue is a graduate of ESCE Paris and holds an MBA from Cranfield School of Management.

- Soeren Eric Ferré, (Non-executive Director) age 39

Mr Ferré has been the Head of Europe, Middle East, Africa & Asia-Pacific Region of AerCap since June 2006. He joined AerCap in September 2003 as Vice President of Marketing for the Asia-Pacific region. He started his career at Airbus in 1990 and was based in Toulouse, France. In 1995, he moved to China and became the head of the marketing team covering China, Hong Kong and Macau for Airbus prior to becoming a Sales Director in 1999 in charge of the major Chinese airlines. In 2001, Mr. Ferré moved to Sydney to become the Director of Sales for the Pacific region for Airbus where he was in charge of the major airlines in that region. Mr. Ferré holds a Bachelor's degree in Engineering from the ENAC - Ecole National d'Aviation Civile.

## **8. DEBT FACILITY**

Under the CP1 Finance Offer, CP1 accepted a letter of approval to draw finance of up to US\$7,574,000 in respect of the Initial Portfolio. Under the offer, the term of the facility is 60 months with fixed repayments of principal and interest over the term of the loan. In order to draw down under the CP1 Finance Offer, ownership of the Initial Portfolio must be transferred to CP1. Further particulars of the CP1 Finance Offer can be found in paragraph 7.1(e) of Part V of this document.

## **9. REASONS FOR ADMISSION**

The Directors believe that Admission will be beneficial to the Group as it will:

- provide access to the capital markets which is expected to be essential to the Company's growth strategy; and
- enhance the profile of the business and enable the Company to attract and retain key personnel.

## **10. DIVIDEND POLICY**

The Directors do not intend to declare or pay a dividend in the immediate foreseeable future but, subject to the availability of sufficient distributable profits, intend to commence the payment of dividends when it becomes commercially prudent to do so and will adopt a progressive dividend policy thereafter.

## **11. SHARE WARRANTS**

The Directors consider that it is important for the Group's remuneration policy to include equity incentives through the grant of share options or warrants to Directors and employees.

On Admission, warrants will be granted to the Directors over an aggregate of 3,247,916 Ordinary Shares pursuant to the Director Warrant Deed, which represents 3.32% of the Share Capital. Further particulars of the Director Warrant Deed can be found in paragraph 7.1(p) of Part V of this document.

The maximum number of Ordinary Shares which will be subject to options or warrants granted to Directors and employees under any other schemes adopted by the Company or other option or warrant grants is not expected to exceed 10% of the Company's issued share capital from time to time.

In addition, the Company has granted warrants over 2,000,000 Ordinary Shares to WH Ireland representing approximately 2% of the Share Capital. Such grant is conditional on Admission. Further particulars of the WHI Warrant Deed can be found in paragraph 7.1(o) of Part V of this document.

## **12. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS**

On Admission, the Directors and persons connected with them will hold warrants over 3,247,916 Ordinary Shares representing 3.32% of the Share Capital.

The Directors and the Substantial Shareholders have undertaken to the Company and WH Ireland that they will not sell or dispose of, and will provide that no associated party will sell, dispose of or agree to dispose of, except in certain circumstances, any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission. For the period of 12 months immediately following the expiry of such 12 month period, except in certain circumstances, the Directors and Avation and their associated parties will not make any such disposal or agreement to dispose of any Ordinary Shares except after consultation with the broker of the Company from time to time and through such broker who may determine the manner of the disposal with a view to the maintenance of any orderly market in the Ordinary Shares.

For the period of 12 months immediately following the first anniversary of Admission, except in certain circumstances, Jabcap Multistrategy Fund Limited, a holder of 20,833,334 Ordinary Shares representing 21.30% of the Share Capital, and its associated parties has undertaken to the Company and WH Ireland that it will not make any sale or disposal or agreement to dispose of any Ordinary Shares except after consultation with the broker of the Company from time to time and on the basis that the broker of the Company has a right of first refusal to effect such sale or disposal.

Save for KBC Peel Hunt Limited, Shore Capital Stockbrokers Limited and Winterflood Securities Limited and as set out above, all other Shareholders at Admission have undertaken to the Company and WH Ireland that they will not sell, dispose of or agree to dispose of, except in certain circumstances, their respective interests in Ordinary Shares for a period of 12 months following Admission except after consultation with the broker of the Company from time to time and through such broker who may determine the manner of the disposal with a view to the maintenance of any orderly market in the Ordinary Shares.

## **13. CORPORATE GOVERNANCE AND INTERNAL CONTROLS**

The Directors acknowledge the importance of the Combined Code and intend, following Admission, to continue to apply its principles so far as is practicable taking into account the Company's size and stage of development. The Company has three non-executive Directors.

On 27 November 2007, the Board established an audit committee, a remuneration committee and a nomination committee each with formally delegated duties and responsibilities to operate with effect from Admission.

The audit committee, which will initially comprise Peter Freeman as chairman, as well as Olivier Garrigue and Richard Sinclair, will determine and examine any matters relating to the financial affairs of the Company including the terms of engagement of the Group's auditors and, in consultation with the auditors, the scope of the audit. The audit committee will receive and review reports from the management and the external auditors of the Group relating to the annual and interim amounts and the accounting and internal control systems of the Group. In addition, it will consider the financial

performance, position and prospects of the Company and ensure they are properly monitored and reported on.

The remuneration committee, which will initially comprise Olivier Garrigue and Peter Freeman with Olivier Garrigue acting as chairman, will review the performance of the executive Directors and any senior management and set and review their remuneration and the terms of their service contracts, determine the payment of bonuses to executive Directors and senior management and consider any bonus and option schemes which may be implemented by the Group.

The Nomination Committee, which will initially comprise Jeff Chatfield and Peter Freeman with Jeff Chatfield acting as chairman will meet as required. The Committee will consider the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and make appropriate recommendations to the Board.

The Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the Company's applicable employees. The Company has adopted and will operate a share dealing code for Directors, and employees in accordance with the AIM Rules.

#### **14. ADMISSION, SETTLEMENT AND DEALINGS**

Application has been made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on 14 December 2007. No application has been made for the Ordinary Shares to be admitted to trading or to be listed on any other stock exchange.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Ordinary Shares are currently enabled for settlement through CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

#### **15. TAXATION**

Information regarding UK taxation with regard to certain holders of the Ordinary Shares is set out in paragraph 11 of Part V of this document. That information is intended only as a general guide to the current tax position under UK law. If you are in any doubt as to your tax position, you should contact your independent professional adviser.

#### **16. FURTHER INFORMATION**

**Your attention is drawn to Part II of this document which contains certain risk factors relating to any investment in the Company and to Parts III, IV and V of this document which contain further additional information on the Company.**

## PART II

### RISK FACTORS

The Directors believe that the following risk factors should be considered.

If any of the circumstances identified in the risk factors, together with possible additional risks and uncertainties of which the Directors are currently unaware or which they consider not to be material in relation to the Company's business, were to materialise, the Company's business, financial condition and results of operation could be materially and adversely affected. It should be noted that this list is not exhaustive and that certain other risk factors may apply.

An investment in the Company may not be suitable for all recipients of this document. Investors are accordingly advised to consult an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

#### **Investment in AIM securities**

An investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List and traded on the London Stock Exchange's market for listed securities. An investment in Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

#### **Unforeseen difficulties and costs associated with the acquisition and/or management of the aircraft portfolio of CLA could reduce or prevent future growth and profitability of CLA**

The growth strategy of CLA will involve future acquisitions and leasing of aircraft. CLA may experience difficulties in acquiring aircraft on favourable terms, or at all. Increased competition for aircraft could reduce CLA's acquisition opportunities or may result in a requirement to pay higher prices. There can be no assurance that any future acquisition of aircraft will be profitable to CLA nor that it will generate sufficient cash flow to justify the investment.

#### **A deterioration in the financial condition of the commercial airline industry would have an adverse impact on CLA's ability to lease its aircraft**

CLA will lease its aircraft principally to commercial airline customers. Hence, the ability of CLA to lease its aircraft will depend on the financial condition and growth of the commercial airline industry. If the financial condition of the commercial airline industry deteriorates, CLA may be adversely affected by:

- reduced demand for the aircraft in its portfolio and reduced market lease rates and lease margins;
- a higher incidence of lessee defaults, lease restructurings, reposessions and airline bankruptcies and restructurings, resulting in lower lease margins due to maintenance and legal costs associated with the repossession, as well as lost revenue for the time the aircraft are off-lease and possibly lower lease rates from the new lessees;
- an inability to lease aircraft on commercially acceptable terms, resulting in lower lease margins due to aircraft not earning revenue and resulting in storage, insurance and maintenance costs; and
- financial loss if any aircraft in CLA's portfolio is damaged or destroyed by an event specifically excluded from an insurance policy, such as dirty bombs, bio-hazardous materials and electromagnetic pulsing.

