

# Annual Report 2009



## Our Fleet

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Fokker 100  
MSN 11334  
Lessee: Skywest Airlines (VH-FNC)  
Operational Area: Western Australia & Charter Operations  
Date of Acquisition: 28 February 2008



Fokker 100  
MSN 11461  
Lessee: Skywest Airlines (VH-FNT)  
Operational Area: Western Australia  
Date of Acquisition: 25 September 2007



Fokker 100  
MSN 11326  
Lessee: Skywest Airlines (VH-FNN)  
Operational Area: Western Australia  
Date of Acquisition: 28 September 2007



Airbus A-320-200  
MSN 52  
Lessee: US Airways Inc (N620AW)  
Operational Area: North America  
Date of Acquisition: 25 March 2008



Airbus A-321-200  
MSN 1881  
Lessee: Thomas Cook (OY-VKA)  
Operational Area: Europe & Scandinavia  
Date of Acquisition: 30 June 2008



Airbus A-321-200  
MSN 1921  
Lessee: Thomas Cook (OY-VKB)  
Operational Area: Europe & Scandinavia  
Date of Acquisition: 30 June 2008

# Contents

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|   |           |
|---|-----------|
| CHAIRMAN'S STATEMENT                                    | 2         |
| COMPANY OVERVIEW  | 3         |
| REPORT OF THE DIRECTORS                                 | 5         |
| DIRECTORS' RESPONSIBILITIES<br>& REPORT OF THE AUDITORS | 8         |
| <b>FINANCIAL STATEMENTS</b>                             | <b>10</b> |
| CONSOLIDATED INCOME STATEMENT                           | 11        |
| CONSOLIDATED BALANCE SHEET                              | 12        |
| COMPANY BALANCE SHEET                                   | 13        |
| STATEMENTS OF CHANGES IN EQUITY                         | 14        |
| CONSOLIDATED CASH FLOW STATEMENT                        | 16        |
| COMPANY CASH FLOW STATEMENT                             | 17        |
| NOTES TO THE FINANCIAL STATEMENTS                       | 18        |
| TOP 5 SHAREHOLDERS                                      | 46        |



# Chairman's Statement

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Dear Fellow Shareholder,

We are pleased to report that your company, CLA, has continued to prosper and has weathered the turbulence in the aviation industry. Our consolidated net profit after tax has increased 400% to GBP 3.2m. Earnings per share are 3.32 pence and the Balance Sheet of the group has been strengthened with an augmentation in total assets to GBP 64.6m and Net Assets increasing to GBP20.4m.

In light of the economic conditions, especially in regards to bank liquidity, CLA maintained a conservative approach and used our substantial positive cashflow to repay GBP 6.1m of group debt during the year. This places CLA in a strong position to pursue growth in 2010 when it is possible that selling pressure on some aircraft vendors will create aircraft acquisition opportunities. CLA remains in the market to acquire aircraft and with its improved balance sheet this may be possible in the first half of the 2010 financial year.

The group's strategy is to acquire leased new generation narrow body jet aircraft. We target aircraft operated by reputable airlines with good credit histories. The group currently owns six narrow body jet aircraft. The current fleet comprises two new generation Airbus A321, one Airbus A320 and three Fokker F100 jets.

Given the economic climate of 2009, which was clearly a difficult operating environment for the Aviation industry, our board operated in a conservative manner. The key performance objectives for the group were to reduce debt, not expose ourselves to weak credit risks, remain profitable, cash flow positive and to protect the value of our assets. We have been successful on all counts.

Our strategy as the global economy rebounds is to responsibly grow and diversify our aircraft portfolio. We have an excellent working relationship with two European banking partners and maintain a strong presence in the Asian region where the highest growth in the aviation sector is predicted.

The company requires a combination of debt and equity to fund most transactions and although we have been successful in the past, it remains a risk that such funding may be difficult to raise in the future. Other risks to the company include credit and general risk relating to the aviation industry. The company seeks to minimize these risks by the continued diversification of our customer base with creditworthy airlines.

I commend you for your support of CLA as we continue to grow and remain solely focused on the creation of value for you, our shareholders, the owners of our company. We remain your servants.