**CLA will need additional capital to finance its growth, and it may not be able to obtain it on suitable terms, or at all**

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission. However, CLA will require additional financing to develop and grow its business through the acquisition of aircraft. Financing may only be available on terms that are not favourable or may indeed not be available at all. In addition, the terms of any other indebtedness incurred by CLA may restrict its ability to incur additional debt. If CLA is unable to raise additional funds or obtain capital on acceptable terms, it may have to delay, change or abandon some or all of its growth strategies, which in turn may affect its financial performance.

**As the leases of the aircraft expire, CLA may not be able to re-lease or sell the aircraft on favourable terms, or at all**

The business strategy of CLA requires it to re-lease aircraft as the existing leases expire in order to generate sufficient revenues to finance its growth and operations. The ability to re-lease aircraft will depend on general market and competitive conditions. If CLA is not able to re-lease an aircraft or to do so on favourable terms, it may be required to sell the aircraft to provide funds for debt service or operating expenses. If CLA is not able to stagger the lease expiry dates of its aircraft, it may also face difficulty in re-leasing all its aircraft as and when such leases expire. The ability of CLA to re-lease or sell aircraft on favourable terms could be adversely affected by depressed conditions in the airline and aircraft industries, airline bankruptcies, the effects of terrorism and war and the sale of other aircraft by companies or other factors.

**Aircraft values and achievable lease rates could reduce in the future**

Any decrease in the values of, and achievable lease rates for, CLA's portfolio of aircraft could have a material adverse effect on CLA's financial condition and business prospects. Factors that may affect the value and/or achievable lease rates of the aircraft include, *inter alia*, the following:

- the particular maintenance and operating history of the airframes and engines;
- the number of operators using that type of aircraft or engine and/or oversupply in the market of that type of aircraft or engine;
- the age of the aircraft;
- any tax, customs, regulatory and other legal requirements that must be satisfied when an aircraft is purchased, sold or re-leased;
- compatibility of aircraft configurations or specifications with other aircraft owned by operators of that type; and
- the creditworthiness of the lessees.

**If demand for leased aircraft does not increase, CLA may not be able to expand its business**

If the aggregate demand for aircraft (including leased aircraft) does not expand, then CLA may be unable to implement its growth strategy through aircraft acquisitions. Failure to expand the aircraft portfolio would impair CLA's ability to grow or sustain its revenues.

**CLA is dependent on its lessees' financial condition and the continued performance of their lease obligations**

The success of CLA depends upon the financial strength of its lessees (including the creditworthiness of the credit support provider of such lessees and the performance by the credit support provider, if any, of its obligations). The ability of each lessee to perform its obligations under its lease will depend

primarily on the lessee's financial condition and cash flow, which may be affected by factors beyond the control of CLA, including:

- competition;
- fare levels;
- air cargo rates;
- passenger air travel and air cargo demand;
- geopolitical and other events, including war, acts of terrorism, disease and natural disasters;
- operating costs, availability and cost of jet fuel and general economic conditions affecting the lessees;
- operations;
- labour difficulties;
- economic conditions and currency fluctuations in the countries and regions in which the lessee operates;
- government regulation; and
- adverse currency and interest rates.

**CLA is vulnerable to the political, economic and social conditions in the jurisdictions where its lessees are located, and operate to and from**

CLA is vulnerable to political, economic and social conditions in the jurisdictions where its lessees are located, and in the markets they serve. Such events include political unrest, interest rate and currency exchange rate fluctuations, the nationalisation or expropriation of private assets, strikes, war, economic instability, and other events such as natural disasters, epidemics, widespread transmission of communicable or infectious diseases, acts of God, terrorist attacks and other events beyond the control of CLA that may adversely affect local economies, infrastructures and livelihoods. The resulting instability may adversely affect CLA's ownership interest in aircraft or the ability of lessees which operate in these markets to meet their lease obligations.

**Failure by the lessees to perform their maintenance obligations on the aircraft could materially and adversely affect CLA's revenues and cash flows**

The lessee is typically primarily responsible for maintaining the aircraft and complying with all governmental requirements applicable to the lessee and to the aircraft, including operational, maintenance, and registration requirements and airworthiness directives. A lessee's failure to perform required maintenance during the term of a lease could result in a reduction in the value of an aircraft, an inability to re-lease the aircraft at favourable rates or at all and may require CLA to incur expenditure to restore the aircraft to an acceptable condition prior to any sale or re-leasing, all and each of which could negatively affect the business, financial condition and results of operations of the Company.

**Failure to obtain certain required licences, consents and approvals could negatively affect the ability of CLA to re-lease or sell aircraft**

Aircraft leases often require specific licences, consents or approvals. These include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re-export or de-registration of the aircraft. Subsequent changes in applicable law or administrative practice may increase these requirements. In addition, a governmental consent, once given, might be withdrawn. Furthermore, consents needed in connection with future re-leasing or sale of an aircraft may

not be forthcoming. Any of these events could adversely affect the ability of CLA to re-lease or sell aircraft, which could negatively affect its business, financial condition and results of operations.

#### **CLA is subject to risks inherent in investing in a single industry**

CLA's purpose is to own and invest in a portfolio of aircraft intended to operate under medium to long-term leases. By concentrating its operations and investments in the airline market, CLA is susceptible to a downturn in that market which may correlate with a decline in demand for aircraft leasing and could result in CLA's income from its aircraft being adversely affected.

#### **CLA depends on certain key personnel, the loss of any key personnel may adversely affect its operations**

CLA's performance depends, in part, upon the recruitment, engagement, continued service and performance of key staff members. These key personnel may leave CLA in the future and compete with the Company. The loss of any of these individuals could have a material adverse effect on CLA's business, financial condition and the results of operations. Jeff Chatfield has significant experience in the airline and aircraft leasing industry and his loss or departure could seriously affect the financial condition and business prospects of the Company.

#### **CLA may engage in hedging transactions, which can limit gains and increase exposure to losses**

CLA may enter into hedging transactions to protect itself from the effects of interest rate fluctuations on floating-rate debt and also to protect CLA's portfolio from interest rate and prepayment fluctuations due to early termination options, defaults, and other unscheduled lease terminations and lease extension options. Hedging activities may not have the desired beneficial impact on the results of operations or financial condition of CLA and may not completely insulate CLA from the risks associated with changes in interest rates. Moreover, interest rate hedging could fail to protect CLA or even adversely affect CLA or may be difficult or costly to obtain.

#### **No assurance that all lessees will comply with the registration requirements in the jurisdictions where they operate**

Generally, failure by a lessee to maintain the registration of a leased aircraft would be a default under the applicable lease, entitling CLA to exercise its rights and remedies thereunder. If an aircraft were to operate without a valid registration, the lessee operator or, in some cases, the owner or lessor might be subject to penalties, which could constitute or result in a lien being placed on such aircraft. Failure to comply with any necessary registration requirements also could have other adverse effects, including inability to operate the aircraft and loss of insurance. CLA can give no assurance that all lessees will comply with these requirements. Some jurisdictions in which the Company operates, or may operate, may impose penalties for failure to comply with their requirements.

#### **Government regulations could require substantial expenditure which may reduce CLA's profitability**

To the extent that a lessee fails to comply with airworthiness directives required to maintain its certificate of airworthiness or other manufacturer requirements in respect of an aircraft or if the aircraft is not currently subject to a lease, then CLA may have to bear the cost of such compliance.

#### **The aircraft might be adversely affected if not adequately managed and maintained**

In circumstances where lessees are not already doing so in accordance with the terms of the relevant lease agreements, should CLA fail to provide adequate management and maintenance of the aircraft, the value of CLA's assets might be adversely affected.

### **The imposition of withholding tax on lease payments would have an adverse impact on cash flow**

There can be no assurance that upon the expiry or termination of the existing leases, the aircraft will necessarily be leased to a lessee located in a jurisdiction that does not impose withholding tax on aircraft lease payments.

### **Income earned in the jurisdictions in which the aircraft operate or where the lessees are located may be subject to tax, resulting in decreased cash available for CLA**

CLA may be subject to income or other taxes in other jurisdictions by reason of where its aircraft operate or where the lessees of its aircraft (or others in possession of their aircraft) are located. If such taxes are levied on CLA, it may decrease net income and cash flow.

### **Operational costs will increase as CLA's aircraft age**

The cost of re-delivering an aircraft under a re-lease, including maintenance and modification expenditures, increases with the age of the aircraft. The costs of converting an aging passenger aircraft to a cargo aircraft are also substantial. The incurrence of these greater expenses as CLA's fleet ages could adversely affect its financial condition and results of operations.

### **As high fuel prices continue to affect the profitability of the airline industry, the airline lessees might not be able to meet their lease payment obligations to CLA**

Fuel costs represent a major expense to companies operating within the airline industry, and fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events, currency exchange rates and natural disasters. Fuel prices have recently been at historically high levels. The continuing high cost of fuel will likely have a material adverse impact on airline profitability. Due to the competitive nature of the airline industry, airlines may not be able to pass on increases in fuel prices to their customers by increasing fares. If they pass on the higher costs, it may adversely affect demand for air travel, which would reduce their revenues. In addition, airlines may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. If fuel prices remain at historically high levels or increase further, they are likely to cause the airline lessees to incur higher costs or experience reduced revenues. Consequently, these conditions may:

- affect the lessees' ability to make rental and other lease payments;
- result in lease restructurings and aircraft repossessions;
- increase CLA's costs of servicing and marketing aircraft;
- impair CLA's ability to re-lease the aircraft and other aviation assets or re-lease or otherwise dispose of the assets on a timely basis at favourable rates; and
- reduce the proceeds received for the aircraft upon any disposal.