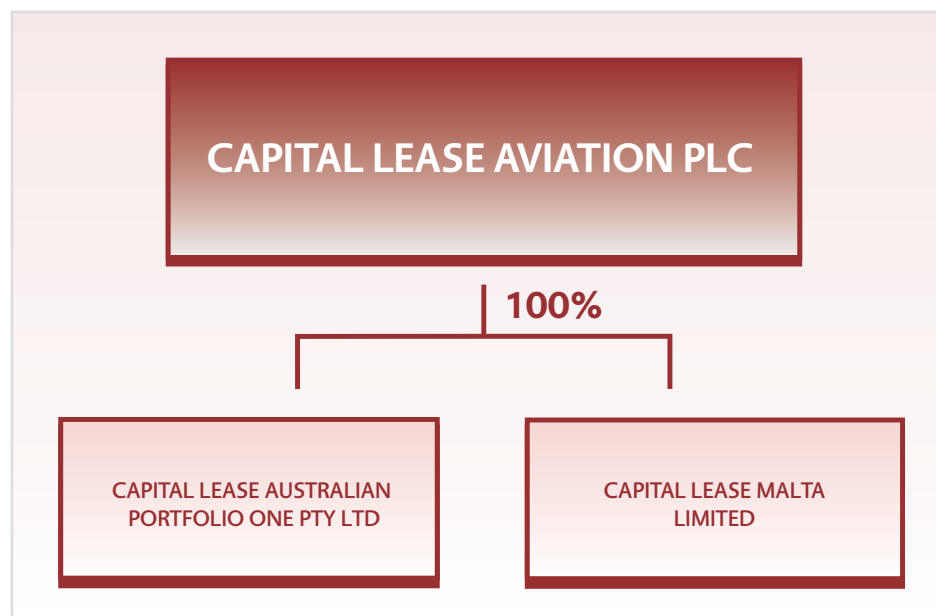
A handwritten signature in black ink, appearing to read 'J Chatfield', written in a cursive style.

Jeff Chatfield  
Chairman

# Company Overview

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## GROUP STRUCTURE



## ABOUT THE COMPANY

Capital Lease Aviation PLC (“CLA” or the “Company”) was incorporated on 6 June 2007 as a special purpose subsidiary of Avation PLC with the purpose of owning and leasing a portfolio of commercial jet aircraft to a wide base of regional and international airlines.

Since September 2007, CLA has acquired three Fokker F100 passenger jet aircraft and three Airbus A320 family aircraft which are leased to customers across three continents.

Our operations are distinct from several other lessors in that CLA intends to match the period of finance to the period of the aircraft lease, therefore lowering the impact of periodic credit contractions.

CLA has responsibly grown its fleet despite the difficult global economic conditions which prevailed during 2008 and 2009. The longer term view, however, suggests a favorable outlook for aircraft demand. It has been reported by Boeing that in the period to the year 2028, the aviation industry will need some 29,000 new aircraft worth \$3,220 billion. Of this, the largest demand will come from the Asia Pacific region where demand for new aircraft is expected to be 8,960 units worth \$1,130 billion.

# Company Overview

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CLA is active in the Asia Pacific region where the highest growth in aircraft demand is forecast. Further, there is a trend for airlines to “lease-in” capacity, rather than purchasing aircraft outright. The airline leasing sector is one of the most profitable parts of the wider aviation industry and CLA remains well positioned to take advantage of this long term growth in the market.

The main focus for acquisitions will be new generation Airbus A320 and Boeing 737 family aircraft as we believe these assets pose the lowest risk due to their high level of liquidity and ability to re-market.

CLA is committed to maintaining a sensible level of gearing and will seek to retire debt early in the useful economic life of the assets it acquires. CLA remains focused on delivering shareholder value by expanding its fleet of aircraft assets and leasing them to quality aircraft operators around the globe.

The Company has a balanced board of directors with a suitable mixture of skills. Details on the directors and the committees they serve on may be found at the Company website: [www.capitalleaseaviation.com](http://www.capitalleaseaviation.com)

CLA's shares are quoted on the AIM market of the London Stock Exchange (code CLA) and may also be traded on PLUSmarkets in London.

# Report of the Directors

The directors have pleasure in presenting their report and financial statements for the financial year ended 30 June 2009.

## Principal activities and business review

The principal activities of the group are the owning and leasing of aircraft.

The principal risks and uncertainties affecting the Group's activities are described in note 5.

The full business review can be found in the Chairman's statement on page 2.

## Results and dividends

The consolidated income statement for the year is set out on page 11. No dividends will be distributed for the year ended 30 June 2009.

## Directors and their interests

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

| Holding Company<br>- Avation Plc            | Ordinary shares of 1p each |             |
|---|----------------------------|-------------|
|   | 30 June 2009               | 1 July 2008 |
| R. J. (Jeff) Chatfield<br>(deemed interest) | 3,800,000                  | 3,489,490   |
| Peter Freeman<br>(deemed interest)          | 105,451                    | 102,878     |
| Richard Sinclair                            | 41,500                     | 41,500      |