### **The effects of terrorist attacks and geopolitical conditions may negatively affect the airline industry**

Terrorist attacks and geopolitical conditions have adversely affected the airline industry, and concerns about geopolitical conditions and further terrorist attacks could harm airlines in the future as a result of various factors, including:

- higher costs to airlines due to of increased security measures;
- the inconvenience of additional security measures;

- the price and availability of jet fuel and the cost, practicability and effectiveness of obtaining fuel hedges under current market conditions; and
- significantly higher costs of aircraft insurance coverage for claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance has been or will continue to be available.

Future terrorist attacks, war or armed hostilities, or the fear of such events, may further increase airline costs, depress air travel demand, cause certain aviation insurance to become available only at significantly increased premiums or may not be available at all and could have a further adverse impact on the airline industry and on the financial condition and liquidity of CLA's airline lessees, aircraft values and rental rates, all of which could adversely affect the financial condition and results of operations of CLA.

### **The effects of epidemics may negatively affect the airline industry**

The spread of Severe Acute Respiratory Syndrome ("SARS") was linked to air travel early in its development and had a severe adverse impact on the aviation industry, which was evidenced by a sharp reduction in passenger bookings, cancellation of many flights and employee layoffs. In addition, since 2003, there have been several outbreaks of avian influenza, or "Bird Flu", beginning in Asia and, most recently, spreading to certain parts of Africa and Europe. Additional outbreaks of SARS, Bird Flu or other epidemics, or the fear of such events, could provoke responses, including government-imposed travel restrictions, which could negatively affect passenger demand for air travel and the financial condition of the aviation industry. This could adversely affect the financial condition of CLA.

### **CLA operates in a highly competitive market for investment opportunities in aircraft and other aviation assets**

The leasing and re-marketing of commercial jet aircraft is highly competitive. CLA competes in leasing, re-leasing and selling aircraft with other aircraft leasing companies. The competitors of CLA may have significantly greater resources. In addition, some competing aircraft lessors have a lower overall cost of capital and may provide financial services, maintenance services or other inducements to potential lessees that CLA cannot provide. If CLA is unable to maintain its competitiveness in the market and is unable to dispose of its aircraft in a timely manner or on favourable terms, the results of operations and financial conditions of CLA could be materially and adversely affected.

In addition, the Directors consider that the Company may encounter competition from other entities, such as airlines, aircraft manufacturers, financial institutions (including those seeking to dispose of re-possessed aircraft at distressed prices), aircraft brokers, public and private partnerships and investors and funds with more capital to invest in aircraft and engines.

CLA may compete with Avation, its majority shareholder, when seeking to acquire aircraft.

### **The variability of supply and demand for aircraft and other aviation assets could depress lease rates and the value of leased assets**

The aviation leasing and sales industry has experienced periods of aircraft over-supply and under-supply. The over-supply of a specific type of aircraft or other aviation asset in the market is likely to depress lease rates and values. This would have an impact on CLA's cost of acquiring aircraft or other aviation assets, may result in lease defaults and could delay or prevent the aircraft from being re-leased or sold (as the case may be), or the ability of CLA to raise debt or meet existing debt conditions, on favourable terms. This could have an adverse effect on CLA's financial condition and results of operations.

### **CLA depends on the financial stability of aircraft and engine manufacturers and their ability to continue producing aircraft and engines**

CLA depends on the financial stability of aircraft manufacturers and their ability to continue producing aircraft and related components, and provide support services, which meet airlines' demands. Should the manufacturers fail to respond appropriately to changes in the market environment or fail to fulfil their contractual obligations, CLA may experience an inability to acquire aircraft and related components on terms that will allow CLA to lease those aircraft and related components to customers at profitable levels. This may also result in a reduction in CLA's competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and may adversely affect the value of its portfolio and its ability to remarket or sell some of the aircraft in its portfolio.

### **CLA may be adversely affected by "type" faults in a particular type of aircraft**

The Initial Portfolio consists of one type of aircraft, the Fokker F100, and, until such time as a more diversified portfolio of aircraft is acquired, CLA may be adversely affected by design, safety or other issues which may affect aircraft of that type.

### **Currency Risk**

Any future income from the leases may be subject to exchange rate fluctuations and become subject to exchange control or similar restrictions. In addition, the Company expects to report its financial results in £ although the majority of its business may be conducted in other currencies. As a result, it may be subject to foreign currency exchange risk due to exchange rate movements which will affect the Company's transaction costs and the translation of its results.

### **Forward looking statements**

This document contains forward looking statements, including, without limitation, statements containing the words "believe", "anticipated", "expected" or similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. To the extent lawfully permitted, the Company disclaims any obligations to update any such forward looking statements in this document to reflect future events or developments.

**PART III**  
**ACCOUNTANTS' REPORT ON THE COMPANY**



7 December 2007

The Board of Directors  
Capital Lease Aviation Public Limited Company  
Georgian House  
63 Coleman Street  
London  
EC2R 5BB

The Board of Directors  
W H Ireland Limited  
24 Martin Lane  
London  
EC4R 0DR

**Capital Lease Aviation Public Limited Company (“the Company”)**

We report on the financial information set out below relating to the Company. This financial information has been prepared for inclusion in the Admission Document of Capital Lease Aviation Public Limited Company, of today's date (“the Admission Document”) on the basis of the accounting policies set out in Note 1 to the financial information. This report is required by the AIM Rules and is given for the purpose of complying with Schedule 2 of Section 20.1 of Annex 1 to the AIM Rules and for no other purpose.

**Basis of preparation**

The financial information set out in Part III of the Admission Document, is based on the financial statements of the Company for the period ended 30 June 2007.

**Responsibility**

The Directors of Capital Lease Aviation Public Limited Company are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards. It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purpose of the Admission Document, and to report our opinion to you.

**Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously recorded by the auditors relating to the audit of the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed.

We planned and performed our examination 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 information contained in our report is free from material misstatement, whether caused by fraud, other irregularity or error.

### **Opinion**

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated and of its profit, cash flow and changes in equity for the period then ended then in accordance with the basis of preparation set out in Note 1 to the financial information and in accordance with International Financial Reporting Standards.

### **Declaration**

For the purposes of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all responsible care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

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

**CAPITAL LEASE AVIATION PUBLIC LIMITED COMPANY  
INCOME STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2007**

	Note	Period Ended 30 June 2007 £
Revenue		-
Cost of sales		-
Gross profit		<u>-</u>
Administrative expenses		(12)
Loss from operations	6	<u>(12)</u>
Finance income and expenses		-
Loss before income tax		<u>(12)</u>
Taxation	8	-
Loss after income tax		<u>(12)</u>

**CAPITAL LEASE AVIATION PUBLIC LIMITED COMPANY  
BALANCE SHEET  
AS AT 30 JUNE 2007**

	Note	30 June 2007 £
ASSETS		
Current asset:		
Cash and cash equivalents		50,088
Total assets		<u>50,088</u>
EQUITY		
Capital and reserves:		
Share capital	9	50,100
Retained loss		(12)
Net equity		<u>50,088</u>
Total equity		<u>50,088</u>

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

	Note	Share capital £	Retained loss £	Total £
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		-	(12)	(12)
Balance at 30 June 2007		50,100	(12)	50,088
		50,100	(12)	50,088

**CAPITAL LEASE AVIATION PUBLIC LIMITED COMPANY  
CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2007**

	<b>Period Ended 30 June 2007 £</b>
Cash flows from operating activities:	
Loss before income tax and net cash from operating activities	(12)
	<hr/>
Cash flows from financing activity:	
Issue of shares (net of issue costs)	50,100
Net cash from financing activity	50,100
	<hr/>
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	50,088
	<hr/> <hr/>

## **CAPITAL LEASE AVIATION PUBLIC LIMITED COMPANY NOTES TO FINANCIAL STATEMENTS**

### **1 GENERAL**

The Company is a public limited company incorporated in the England and Wales 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.

- 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.

## **CAPITAL LEASE AVIATION PUBLIC LIMITED COMPANY NOTES TO FINANCIAL STATEMENTS**

- (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.

### **4 HOLDING AND ULTIMATE HOLDING COMPANY**

51.22% of the Company's shares are held by Avation plc, incorporated and registered in England and Wales.

### **5 LOSS FROM OPERATIONS**

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

### **6 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.

### **7 TAXATION**

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

**CAPITAL LEASE AVIATION PUBLIC LIMITED COMPANY  
NOTES TO FINANCIAL STATEMENTS**

**8 SHARE CAPITAL**

	<b>2007</b>
	<b>£</b>
Authorised:	
100,000,000 ordinary shares of £0.001 each	100,000
	<u>100,000</u>
Allotted, called up and fully paid:	
50,100,000 ordinary shares of £0.001 each	50,100
	<u>50,100</u>

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

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

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

**9 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.

**10 SUBSEQUENT EVENTS**

Subsequent to the end of the financial period:

**a) Issue of Shares**

On 4 July 2007, the Company raised a total of £11,450,001.36 (gross of issue costs of £658,673) through the issue of 47,708,339 new ordinary shares of £0.001 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.