The following Capital Lease Aviation Plc share warrants issued to directors existed at the year end:

| Director's name   | Date granted | Warrant Price | Balance at beginning of year | Granted during the year | Exercised/ expired during the year | Balance at end of year |
|-------------------|--------------|---------------|------------------------------|-------------------------|------------------------------------|------------------------|
| R.J. Chatfield *  | 20 Jul 2007  | 24p           | 1,370,833                    | -                       | -                                  | 1,370,833              |
| R.J. Chatfield ** | 7 Nov 2008   | 67.5p         | -                            | 1,000,000               | -                                  | 1,000,000              |
| Richard Sinclair  | 20 Jul 2007  | 24p           | 881,251                      | -                       | -                                  | 881,251                |
| Richard Sinclair  | 7 Nov 2008   | 67.5p         | -                            | 500,000                 | -                                  | 500,000                |
| Peter Freeman     | 20 Jul 2007  | 24p           | 97,916                       | -                       | -                                  | 97,916                 |
| Peter Freeman     | 7 Nov 2008   | 67.5p         | -                            | 100,000                 | -                                  | 100,000                |
| Soeren Eric Ferré | 20 Jul 2007  | 24p           | 800,000                      | -                       | -                                  | 800,000                |
| Soeren Eric Ferré | 7 Nov 2008   | 67.5p         | -                            | 500,000                 | -                                  | 500,000                |
| Olivier Garrigue  | 27 Nov 2007  | 24p           | 97,916                       | -                       | -                                  | 97,916                 |
| Olivier Garrigue  | 7 Nov 2008   | 67.5p         | -                            | 100,000                 | -                                  | 100,000                |

\* R.J. Chatfield was granted the share warrants via Epsom Assets Ltd.

\*\* R.J Chatfield was granted the share warrants via Takeoff Services Pte Ltd.

# Report of the Directors



## Significant Shareholdings

|                            | Ordinary<br>Shares of<br>£0.001 each | Percentage |
|----------------------------|--------------------------------------|------------|
| Avation plc                | 50,100,000                           | 51.22%     |
| Vidacos Nominees Limited   | 28,811,446                           | 29.46%     |
| Euroclear Nominees Limited | 8,941,667                            | 9.14%      |
| Roy Nominees Limited       | 3,125,000                            | 3.20%      |

## Equal Opportunities Policy

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

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

## Directors' Insurance

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

## Creditors Payment Policy

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

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

On average, trade creditors at the year end represented 60 days' purchases.

# Report of the Directors

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Photo: (CC-BY) Robert Couse-Baker

## Statement as to disclosure of information to auditors

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## Auditors

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

On behalf of the board

Handwritten signature of Richard Sinclair.

Richard Sinclair  
Director

14 October 2009

# Directors' Responsibilities & Report of the Auditors

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## Statement of Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period.

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent Auditors' Report to the Members of CAPITAL LEASE AVIATION PLC

We have audited the financial statements of Capital Lease Aviation plc for the year ended 30 June 2009 which comprise of the Consolidated Income Statement, the Consolidated Balance Sheet, the Company Balance sheet, the Consolidated Cash Flow Statement, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

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

## Directors' Responsibilities & Report of the Auditors

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Matthew Meadows*

14 October 2009

Matthew Meadows (Senior Statutory Auditor)  
For and on behalf of Kingston Smith LLP, Statutory Auditor  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

**CLA**

CAPITAL LEASE AVIATION PLC  
ANNUAL REPORT 2009

## CAPITAL LEASE AVIATION PLC



# Financial Statements

for the financial year ended 30 June 2009

Registered Number: 06271424 (England & Wales)

## Consolidated Income Statement

for the Financial Year ended 30 June 2009

|   | Note | 2009        | 2008       |
|---|------|-------------|------------|
|   |      | £           | £          |
| <b>Continuing operations and acquisitions</b>           |      |             |            |
| Revenue   | 8    | 10,145,412  | 1,751,816  |
| Cost of sales   |      | -           | -          |
| <b>Gross profit</b>                                     |      | 10,145,412  | 1,751,816  |
| Other operating income                                  | 9    | 1,217,547   | 407,093    |
| Administrative expenses                                 |      | (624,914)   | (416,921)  |
| Other operating expenses                                | 10   | (4,001,851) | (499,784)  |
| Finance expense   | 11   | (3,104,529) | (130,847)  |
| <b>Profit/(loss) before taxation</b>                    |      | 3,631,665   | 1,111,357  |
| Taxation  | 13   | (380,461)   | (296,918)  |
| <b>Profit after tax for continuing operations</b>       |      | 3,251,204   | 814,439    |
| <b>Profit for the period from continuing operations</b> |      | 3,251,204   | 814,439    |
| <b>Attributable to the shareholders</b>                 |      | 3,251,204   | 814,439    |
| <b>Earnings per share</b>                               | 14   |             |            |
| - Basic   |      | 3.32 pence  | 0.84 pence |
| - Fully Diluted   |      | 3.15 pence  | 0.81 pence |