The issue costs totaled £658,673, including a bonus of £65,000 paid to Epsom Assets Limited, a trustee company incorporated in Mauritius of which Jeff Chatfield is one of the beneficiaries.

**b) Acquisition of Aircraft**

On 22 August 2007 the Company purchased two used Fokker 100 aircraft from AerCap Leasing II B.V for a total consideration of US\$10,820,000.

**c) Debt Facility**

On 25 September 2007, the Company accepted an offer of funding for US\$7,574,000 to facilitate the financing of the two Fokker 100 Aircraft acquired on 22 August 2007. This

facility has not yet been drawn down as it is subject to certain conditions precedent that the Directors expect to satisfy after the proposed Admission to AIM.

**c) Lease of Aircraft**

The Company entered into two aircraft operating lease agreements dated 26 September 2007 and 28 September 2007 with Skywest Airline Pty Ltd under which the Company granted leases for the two aircraft purchased on 22 August 2007 to Skywest Airlines Pty Limited for a period of 60 months commencing on or about the date of the agreements. Under each agreement a deposit of US\$198,000 was paid and the rent is stated as US\$99,000 each month.

**d) Loan to F100**

On 31 October 2007, the Company entered into an unsecured stand-by cash facility of US\$598,823.01 with F100 Pty, a wholly owned subsidiary of Avation plc. The amount had been previously advanced to F100 Pty on 30 July 2007. Interest on the loan is payable at a rate of 10% per annum, payable monthly in arrears. The loan is repayable on demand on the Company giving F100 10 days' notice.

**e) Increase in Share Capital**

On 6 December 2007 the Company increased its authorised share capital from £100,000 to £150,000 by the creation of 50,000,000 new ordinary shares.

**f) Issue of Warrants**

Since the year end the following warrants to subscribe for Ordinary Shares have been issued:

<b>Recipient</b>	<b>Number of Ordinary Shares under Warrant</b>	<b>Date of Grant</b>	<b>Exercise Period</b>	<b>Exercise Price per Ordinary Share</b>
Epsom Assets Limited <sup>1</sup>	1,370,833	7 December 2007	24 months from Admission	24p
Richard Sinclair	881,251	7 December 2007	24 months from Admission	24p
Peter Freeman	97,916	7 December 2007	24 months from Admission	24p
Soeren Ferré	800,000	7 December 2007	24 months from Admission	24p
Olivier Garrigue	97,916	7 December 2007	24 months from Admission	24p
WH Ireland Limited	2,000,000	7 December 2007	10 months from Admission	82.5p

<sup>1</sup>A trustee company incorporated in Mauritius of which Jeff Chatfield is one of the beneficiaries

**CAPITAL LEASE AVIATION PUBLIC LIMITED COMPANY  
NOTES TO FINANCIAL STATEMENTS**

**11 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.

**PART IV**

**UNAUDITED PRO FORMA STATEMENT OF NET ASSETS**

7 December 2007

The Directors  
Capital Lease Aviation plc  
Georgian House  
63 Coleman Street  
London  
EC2R 5BB

The Directors  
W H Ireland Limited  
24 Martin Lane  
London  
EC4R 0DR

Dear Sirs

**Pro Forma Statement of Net Assets**

We report on the pro forma statement of net assets set out in Part IV of the Admission Document of Capital Lease Aviation Public Limited Company (“the Company”) dated 7 December 2007, which has been prepared, for illustrative purposes only, to provide information about how the issue of share capital and the purchase of two Fokker 100 aircraft might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 June 2007. This report is required by guidance issued by the London Stock Exchange with respect to the AIM market and is given for the purpose of complying with that guidance and for no other purposes.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the pro forma financial information in accordance with guidance issued by the London Stock Exchange.

It is our responsibility to form an opinion, as required by guidance issued by the London Stock Exchange, as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma

financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

### **Opinion**

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of guidance issued by the London Stock Exchange we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with guidance issued by the London Stock Exchange.

Yours faithfully

**KINGSTON SMITH LLP**  
**Chartered Accountants and Registered Auditors**  
**60 Goswell Road**  
**London**  
**EC1M 7AD**

The following unaudited pro forma statement of net assets of Capital Lease Aviation Public Limited Company has been prepared for illustrative purposes only, to provide information about the impact of the share issue and the acquisition of the two Fokker 100 aircraft on its balance sheet. Due to its nature, this pro forma financial information addresses a hypothetical situation and therefore does not represent Capital Lease Aviation Public Limited Company's actual financial position. This information has been prepared on the basis that the transactions were effective on 30 June 2007 and on the basis set out in the notes below:

	<b>Audited 30-Jun-07</b>	<b>Share issue</b>	<b>Purchase of</b>	<b>Loan to F100</b>	<b>Pro forma</b>
	£	£	£	£	£
		<b>Note 2</b>	<b>Note 3</b>	<b>Note 4</b>	
<b>ASSETS</b>					
<b>Non current assets</b>					
Property, plant and	-	-	5,410,000	-	5,410,000
<b>Current assets</b>					
Intercompany loan	-	-	-	299,412	299,412
Cash and cash equivalents	50,088	10,791,328	(5,410,000)	(299,412)	5,132,004
<b>Total assets</b>	<u>50,088</u>	<u>10,791,328</u>	<u>-</u>	<u>-</u>	<u>10,841,416</u>
<b>SHAREHOLDERS EQUITY</b>					
Called up share capital	50,100	47,708	-	-	97,808
Share premium account	-	10,743,620	-	-	10,743,620
Retained earnings	(12)	-	-	-	(12)
<b>Total equity</b>	<u>50,088</u>	<u>10,791,328</u>	<u>-</u>	<u>-</u>	<u>10,841,416</u>

#### Notes:

#### 1 Balance sheet position

The initial balance sheet of Capital Lease Aviation Public Limited Company is extracted from the audited financial statements for the period from 6 June 2007 (date of incorporation) to 30 June 2007.

#### 2 Issue of share capital

On 4 July 2007, the Company 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 each at a price of 24 pence per ordinary share. Transaction costs associated with this share issue totalling £658,673 have been charged against the share premium account.

### 3 Purchase of fixed assets

On 22 August 2007 the company purchased the following aircraft from AerCap Leasing II B.V. for a total of US\$10.82 million:

<b>Aircraft type (Manufacturers Serial No.)</b>	<b>Cost US\$</b>	<b>Cost £</b>
Fokker F100 (11326)	5,110,000	2,555,000
Fokker F100 (11461)	5,710,000	2,855,000
<b>Total</b>	<b>10,820,000</b>	<b>5,410,000</b>

For the purposes of the pro forma, an exchange rate of \$2:£1 has been used.

### 4 Loan to F100 Pty Limited

On 31 October 2007 the Company entered into an unsecured stand-by cash facility of US\$598,823.01 with F100 Pty, a wholly owned subsidiary of Avation plc. The amount had been previously advanced to F100 Pty on 30 July 2007. Interest on the loan is payable at a rate of 10% per annum, payable monthly in arrears. The loan is repayable on demand on the Company giving F100 Pty 10 days' notice.

### 5 Future trading

Except as stated above, no account has been taken of trading or other transactions occurring since 30 June 2007.

### 6 Disclaimer

The pro forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Companies Act.

## PART V

### ADDITIONAL INFORMATION

#### 1. THE COMPANY

- 1.1 The Company was incorporated on 6 June 2007 in England and Wales as a public limited company under the 1985 Act, registered with number 6271424 and with the name Capital Lease Aviation Public Limited Company. The liability of the members of the Company is limited. The Company's registered office is at Georgian House, 63 Coleman Street, London, EC2R 5BB. The Company is managed in Singapore and operates under English Law.
- 1.2 On 14 June 2007, the Company was issued a certificate permitting it to commence business and borrow under section 117(1) of the 1985 Act.
- 1.3 The Company has one wholly owned subsidiary, Capital Lease Australian Portfolio One Pty Ltd (A.C.N. 127 491 605) registered on 11 September 2007 in the state of Victoria, Australia, and whose registered address is Level 1, 216 St Georges Terrace, Perth, Western Australia.