## Consolidated Balance Sheet

as at 30 June 2009

|                                      | Note | 2009              | 2008              |
|--------------------------------------|------|-------------------|-------------------|
|                                      |      | £                 | £                 |
| <b>ASSETS</b>                        |      |                   |                   |
| <b>Current assets:</b>               |      |                   |                   |
| Cash and cash equivalents            |      | 860,520           | 554,457           |
| Trade and other receivables          | 15   | 636,952           | 76,460            |
| <b>Total current assets</b>          |      | <b>1,497,472</b>  | <b>630,917</b>    |
| <b>Non-current assets:</b>           |      |                   |                   |
| Property, plant and equipment        | 17   | 63,117,006        | 55,871,044        |
| <b>Total assets</b>                  |      | <b>64,614,478</b> | <b>56,501,961</b> |
| <b>LIABILITIES AND EQUITY</b>        |      |                   |                   |
| <b>Current liabilities:</b>          |      |                   |                   |
| Trade and other payables             | 18   | 2,851,710         | 2,305,160         |
| Provision for taxation               |      | 266,950           | 108,899           |
| Loan and borrowings                  | 19   | 6,230,626         | 4,931,395         |
| Short term provisions                | 20   | 757,396           | 110,308           |
| <b>Total current liabilities</b>     |      | <b>10,106,682</b> | <b>7,455,762</b>  |
| <b>Non-current liabilities:</b>      |      |                   |                   |
| Loan and borrowings                  | 19   | 33,072,696        | 31,952,517        |
| Deferred tax liabilities             | 21   | 1,081,439         | 875,641           |
| <b>Total non-current liabilities</b> |      | <b>34,154,135</b> | <b>32,828,158</b> |
| <b>Capital and reserves:</b>         |      |                   |                   |
| Share capital                        | 22   | 97,808            | 97,808            |
| Share premium                        |      | 10,743,621        | 10,743,621        |
| Asset revaluation reserve            |      | 4,534,153         | 4,536,088         |
| Share option reserve                 |      | 24,968            | 24,968            |
| Foreign currency translation reserve |      | 887,480           | 1,129             |
| Retained earnings                    |      | 4,065,631         | 814,427           |
| <b>Net equity</b>                    |      | <b>20,353,661</b> | <b>16,218,041</b> |
| <b>Total liabilities and equity</b>  |      | <b>64,614,478</b> | <b>56,501,961</b> |

Approved by the board and authorised for issue on 14 October 2009



Richard Sinclair  
Director

## Company Balance Sheet

as at 30 June 2009

|                                      | Note | 2009              | 2008              |
|--------------------------------------|------|-------------------|-------------------|
|                                      |      | £                 | £                 |
| <b>ASSETS</b>                        |      |                   |                   |
| <b>Current assets:</b>               |      |                   |                   |
| Cash and cash equivalents            |      | 582,464           | 295,449           |
| Trade and other receivables          | 15   | 10,577,057        | 11,434,156        |
| <b>Total current assets</b>          |      | <b>11,159,521</b> | <b>11,729,605</b> |
| <b>Non-current assets:</b>           |      |                   |                   |
| Trade and other receivables          | 15   | 2,714,812         | -                 |
| Investment in subsidiaries           | 16   | 243               | 243               |
| Property, plant and equipment        | 17   | 6,093,330         | 6,418,583         |
| <b>Total non-current assets</b>      |      | <b>8,808,385</b>  | <b>6,418,826</b>  |
| <b>Total assets</b>                  |      | <b>19,967,906</b> | <b>18,148,431</b> |
| <b>LIABILITIES AND EQUITY</b>        |      |                   |                   |
| <b>Current liabilities:</b>          |      |                   |                   |
| Trade and other payables             | 18   | 2,010,496         | 1,751,797         |
| Provision for taxation               |      | -                 | 8,117             |
| Loan and borrowings                  | 19   | 924,764           | 701,960           |
| <b>Total current liabilities</b>     |      | <b>2,935,260</b>  | <b>2,461,874</b>  |
| <b>Non-current liabilities:</b>      |      |                   |                   |
| Loan and borrowings                  | 19   | 3,374,005         | 3,559,940         |
| Deferred tax liabilities             | 21   | 438,128           | 311,595           |
| <b>Total non-current liabilities</b> |      | <b>3,812,133</b>  | <b>3,871,535</b>  |
| <b>Capital and reserves</b>          |      |                   |                   |
| Share capital                        | 22   | 97,808            | 97,808            |
| Share premium                        |      | 10,743,621        | 10,743,621        |
| Asset revaluation reserve            |      | 297,654           | 297,654           |
| Share option reserve                 |      | 24,968            | 24,968            |
| Retained earnings                    |      | 2,056,462         | 650,971           |
| <b>Net equity</b>                    |      | <b>13,220,513</b> | <b>11,815,022</b> |
| <b>Total liabilities and equity</b>  |      | <b>19,967,906</b> | <b>18,148,431</b> |

Approved by the board and authorised for issue on 14 October 2009



Richard Sinclair  
Director

## Statement of Changes in Equity

for the Financial Year ended 30 June 2009

|   | Share<br>Capital | Share<br>Premium | Asset<br>revaluation<br>reserve | Foreign<br>currency<br>translation<br>reserve | Share<br>option<br>reserve | Retained<br>earnings | Total      |
|---|------------------|------------------|---------------------------------|---|----------------------------|----------------------|------------|
|   | £                | £                | £                               | £   | £                          | £                    | £          |
| <b>Group:</b>                                   |                  |                  |                                 |   |                            |                      |            |
| Balance at 1 July 2008                          | 97,808           | 10,743,621       | 4,536,088                       | 1,129   | 24,968                     | 814,427              | 16,218,041 |
| Revaluation of property,<br>plant and equipment | -                | -                | (1,935)                         | -   | -                          | -                    | (1,935)    |
| Foreign currency<br>translation adjustment      | -                | -                | -                               | 886,351                                       | -                          | -                    | 886,351    |
| Net income recognised<br>directly in equity     | -                | -                | (1,935)                         | 886,351                                       | -                          | -                    | 884,416    |
| Net profit for the financial<br>year            | -                | -                | -                               | -   | -                          | 3,251,204            | 3,251,204  |
| Total recognised income                         | -                | -                | (1,935)                         | 886,351                                       | -                          | 3,251,204            | 4,135,620  |
| Balance at 30 June 2009                         | 97,808           | 10,743,621       | 4,534,153                       | 887,480                                       | 24,968                     | 4,065,631            | 20,353,661 |
| Balance at 1 July 2007                          | 50,100           | -                | -                               | -   | -                          | (12)                 | 50,088     |
| Revaluation of property,<br>plant and equipment | -                | -                | 4,536,088                       | -   | -                          | -                    | 4,536,088  |
| Foreign currency<br>translation adjustment      | -                | -                | -                               | 1,129   | -                          | -                    | 1,129      |
| Net income recognised<br>directly in equity     | -                | -                | 4,536,088                       | 1,129   | -                          | -                    | 4,537,217  |
| Net profit for the financial<br>year            | -                | -                | -                               | -   | -                          | 814,439              | 814,439    |
| Total recognised income                         | -                | -                | 4,536,088                       | 1,129   | -                          | 814,439              | 5,351,656  |
| Share warrant scheme -<br>Value of services     | -                | -                | -                               | -   | 24,968                     | -                    | 24,968     |
| Increase in issued share<br>capital             | 47,708           | 11,402,293       | -                               | -   | -                          | -                    | 11,450,001 |
| Share issue expenses                            | -                | (658,672)        | -                               | -   | -                          | -                    | (658,672)  |
| Balance at 30 June 2008                         | 97,808           | 10,743,621       | 4,536,088                       | 1,129   | 24,968                     | 814,427              | 16,218,041 |

## Statement of Changes in Equity

for the Financial Year ended 30 June 2009

|   | Share<br>Capital | Share<br>Premium | Asset<br>revaluation<br>reserve | Share<br>option<br>reserve | Retained<br>earnings | Total      |
|---|------------------|------------------|---------------------------------|----------------------------|----------------------|------------|
|   | £                | £                | £                               | £                          | £                    | £          |
| <b>Company:</b>                                 |                  |                  |                                 |                            |                      |            |
| Balance at 1 July 2008                          | 97,808           | 10,743,621       | 297,654                         | 24,968                     | 650,971              | 11,815,022 |
| Net profit for the financial<br>period          | -                | -                | -                               | -                          | 1,405,491            | 1,405,491  |
| Total recognised income                         | -                | -                | -                               | -                          | 1,405,491            | 1,405,491  |
| Balance at 30 June 2009                         | 97,808           | 10,743,621       | 297,654                         | 24,968                     | 2,056,462            | 13,220,513 |
| Balance at 1 July 2007                          | 50,100           | -                | -                               | -                          | (12)                 | 50,088     |
| Revaluation of property,<br>plant and equipment | -                | -                | 297,654                         | -                          | -                    | 297,654    |
| Net income recognised<br>directly in equity     | -                | -                | 297,654                         | -                          | -                    | 297,654    |
| Net profit for the financial<br>year            | -                | -                | -                               | -                          | 650,983              | 650,983    |
| Total recognised income                         | -                | -                | 297,654                         | -                          | 650,983              | 948,637    |
| Share warrant scheme -<br>Value of services     | -                | -                | -                               | 24,968                     | -                    | 24,968     |
| Increase in issued share<br>capital             | 47,708           | 11,402,293       | -                               | -                          | -                    | 11,450,001 |
| Share issue expenses                            | -                | (658,672)        | -                               | -                          | -                    | (658,672)  |
| Balance at 30 June 2008                         | 97,808           | 10,743,621       | 297,654                         | 24,968                     | 650,971              | 11,815,022 |

The profit for the company for the financial year was £1,405,491. The company is exempt from publishing its profit and loss account pursuant to Section 230 of the Companies Act 1985.