#### 2. SHARE CAPITAL

- 2.1 On incorporation, the authorised share capital of the Company was £100,000 divided into 100,000 ordinary shares of £1.00 each. The Company was incorporated with 2 ordinary shares of £1.00 each as the subscriber shares. On 13 June 2007, the Company issued 50,098 ordinary shares of £1.00 each.
- 2.2 By a resolution dated 13 June 2007 each of the 50,100 issued ordinary shares of £1.00 each, and each of the 49,900 unissued ordinary shares of £1.00 each in the share capital of the Company were subdivided into 100,000,000 Ordinary Shares.
- 2.3 On 4 July 2007, the Company issued 47,708,339 Ordinary Shares, which brought the total Share Capital to 97,808,339.
- 2.4 By resolutions dated 6 December 2007, the Company increased its share capital from £100,000 to £150,000 by the creation of 50,000,000 new Ordinary Shares, adopted new articles of association (as described in paragraph 3.2 of this Part V) and gave the Directors the power under article 3.3 of the Articles to allot shares up to an aggregate nominal amount of £150,000 as if the pre-emption rights contained in section 89 of the 1985 Act did not apply.
- 2.5 The authorised and issued share capital of the Company at the date of this document is as follows:

#### ***Share capital on Admission***

<i>Authorised Amount</i>	<i>Number</i>	<i>Issued Amount</i>	<i>Number</i>
£150,000	150,000,000 Ordinary Shares	£97,808.339	97,808,339 Ordinary Shares

- 2.6 On Admission, the Ordinary Shares will rank pari passu in all respects.

2.7 Save as disclosed in paragraph 4.1(b) and 6.2 of this Part V, no Ordinary Shares are under option or warrant or have been agreed conditionally or unconditionally to be put under option or warrant.

### **3. MEMORANDUM AND ARTICLES OF ASSOCIATION**

#### **3.1 Memorandum of Association**

The Memorandum of Association of the Company provides at clause 4.1 that the Company's principal object is to carry on business as a general commercial company.

#### **3.2 Articles of Association**

The current Articles of Association were adopted on 6 December 2007, and include provisions to the following effect:

(a) **Issue of Shares**

Subject to the Act and to any special rights conferred on the holders of any shares or class of shares, shares may be allotted with such rights and restrictions as the Company may by ordinary resolution decide or (if and to the extent that there is no resolution making specific provision) as the Directors may decide.

(b) **Voting rights**

Subject to any special rights or restrictions as to voting attached to any share by or in accordance with the Articles of Association, on a show of hands, every member who is present in person (being an individual), or is present by a duly authorised representative or proxy (being a corporation) shall have one vote unless the proxy or representative is himself a member entitled to vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. A member is not entitled to vote in respect of shares unless all calls or other sums presently payable by him in respect of those shares have been paid. A member is not entitled to vote in respect of shares held by him in relation to which he or any person appearing to be interested in such shares has been duly served with a notice under the Act ("a statutory notice") requiring him to give details of any interest in any shares in the Company, and that person has failed to comply with such notice within the specified period and has not remedied that default within a further period of 14 days after service of a further notice requiring him to do so.

(c) **Variation of rights**

Subject to the Act, whenever the share capital of the Company is divided into different classes of shares, rights attached to any class of shares may be varied either in the manner (if any) as may be provided by those rights or (in the absence of any such provision) with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of those shares. At every such separate meeting (except an adjourned meeting) the quorum shall be two or more persons holding or representing by proxy not less than one third in nominal value of the issued shares of the class and at an adjourned meeting one holder present in person or by proxy shall constitute a quorum.

(d) **Transfers of Shares**

Subject to article 8 of the Articles of Association all transfers of shares shall be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors and may be under hand only. Any written instrument of transfer of a share shall be signed by or on behalf of the transferor (and the transferee in the case of a partly paid share) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

The Directors may in their absolute discretion and without assigning any reason decline to register any transfer unless: (a) it is in respect of a fully paid share; (b) it is duly stamped and is deposited at the registered office or such other place as the Directors may appoint; accompanied by the certificate for the shares to which it relates and such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (c) it is in respect of only one class of share, (d) it is in favour of not more than four transferees (except in the case of executors or the trustees of a deceased member).

(e) **Distribution of assets on a winding up**

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution of the Company, and any other sanction required by the Act divide amongst the members, in specie, the whole or part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set the value as he deems fair on any one or more class of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees on trust for the benefit of members as the liquidator, with the same authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, except that no member shall be compelled to accept any shares in respect of which there is a liability.

(f) **Pre-emption on transfer of shares**

Subject to the Act and provisions of the Articles of Association and any resolution of the Company in a General Meeting passed pursuant thereto, there are no pre-emption rights on transfer attaching to the Ordinary Shares.

(g) **Redemption**

Subject to the Act, any shares in the capital of the Company may be issued on terms that they are, or at the option of the Company are, liable to be redeemed.

(h) **Alteration of share capital**

The Company may by ordinary resolution increase, consolidate or sub-divide its share capital or cancel any shares which have not, at the date of the ordinary resolution, been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the nominal amount of shares so cancelled. The Company may by special resolution reduce its authorised and issued share capital or any capital redemption reserve or share premium account or other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.

(i) **Purchase of own shares**

Subject to the Act and to any rights for the time being attached to any shares, the Company may purchase any of its own shares of any class including redeemable shares.

(j) **Borrowing powers**

Subject to the Articles of Association and to the provisions of the Act, the Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets and uncalled capital or any part of it and (subject to the Act) to issue debentures and other securities whether outright or as collateral security for any debt or liability or obligation of the Company or of any third party. Subject to the provisions of the Act, a Director (including an alternate Director) shall (in the absence of some other material interest than that indicated in Article 18.6 of the Articles of Association) be entitled to vote (and be counted in the quorum) in respect of a resolution relating to the giving of security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings, or a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by giving of security.

(k) **Dividends**

Except so far as the rights attaching to the shares provide otherwise, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid up on a share in advance of a call shall be treated as paid up for this purpose.

Any dividend that remains unclaimed for a period of 12 years from the date on which it becomes due for payment shall be forfeited and shall revert to the Company. No dividend shall bear interest against the Company.

(l) **Disclosure of interests**

A notice may be served by the Company on any person appearing to be interested in any shares of the Company. Such notice may require disclosure of that person's interest in Shares under section 793 of the Companies Act 2006.

(m) **Directors' conflict of interests**

A director shall not vote or be counted in the quorum, on or in respect of any proposal in which he has any interest, unless such proposal falls under article 18.6 of the Company's Articles of Association, which includes a proposal concerning the Company's insurance.

If there is any doubt as to whether a Director may vote and count in the quorum, the matter shall be referred to and decided by the Chairman, whose ruling shall be final.

Where more than one director's appointment or employment is proposed, each proposed appointment may be considered separately and each Director shall, if not debarred from voting because of the limit on shareholding specified in

Article 18.6.3 of the Articles of Association be entitled to vote and count in the quorum in respect of each resolution except that concerning his own appointment.

(n) **Directors**

The Board are responsible for exercising the powers of the Company, conducting the Company's business and affairs. The Board may exercise all powers of the Company, except as are in the Certificate of Incorporation, the Bylaws or by law expressly conferred upon or reserved to the Shareholders.

There shall be not less than two but no more than seven Directors, although this may be varied by ordinary resolution. At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

A Director may be appointed or removed only by ordinary resolution of the Shareholders.

A quorum of the Board may be determined from time to time by the Directors, and unless determined otherwise shall be two. A vote of the majority of the Directors present at a duly called meeting shall be the act of the Board.

The Board may from time to time appoint one or more members of the Board to be the holder of any executive office. The Board may also remove such person from any such office.

(o) **Gratuities and pensions**

The Directors may establish, maintain, participate in or contribute to, or procure the establishment and maintenance of, participation in or contribution to, any pension, annuity, superannuation, benevolent or life assurance fund, scheme or arrangement for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances, benefits and emoluments to, any employees and employee's dependents of the Company or any of its predecessors in business, or subsidiaries, or any company which is allied to or associated with the Company.

(p) **Notices**

Notices of meetings shall be sent to those members who appear on the Register of Members on a day not more than 14 days before the date of the notice. Such notice may be served by the Company on any member either personally or by first-class post (where available). In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members.

## **4. DIRECTORS**

### **4.1 Interests in the Ordinary Shares**

Save as disclosed in this section, the Directors do not have any direct interests in the Ordinary Shares. However, the interests of the Directors (including persons connected with them within the meaning of section 346 of the 1985 Act) in the share capital of Avation, which are required to be notified by each Director to the Company pursuant to the Act, and which are shown in the register of Directors' interests maintained under the Act, all of which are beneficial unless otherwise stated, on Admission will be as follows:

(a) Interest in shares in Avation

<i>Director</i>	<i>Number of warrants in Avation at the date of this document</i>	<i>Number of ordinary shares in Avation at the date of this document</i>	<i>Percentage of issued share capital of Avation at the date of this document</i>
Jeff Chatfield	3,200,000	3,489,490	14.34
Richard Sinclair	0	31,500	0.12
Peter Freeman	80,000	41,650	0.17

(b) Warrants over Ordinary Shares

Pursuant to the grant of the Director Warrant Deeds the following Directors hold warrants:

<i>Director</i>	<i>Number of Ordinary Shares under Warrant</i>	<i>Date of grant</i>	<i>Exercise period</i>	<i>Exercise price per Ordinary Share</i>
Jeff Chatfield <sup>1</sup>	1,370,833	7 December 2007	24 months from Admission	24p
Richard Sinclair	881,251	7 December 2007	24 months from Admission	24p
Peter Freeman	97,916	7 December 2007	24 months from Admission	24p
Soeren Ferré	800,000	7 December 2007	24 months from Admission	24p
Olivier Garrigue	97,916	7 December 2007	24 months from Admission	24p

Further details of the Director Warrant Deeds are set out in paragraph 7.1(p) below.