## Consolidated Cash Flow Statement for the Financial Year ended 30 June 2009

|   | 2009               | 2008                |
|---|--------------------|---------------------|
|   | £                  | £                   |
| <b>Cash flows from operating activities:</b>                      |                    |                     |
| Total profit  | 3,251,204          | 814,439             |
| Adjustments for:  |                    |                     |
| Income tax  | 380,461            | 296,918             |
| Share option expense  | -                  | 24,968              |
| Claim on maintenance reserves                                     | 818,271            | 110,308             |
| Depreciation expense  | 3,148,565          | 389,958             |
| Interest expense  | 2,876,483          | 130,847             |
| Interest income   | (6,252)            | (311,349)           |
| Operating profit before working capital changes                   | 10,468,732         | 1,456,089           |
| Trade and other receivables                                       | (560,492)          | (76,460)            |
| Trade and other payables  | 364,087            | 2,305,160           |
| Cash from operations  | 10,272,327         | 3,684,789           |
| Interest paid   | (2,694,020)        | (130,847)           |
| Interest received   | 6,252              | 311,349             |
| Corporation tax paid  | (134,137)          | -                   |
| <b>Net cash from operating activities</b>                         | <b>7,450,422</b>   | <b>3,865,291</b>    |
| <b>Cash flows used in investing activities:</b>                   |                    |                     |
| Purchase of property, plant and equipment                         | (11,033)           | (50,973,873)        |
| <b>Net cash used in investing activities</b>                      | <b>(11,033)</b>    | <b>(50,973,873)</b> |
| <b>Cash flows (used in) from financing activities:</b>            |                    |                     |
| Net proceeds from issuance of ordinary shares                     | -                  | 10,791,329          |
| Proceeds from borrowings  | -                  | 37,490,014          |
| Repayment of borrowings   | (6,137,033)        | (606,102)           |
| <b>Net cash (used in) from financing activities</b>               | <b>(6,137,033)</b> | <b>47,675,241</b>   |
| Net effect of exchange rate changes in consolidating subsidiaries | (996,293)          | (62,290)            |
| <b>Net increase in cash</b>                                       | <b>306,063</b>     | <b>504,369</b>      |
| Cash and cash equivalent at beginning of financial year           | 554,457            | 50,088              |
| <b>Cash and cash equivalent at end of financial year</b>          | <b>860,520</b>     | <b>554,457</b>      |

Cash and cash equivalents in the consolidated cash flow statement are not restricted in use and are denominated in the following currencies:

|                           | 2009    | 2008    |
|---------------------------|---------|---------|
|                           | £       | £       |
| Pounds Sterling           | 22,085  | 101,568 |
| United States Dollars     | 815,340 | 411,471 |
| Australian Dollars        | 4,025   | 4,658   |
| Euro                      | 1,664   | 1,593   |
| Singapore Dollars         | 17,406  | 35,167  |
|                           | 860,520 | 554,457 |
| Interest earning balances | 843,114 | 519,290 |

The rate of interest for the cash on interest earning accounts is at 1.0% to 6.5% (2008:4.5% to 6%) per annum. These approximate the weighted effective interest rate.