#### 4.2 Directorships

The Directors hold the following directorships in addition to that of the Company and have held the following directorships within the five years prior to the publication of this document.

---

<sup>1</sup> Warrants granted to Epsom

<i>Name</i>	<i>Current directorships</i>	<i>Former directorships and partnerships held within the last five years</i>
Jeff Chatfield	Australian Historical Investments Pty Ltd Avation.net.Inc. Captivevision Capital Ltd Diamond Distribution and Polishing Pte Ltd Mibago (S) Pte Ltd A.C.N. 098 904 262 Pty Ltd (formerly known as Skywest Pty Ltd) Skywest Airlines Pty Ltd Skywest Airlines (S) Pte Ltd Tantini Pty Ltd Skywest Airlines Ltd (formerly known as Advent Air Ltd) Avation F100 Pty CP1 Epsom Assets Ltd	Avation D.O. Brazil CaptiveVision Sdn Bhd Data & Commerce Ltd Io Research Pty Ltd Kingsbay Pty Ltd Malbend Pty Ltd Television Licensors International Ltd Victorian Radio Network Pty Ltd Tantini Electronics Pty Ltd ID+plus Ltd
Richard Sinclair		Avation
Peter Freeman	Loeb Aron & Company Limited	Kudosophion plc Plus Markets Group plc Plus Markets plc
Olivier Garrigue	Mapesbury Communications Ltd Mapesbury Capital Partners Ltd Guava Limited Nuera Limited	Aptix ASA BBC Resources Limited Mapesbury Associates Limited Childrens' Arts Trust Limited
Soeren Ferré	AerDragon Aviation Partners Limited AerDragon Bangkok Leasing B.V. AerVenture Leasing 1 Limited AerVenture Limited AerVenture UK Limited Dragon Aviation Leasing Company Limited	

#### 4.3 **Receiverships and liquidations**

None of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) ever been declared bankrupt or been the subject of an individual voluntary arrangement;
- (c) ever been a director of a company which, while he was a director or within 12 months of his ceasing to be a director, had a receiver appointed, entered into liquidation, entered into administration, entered into a voluntary arrangement or

made any compositional arrangements with its creditors generally or with any class of its creditors;

- (d) ever been a partner in a partnership which while he was a partner or within 12 months of his ceasing to be a partner entered into compulsory liquidation, administration or a partnership voluntary arrangement;
- (e) owned any asset or been a partner in a partnership which while he owned that asset or was a partner or within 12 months after his ceasing to own that asset or be a partner entered into receivership;
- (f) been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or
- (g) been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **5. DIRECTORS' SERVICE CONTRACTS, LETTERS OF APPOINTMENT AND EMOLUMENTS**

5.1 Each of the executive Directors has a service contract the details of which are set out below. The specific terms of their service agreements with the Company are set out below:

- (a) Jeff Chatfield was appointed as a director of the Company on 6 June 2007. On 27 November 2007, Epsom entered into a service agreement with the Company, pursuant to which it agreed to provide Jeff Chatfield's services as the executive chairman of the Company. The agreement may be terminated by either party giving 12 months' notice in writing and the employment may be terminated with a payment in lieu of any unexpired portion of the 12 month period. The remuneration in respect of the provision of Jeff Chatfield's services will be the monthly payment of £10,000 payable under the agreement with Epsom referred to in paragraph 7.1(m) below plus a performance related bonus if the Company raises any net capital as equity. The agreement includes non-compete restrictions and confidentiality provisions following termination of his employment with the Company.
- (b) Richard Sinclair was appointed as a director of the Company on 16 July 2007. On 28 November 2007, he entered into a service agreement with the Company and Sinclair Management Services ("SMS"), pursuant to which he was appointed as Chief Executive Officer and Finance Director of the Company. The agreement is for an initial period of three years starting on 1 December 2007, and shall then automatically terminate unless otherwise agreed between the Company and SMS. Richard Sinclair's appointment may be terminated by any party giving to the others at least three months' written notice. The remuneration in respect of the provision of Richard Sinclair's services will be fixed at SGD\$270,000 per annum, payable to SMS, such fee to be reviewed by the Company's board of directors at least every six months. Richard Sinclair may also be entitled to a performance-related bonus, determined by the Company's board of directors. The agreement includes non-compete restrictions and confidentiality provisions following termination of his employment with the Company.
- (c) Peter Freeman was appointed as a director of the Company on 6 June 2007. On 27 November 2007, he entered into a non-executive letter of appointment with the Company, pursuant to which he was appointed as a non-executive director of the Company. Such appointment also provides that he may be

required to serve on one or more of the committees of the board of directors of the Company. The agreement may be terminated by either party giving three months' notice in writing. On termination of the appointment, Peter Freeman shall only be entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. The remuneration in respect of the provision of Peter Freeman's services will be a fixed fee of £18,000 per annum, such fees to be ceded to Peter Freeman's current primary employer, Loeb Aron & Company Ltd. The agreement includes confidentiality provisions following termination of his employment with the Company.

- (d) Olivier Garrigue was appointed as a director of the Company on 27 November 2007. On 27 November 2007, he entered into a non-executive letter of appointment with the Company, pursuant to which he was appointed as a non-executive director of the Company. Such appointment also provides that he may be required to serve on one or more of the committees of the board of directors of the Company. The agreement may be terminated by either party giving one month's notice in writing. On termination of the appointment, Olivier Garrigue shall only be entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. The remuneration in respect of the provision of Olivier Garrigue's services will be a fixed fee of £18,000 per annum, such fees to be ceded to Mapesbury Capital Partners Ltd. The agreement includes confidentiality provisions following termination of his employment with the Company.
- (e) Soeren Ferré was appointed as a director of the Company on 4 December 2007. On 5 December 2007, he entered into a non-executive letter of appointment with the Company, pursuant to which he was appointed as a non-executive director of the Company. Such appointment also provides that he may be required to serve on one or more of the committees of the board of directors of the Company. The agreement may be terminated by either party giving one month's notice in writing. In the event of any conflict of interests between AerCap and the Company, Soeren may terminate his directorship without notice. The amount of remuneration in respect of the provision of Soeren's services will be £24,423. The agreement includes confidentiality provisions following termination of his employment with the Company.

## 5.2 **Estimate of remuneration**

The aggregate of the remuneration payable to the Directors by the Company in respect of the year following Admission under the arrangements in force at the date of this document is estimated to be approximately £270,453.

## 5.3 **Directors' interests in transactions**

Save as disclosed in this Part V, none of the Directors has or has had any interest in transactions which are or were unusual in their nature or condition or significant to the business of the Company during the current financial year and remain in any respect outstanding or unperformed.

## 6. **SUBSTANTIAL SHAREHOLDINGS AND SHARE WARRANTS**

- 6.1 Save for the Directors' indirect interests described in paragraph 4.1 above, on Admission, the following persons will be beneficially interested in 3% or more of the Share Capital at the date of Admission.

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital on Admission</i>
Avation plc	50,100,000	51.22
Jabcap Multistrategy Fund Limited	20,833,334	21.30
Coppertree Mustang Master Fund Limited	8,333,334	8.52
Rig III Fund Limited	7,291,667	7.46
Majedie Investments plc	3,125,000	3.20

6.2 In addition to the options granted to Directors as described in paragraph 4.1(b) above, warrants to subscribe for up to 2,000,000 Ordinary Shares have been granted to WHI Ireland pursuant to the WHI Warrant Deed details of which are set out in paragraph 7.1(o) of this Part V.

6.3 Save as disclosed in paragraphs 6.1 and 6.2 above, the Directors are not aware of any person who, directly or indirectly, on Admission will have any interest (within the meaning of Part VI of the 1985 Act) in 3% or more of the issued share capital of the Company, nor are the Directors aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

## **7. MATERIAL CONTRACTS**

7.1 The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company within the two years since incorporation and are or may be material.

- (a) Pursuant to a letter of engagement dated 6 June 2007 between the Company and WHI, the Company appointed WHI as its broker in respect of the placing of shares in the Company. WHI agreed to use its reasonable endeavours to raise up to US\$50,000,000 by way of the placing of Ordinary Shares and to act as receiving agent for the funds raised. In consideration for the services provided by WHI, the Company agreed to pay WHI a commission fee of £572,500.07 equal to 5% of the aggregate value of the new Ordinary Shares placed in the proposed placing. The engagement was for a term of three months.
- (b) Pursuant to a sale and purchase agreement dated 22 August 2007 between the Company and AerCap Leasing II B.V. the Company agreed to purchase two used Fokker 100 aircraft. The purchase price on the first aircraft (Manufacturer's Serial Number 11326) was stated to be US\$5,110,000 and the purchase price on the second aircraft (Manufacturer's Serial Number 11461) was stated to be US\$5,710,000.
- (c) Pursuant to an aircraft operating lease agreement dated 28 September 2007 between the Company and Skywest, the Company granted a lease of the aircraft with manufacturer's serial number 11326 to Skywest for a period of 60 months commencing on or about the date of the agreement. A deposit of US\$198,000 was paid and the rent is stated as US\$99,000 each month. Under the agreement, Skywest is responsible for all maintenance and actions necessary to repatriate the aircraft to Australia. The aircraft is leased on an "as is-where is" basis. Skywest may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written

consent of the Company, the granting of which consent cannot be unreasonably withheld. During the terms of the lease, Skywest shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein. The agreement is governed by the laws of Western Australia.