## Company Cash Flow Statement

for the Financial Year ended 30 June 2009

|  | 2009             | 2008               |
|--|------------------|--------------------|
|  | £                | £                  |
| <b>Cash flows from operating activities:</b>             |                  |                    |
| Total profit   | 1,405,491        | 650,983            |
| Adjustments for:   |                  |                    |
| Income tax   | 126,533          | 204,638            |
| Share option expense                                     | -                | 24,968             |
| Depreciation expense                                     | 325,253          | 129,714            |
| Gain on disposal of property, plant and equipment        | -                | (158,412)          |
| Interest expense   | 335,485          | 1,677              |
| Interest income  | (230,313)        | (463,741)          |
| Unrealised exchange difference                           | 914,613          | -                  |
| Operating profit before working capital changes          | 2,877,062        | 389,827            |
| Trade and other receivables                              | (1,857,713)      | (11,434,156)       |
| Trade and other payables                                 | 235,671          | 1,751,797          |
| Cash from (used in) operations                           | 1,255,020        | (9,252,532)        |
| Interest paid  | (312,457)        | (1,677)            |
| Interest received  | 230,313          | 463,741            |
| Corporation tax paid                                     | (8,117)          | -                  |
| <b>Net cash from (used in) operating activities</b>      | <b>1,164,759</b> | <b>(8,830,468)</b> |
| <b>Cash flows used in investing activities:</b>          |                  |                    |
| Investment in subsidiaries                               | -                | 243                |
| Purchase of property, plant and equipment                | -                | (14,647,977)       |
| Proceeds from sale of property, plant and equipment      | -                | 8,670,820          |
| <b>Net cash used in investing activities</b>             | <b>-</b>         | <b>(5,977,400)</b> |
| <b>Cash flows (used in) from financing activities:</b>   |                  |                    |
| Net proceeds from issuance of ordinary shares            | -                | 10,791,329         |
| Proceeds from borrowings                                 | -                | 4,261,900          |
| Repayment of borrowings                                  | (877,744)        | -                  |
| <b>Net cash (used in) from financing activities</b>      | <b>(877,744)</b> | <b>15,053,229</b>  |
| <b>Net increase in cash</b>                              | <b>287,015</b>   | <b>245,361</b>     |
| Cash and cash equivalent at beginning of financial year  | 295,449          | 50,088             |
| <b>Cash and cash equivalent at end of financial year</b> | <b>582,464</b>   | <b>295,449</b>     |

Cash and cash equivalents in the company cash flow statement are not restricted in use and are denominated in the following currencies:

|                       | 2009    | 2008    |
|-----------------------|---------|---------|
|                       | £       | £       |
| Pounds Sterling       | 22,085  | 101,568 |
| United States Dollars | 541,575 | 157,355 |
| Euro                  | 1,398   | 1,359   |
| Singapore Dollars     | 17,406  | 35,167  |
|                       | 582,464 | 295,449 |

# Notes to the Financial Statements

## for the year ended 30 June 2009

### 1 GENERAL

Capital Lease Aviation plc is a public limited company incorporated in England and Wales (Registration Number 06271424). The address of the registered office is given on page 47.

As disclosed in the Report of the Directors, the principal activity of the Company is to own and lease aircraft.

### 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 IFRS including standards and interpretations issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with the historical cost convention, as modified by the revaluation of aircraft.

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 and the accounting policies have been applied consistently by the Company and its subsidiaries.

- b) **BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the income statement.

## Notes to the Financial Statements

### for the year ended 30 June 2009

- c) **BUSINESS COMBINATIONS** - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.
- d) **GOODWILL** - Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.
- e) **PROPERTY, PLANT AND EQUIPMENT** – Aircraft held for use in the supply of rental services, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such aircraft is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to profit and loss statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such aircraft is charged to the income statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued aircraft is charged to the income statement. On the subsequent sale or retirement of a revalued aircraft, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

|          |   |                |
|----------|---|----------------|
| Aircraft | - | 20 to 25 years |
|----------|---|----------------|

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

## Notes to the Financial Statements for the year ended 30 June 2009

- f) **IMPAIRMENT OF ASSETS** - At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

- g) **PROVISIONS** - Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. In respect of maintenance rent, a corresponding provision is made in accordance with the expected maintenance costs that will be drawn in accordance with the lease conditions and lease term.
- h) **SHARE-BASED PAYMENTS** – The cost of share based payment arrangements whereby employees receive remuneration in the form of warrants, is recognised as an employee benefit expense in the income statement. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at date of grant. The assumption underlying the number of warrants expected to vest are subsequently adjusted for the effects of non market-based vesting conditions prevailing at the balance sheet date. Fair value is measured by the use of Black-Scholes option pricing model and is based on a reasonable expectation of the extent to which performance criteria will be met.
- i) **LEASES** – The Group leases aircraft to airlines under operating leases. Leases of aircraft where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.
- (j) **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) Aircraft rental income is recognised in the income statement on a straight line basis over the terms of the lease. Lease incentives granted are recognised as an integral part of the total rental income.
- (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.

## Notes to the Financial Statements for the year ended 30 June 2009

- (k) **BORROWING COSTS** - Borrowing costs directly attributable to the acquisition of property, plant and equipment are added to the cost of the assets and amortised over the life of the assets.