(d) Pursuant to an aircraft operating lease agreement dated 26 September 2007 between the Company and Skywest, the Company granted a lease of the aircraft with manufacturer's serial number 11461 to Skywest for a period of 60 months commencing on or about the date of the agreement. A deposit of US\$198,000 was paid and the rent is stated as US\$99,000 each month. Under the agreement Skywest is responsible for all maintenance and actions necessary to repatriate the aircraft to Australia. The aircraft is leased on an "as is-where is" basis. Skywest may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of the Company, the granting of which consent cannot be unreasonably withheld. During the terms of the lease, Skywest shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein. The agreement is governed by the laws of Western Australia.

(e) Pursuant to the CP1 Finance Offer, CP1 accepted a letter of approval under which it was offered finance to enable CP1 to purchase the Initial Portfolio. The terms of the CP1 Finance Offer state that the Company is to be the guarantor for the loan, which shall be up to an amount of US\$7,574,000. The loan is on a fixed rate, fully drawn loan facility at an interest rate of the lender's US\$ cost of funds plus a margin of 1.375% (an estimated total of 6.5% at the date of the CP1 Finance Offer). The term of the facility is 60 months, and a one time establishment fee of US\$10,000 was payable on acceptance of the CP1 Finance Offer. Based on the interest rate on the date of the CP1 Finance Offer, the monthly payments were quoted as US\$148,194.

The facility which may be granted under the CP1 Finance Offer will be secured by, amongst other things, a mortgage over the Initial Portfolio, a guarantee from the Company, and fixed and floating charges over CP1. Drawdown under the loan is subject to several conditions subsequent, including a requirement to provide insurance certificates for the Initial Portfolio annually and annual financial statements for CP1 and the Company within 120 days of financial year-end. The directors do not expect the conditions precedent under the CP1 Finance Offer to be satisfied, or agreed documentation for the facility to be drawn up by the date of Admission.

(f) Pursuant to an unsecured stand-by cash facility dated 31 October 2007, between the Company and F100 Pty, the Company advanced US\$598,823.01 to F100 Pty, such advance having been made on 30 July 2007. Interest on the loan is payable at a rate of 10% a year, payable monthly in arrears. The loan is repayable on demand on the Company giving F100 Pty 10 days' notice of repayment.

(g) Pursuant to a Controlling Shareholder's Agreement dated 21 November 2007, between Avation and the Company, Avation has undertaken to the Company to exercise its voting rights so as to procure certain matters, including: (i) that the Company is capable at all times of carrying on its business independently of Avation, (ii) the Company has at least two directors who are independent of Avation (**Independent Directors**), (iii) all transactions between Avation and the Company are on an arm's length basis, (iv) the activities of Avation will not conflict with those of the Company and (v) no person acting on Avation's behalf

will vote on any resolution of the board of the Company in which Avation has an interest. The parties have agreed that, where there is a conflict of interest between Avation and the Company in relation to an aircraft which both are interested in acquiring, whether either Avation or the Company may proceed with the purchase will be determined by reference to which of Avation or the Company has been able to secure a higher rental payment from their respective proposed lessees of the aircraft (which in Avation's case will be Skywest). Under the agreement, Avation has undertaken and covenanted to the Company (i) that it will only acquire aircraft if these are to be leased to Skywest and (ii) that it will not provide any guarantee or security for the Company's borrowings. Under the agreement the Company has undertaken and covenanted with Avation (i) that it will not acquire and lease aircraft to Skywest unless Avation has requested this and the terms of the acquisition and lease have been approved by the Independent Directors of the Company, and (ii) that it will not provide any guarantee or security for the borrowings of Avation. The agreement remains in force for so long as Avation holds more than 40% of the issued share capital of the Company from time to time.

- (h) Pursuant to an engagement letter dated 8 November 2007 between the Company, WH Ireland and the Directors, the Company agreed to appoint WH Ireland and WH Ireland has agreed to act as the Company's nominated adviser. The Company will pay WH Ireland an annual fee of £20,000. Conditional on Admission, the Company will also pay WH Ireland a fee of £75,000 and issue the WH Ireland Warrant Deed. The obligation to pay the annual fee terminates upon the termination of WH Ireland's engagement as the Company's nominated adviser. The agreement is terminable by either party upon the giving of 90 days' prior written notice.
- (i) Pursuant to an agreement dated 8 November 2007 between the Company, WH Ireland and the Directors, the Company agreed to appoint WH Ireland and WH Ireland has agreed to act as the Company's nominated broker. WH Ireland will be paid an annual retainer of £20,000, plus VAT. The agreement is terminable by either party upon the giving of 90 days' prior written notice but may not be terminated until at least nine months following Admission.
- (j) On 7 December 2007, the Company, WH Ireland and the Directors entered into the Admission Agreement. The Admission Agreement is conditional on Admission occurring by no later than 8.00 a.m. on 31 January 2008, as well as certain other conditions, including the warranties contained in the Admission Agreement remaining true at Admission. WH Ireland may waive or extend the time for fulfilment of all or any part of any of the conditions, provided that the latest time for fulfilment of any condition shall be no later than 31 January 2008.

The Admission Agreement contains certain warranties and indemnities given by the Company and the Directors in favour of WH Ireland. The liability of each Director in giving the warranties and indemnities is limited to twice the amount of his annual salary paid by the Company.

The Admission Agreement provides for the payment to WH Ireland of a corporate finance fee of £75,000 and the grant by the Company to WH Ireland of the WHI Warrants. In addition, the Company will bear all expenses of or incidental to Admission.

WH Ireland may terminate the Admission Agreement in certain circumstances prior to Admission, including in the case of a material breach of warranty or a

material adverse change in the financial or trading position or prospects of the Company.

- (k) Pursuant to lock-in deeds dated between 21 November 2007 and 7 December 2007 between the Company, WH Ireland, the Directors and the Substantial Shareholders, the Directors and the Substantial Shareholders have undertaken to the Company and WH Ireland that they will not sell or dispose of, and will provide that no associated party will sell, dispose of or agree to dispose of, except in certain circumstances, any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission. For the period of 12 months immediately following the expiry of such 12 month period, except in certain circumstances, the Directors and Avation and their associated parties will not make any such disposal or agreement to dispose of any Ordinary Shares except after consultation with the broker of the Company from time to time and through such broker who may determine the manner of the disposal with a view to the maintenance of any orderly market in the Ordinary Shares.

For the period of 12 months immediately following the first anniversary of Admission, except in certain circumstances, Jabcap Multistrategy Fund Limited, a holder of 20,833,334 Ordinary Shares representing 21.30% of the Share Capital, and its associated parties has undertaken to the Company and WH Ireland that it will not make any sale or disposal or agreement to dispose of any Ordinary Shares except after consultation with the broker of the Company from time to time and on the basis that the broker of the Company has the right of first refusal to effect such sale or disposal.

- (l) Pursuant to orderly market deeds dated between 11 November 2007 and 7 December 2007, all Shareholders at Admission (except the Substantial Shareholders, KBC Peel Hunt Limited, Shore Capital Stockbrokers Limited and Winterflood Securities Limited) undertook to the Company and WH Ireland that they will not sell, dispose of or agree to dispose of, except in certain circumstances, their respective interests in Ordinary Shares for a period of 12 months following Admission except after consultation with the broker of the Company from time to time and through such broker who may determine the manner of the disposal with a view to the maintenance of any orderly market in the Ordinary Shares.
- (m) Pursuant to a business management agreement dated 16 July 2007 between the Company and Epsom, Epsom agreed to provide Jeff Chatfield's services to the Company such as raising equity capital, procuring debt and giving assistance with business development opportunities. The Company pays a monthly management fee in arrears of £10,000 to Epsom. The Company may request that Epsom provide additional services other than those detailed in the agreement for which an additional services fee is payable. The agreement took effect from 1 July 2007.
- (n) Under the Technical Services and Logistics Agreement dated 28 November 2007 between Skywest, Skywest Airlines and the Company, Skywest Airlines agreed to provide administrative and Skywest agreed to provide certain technical services to the Company. The technical services include technical aircraft services, technical aircraft analytical services and advice in relation to aircraft hand-back obligations and strategies. The administrative services include providing to the Company office space and facilities and other office administration services reasonably requested by the Company. The cost of the administrative services shall be a pro rata rent for the office floor space and the cost of other office administration services shall be based on the amount of usage. Provision of the administrative services will terminate on a date

nominated by either party providing no less than three months' written notice. For the technical services, the Company shall pay the recharge costs incurred and provided in the relevant service as well as a fee equal to 10% of such costs. Either party may terminate the agreement to provide the technical services on a date nominated by providing no less than six months' written notice.

- (o) Pursuant to the WHI Warrant Deed dated 7 December 2007 entered into between the Company and WH Ireland, the Company granted to WH Ireland a warrant to subscribe for 2,000,000 Ordinary Shares at an exercise price of 110% of the Admission Price and upon the terms and conditions set out in the WHI Warrant Deed. The warrant is exercisable in whole or in part at any time up to 10 months from the date of Admission. Under the WHI Warrant Deed, the Company is obliged to keep sufficient authorised but unissued share capital to satisfy the exercise of the warrants under the WHI Warrant Deed.
- (p) Pursuant to the Director Warrant Deeds dated 7 December 2007, entered into between the Company and each of Jeff Chatfield, Richard Sinclair, Peter Freeman and Soeren Ferré, the Company granted such directors warrants to subscribe for 3,247,916 Ordinary Shares at an exercise price of 24p and upon the terms and conditions set out in the Director Warrant Deeds. The warrants are exercisable in whole or in part from Admission and from time to time up to 24 months from the date of grant. Under the Director Warrant Deeds, the Company is obliged to keep sufficient authorised but unissued share capital to satisfy the exercise of the warrants under the Director Warrant Deeds.

## **8. LITIGATION**

The Company has not been engaged in, nor is it currently engaged in, any litigation or arbitration proceedings, whether as claimant or as defendant, which is having or may have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Company and, so far as the Directors are aware, there are no such proceedings pending or threatened against, or being brought by, the Company.

## **9. PRINCIPAL ESTABLISHMENT**

The Company occupies premises at 510 Thomson Road, #12-04 SLF Building, Singapore 298135, under the terms of the Technical Services and Logistics Agreement described in section 7.1(n) above.

## **10. EMPLOYEES**

The Company has no employees at the date of this document, other than the Company's secretaries whose names are stated on page 4 of this document.

## **11. TAXATION**

- 11.1 The following statements are intended only as a general guide to United Kingdom tax legislation and to the current practice of the HMRC and may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.

## 11.2 Stamp Duty

Save in relation to depository receipt arrangements or clearance services, where special rules apply:

- (a) no charge to stamp duty or stamp duty reserve tax (“SDRT”) should arise on the issue of New Ordinary Shares;
- (b) a subsequent transfer on sale of Ordinary Shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, ordinarily at the rate of 0.5%, of the amount or value of the consideration. An agreement to purchase Ordinary Shares will lead to a charge to SDRT (at the rate of 0.5% of the amount or value of the consideration) although any liability to SDRT will be cancelled or payment refunded if the instrument of transfer is duly stamped within six years of such agreement (or, where such agreement is conditional, within six years of such agreement becoming unconditional); and
- (c) special rules apply to market intermediaries, dealers and certain other persons. Transfers of shares to charities will not give rise to stamp duty if adjudicated in accordance with the relevant legislation and agreements to transfer shares to charities will not give rise to SDRT.

## 11.3 Dividends

A Singapore resident company that pays dividends is usually required to deduct withholding tax equal to 20% of the dividend, though there are exceptions in some instances for dividends paid out of foreign income. However, for UK resident shareholders, the Double Tax Treaty between the UK and Singapore reduces the withholding tax to:

- 5%: if the shareholder controls directly or indirectly at least 10% of the voting power of the company;
- 15%: in all other circumstances

It may be necessary to make a claim for the reduced rate through the tax authorities.

Shareholders who are UK resident or ordinarily resident will generally be subject to UK taxation on the receipt of the dividend. The amount taxable will be the gross dividend (i.e. the dividend received plus the withholding tax). For individuals income tax will be payable at 10% only (“the dividend ordinary rate”) until the dividend (treated as their top slice of income) brings them into the higher rate of income tax when they will be taxed at 32.5% (“the dividend upper rate”). UK resident companies will pay corporation tax on the dividends at their normal rates. A credit for the Singapore withholding tax can be made against the UK tax payable on the dividend received.

Where the individual is resident or ordinarily resident in the UK but not domiciled in the UK he will not generally be taxed on the dividend unless it is remitted into the UK. If the dividend is subsequently taxed by reason of being remitted then income tax will be payable at normal rates (not the dividend rates explained above). In the Chancellors Pre Budget report on 9 October 2007 it was proposed to bring such income for non-UK domiciliaries into UK taxation even if not remitted unless they elect to pay a fixed tax charge of £30,000 a year. These proposals have yet to be implemented.

#### 11.4 **Inheritance Tax (“IHT”) Relief**

Ordinary shares in trading companies admitted to trading on AIM, such as the Company, generally qualify for 100% IHT Business Property Relief provided that they have been held for two years prior to an event-giving rise to a potential charge of IHT. Any shareholder who has any doubts as to his IHT position should consult a professional adviser, especially before making any gift or transfer of shares.

#### 11.5 **Disposal of Shares**

A Shareholder resident or ordinarily resident for tax purposes in the UK, who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal. Individual shareholders resident for tax purposes in the UK may be entitled to taper relief. The calculation for taper relief on a subsequent disposal of Ordinary Shares will depend upon the period of ownership of these Ordinary Shares.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and such Ordinary Shares have been used, held or acquired for the purposes of such trade or branch or agency.

A shareholder who is an individual and who has ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be or become liable to UK taxation of chargeable gains (subject to any available exemption or relief).

#### 11.6 **Business asset taper and other tax reliefs**

Following the Finance Act 2000, capital gains tax business asset taper relief applies to all holdings of shares in qualifying unquoted trading companies. A holding in the shares of the Company may qualify for business asset taper relief as well as other reliefs such as capital gains tax gift relief and inheritance tax business property relief. However, individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time.

In the Chancellor’s Pre-Budget Report on 9 October 2007 it was proposed that for disposals made on or after 6 April 2008, taper relief will no longer apply and that capital gains tax will be charged at a rate of 18%. At present draft legislation has not been produced.

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

## **12. RESPONSIBILITY**

- 12.1 The Directors accept full responsibility, collectively and individually, for the Company's compliance with the AIM Rules for Companies. The Company and each of the Directors accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.
- 12.2 Kingston Smith LLP (whose registered office appears on page 4 of this document) accepts responsibility for the information contained in Parts III and IV and paragraph 11 of section V of this document. To the best of the knowledge of Kingston Smith LLP, having taken all reasonable care to ensure that such is the case, the information contained in Parts III and IV and paragraph 11 of this Part V of this document is in accordance with the facts and contains no omission likely to affect its import.

## **13. CONSENTS**

- 13.1 WH Ireland has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to its name in the form and context in which they appear.
- 13.2 Kingston Smith LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports in Parts III and IV and paragraph 11 of this Part V of this document and the reference to such reports and to its name in the form and context in which it appears and has authorised that part of this document.

## **14. WORKING CAPITAL**

In the opinion of the Company, having made due and careful enquiry, the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least the 12 months following Admission.

## **15. SIGNIFICANT CHANGES**

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since its last published accounts.

## **16. TRANSACTIONS WITH RELATED PARTIES**

The transactions detailed in paragraph 7.1(f) and (m) of this Part V are considered to be transactions with related parties, as such term is defined in the AIM Rules for Companies.

## **17. INTELLECTUAL PROPERTY**

The Company is not dependent on any patents or other intellectual property rights, licences or contracts which are of fundamental importance to its business or profitability.

## **18. GENERAL**

- 18.1 The expenses of and incidental to Admission including, registration and listing fees, advertising and distributor costs, legal and accounting fees and expenses are estimated to amount to approximately £154,910 (exclusive of VAT) and are payable by the Company.

18.2 The financial information concerning the Company contained in Part III of this document has been extracted from the statutory accounts for the Company which have been delivered to the Registrar of Companies in England and Wales.

18.3 Save for:

- (i) a bonus of £65,000 which was paid to Epsom in respect of Jeff Chatfield's work provided under the business management agreement referred to in paragraph 7.1(m) above) in connection with the Company's equity fundraising in July 2007; and
- (ii) a commission fee of £572,500.07 paid to WH Ireland under the letter of engagement set out in paragraph 7.1(a) above;

no person has received, directly or indirectly, from the Company within the 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Admission Price, or any other benefit with a value of £10,000 or more at the date of Admission.

18.4 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made or are there intended to be any other arrangements for dealings in the Ordinary Shares.

18.5 Dealings in the Ordinary Shares on AIM are expected to start on 14 December 2007. The Company is CREST enabled.

18.6 Save as disclosed in paragraph 18.3 above, no amounts or benefits have been paid or given to such persons in their capacity as promoters and none is intended to be paid or given.

18.7 The accounting reference date of the Company is 30 June.

18.8 The auditors of the Company are Kingston Smith LLP, registered auditors, whose address is Devonshire House, 60 Goswell Road, London EC1M 7AD.

## **19. DOCUMENT FOR INSPECTION**

19.1 Copies of this document will be available for inspection at the Company's registered office and at the offices of Speechly Bircham LLP, 6 St Andrew Street, London EC4 3LX during usual business hours on any weekday (Saturday and public holidays excepted) for a period of one month from the date of this document.

Dated: 12 December 2007