The loan facility fees added to the cost of the assets are amortised between 5 years to 25 years, being the life of the assets.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

- (l) **TAXATION** - Taxation expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit and loss 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 there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Notes to the Financial Statements for the year ended 30 June 2009

- (m) **FOREIGN CURRENCIES** - The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pounds Sterling, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Pound Sterling using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

- (n) **FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.
- (i) **Trade and other receivables** – Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.
  - (ii) **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.
  - (iii) **Financial liabilities and equity** - Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

## Notes to the Financial Statements

### for the year ended 30 June 2009

- (iv) Borrowings - Interest-bearing loans from banks and financial institutions are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).
- (v) Trade and other payables - Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.
- (vi) Trade receivables - Trade receivables are stated at their original value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.
- (vii) Equity instruments - Equity instruments issued by the Company are recorded at the value of proceeds received, net of direct issue costs.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- (i) Impairment of property, plant and equipment – aircraft  
The Group periodically evaluates its aircraft for impairment. Factors that would indicate potential impairment would include, but not be limited to, significant decreases in the market value of aircraft, a significant change in an aircraft's physical condition or cash-flow associated with the use of the aircraft. The group continues to record positive cash flows from its aircraft. The Group has not identified any impairment related to its existing aircraft fleet during the financial year.
- (ii) Maintenance reserve claim  
The Group provides for maintenance reserve claims for certain aircraft. Management has relied on industry experience and information from aircraft manufacturers and airlines to estimate the provision for the maintenance reserve claims. These estimates can be subject to revisions depending on a number of factors such as the timing of the planned maintenance, the utilisation of the aircraft, changes to the manufacturer's maintenance program or a change in the estimated costs. Management evaluates its estimates and assumptions and, when warranted, adjusts these assumptions which may impact the maintenance reserve claim expense in the income statement.
- (iii) Income taxes  
Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which the determination is made.

## Notes to the Financial Statements for the year ended 30 June 2009

### 5 FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial assets and liabilities are airline industry risks, credit risk, interest rate risk, foreign exchange risk, liquidity risks and capital risk.

(i) Airline Industry Risks

The Group faces risks specific to the aviation sector, war, terrorism, equipment failure and risks specific to the aviation business. These exposures are managed through the requirement that the airlines leasing the company's assets maintain insurance, adequate maintenance policies and/or contribute to a maintenance reserve for the major maintenance on each aircraft.

(ii) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group.

The Group has no significant concentrations of credit risk. The Group has adopted relevant credit policy in extending credit terms to customers and in monitoring its credit terms.

The credit policy provides guidelines on extending credit terms to customers, including monitoring the process. This includes assessing customers' credit standing and periodic review of their financial status to determine the credit limits to be granted. The Company performs ongoing credit evaluation of its customers' financial condition and generally, requires no collateral from its customers.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial period in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

The Group currently has exposure to three airline customers across three continents and diversification will continue as the company grows its asset base.

The trade receivables of the Group comprise of 1 debtor in Australia which represents 100% of the trade receivables.

(1) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due or impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's trade receivable not past due include receivables amounting to £32,406 (2008 : £71,713).

(2) Financial assets that are past due and/or impaired

There is no class of financial assets that are past due and /or impaired except for trade receivables.

## Notes to the Financial Statements

### for the year ended 30 June 2009

The age analysis of trade receivables past due but not impaired is as follows:

|                        | Group   |      |
|------------------------|---------|------|
|                        | 2009    | 2008 |
|                        | £       | £    |
| Past due < 3 months    | -       | -    |
| Past due 3 to 6 months | 232,457 | -    |
| Past due over 6 months | 7,481   | -    |
|                        | 239,938 | -    |

(iii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets.

The company further seeks to reduce this risk by fixing interest rates on loans to match the term of the underlying lease term of the asset.

The interest rate and terms of repayment of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

(iv) Foreign currency risk

Foreign currency risk occurs as a result of the Group's transactions that are not denominated in its functional currencies. The Group's foreign currency exposures arose mainly from the exchange rate movements of the Pound Sterling and United States dollar. These exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

The Group does not utilise forward foreign currency contracts to hedge its exposure to specific currency risks.

The Group's currency exposure based on the information provided to key management is as follows:

| Group                       | Pound Sterling | United States Dollar | Total        |
|-----------------------------|----------------|----------------------|--------------|
|                             | 2009           | £                    | £            |
| Cash and cash equivalent    | 22,085         | 815,340              | 837,425      |
| Trade and other receivables | 4,957          | 631,995              | 636,952      |
| Loans and borrowings        | -              | (39,303,322)         | (39,303,322) |
| Other financial liabilities | (123,801)      | (2,586,545)          | (2,710,346)  |
| Currency exposure           | (96,759)       | (40,442,532)         | (40,539,291) |
| 2008                        |                |                      |              |
| Cash and cash equivalent    | 101,568        | 411,471              | 513,039      |
| Trade and other receivables | 2,498          | 73,962               | 76,460       |
| Loans and borrowings        | -              | (36,883,912)         | (36,883,912) |
| Other financial liabilities | (38,533)       | (2,221,206)          | (2,259,739)  |
| Currency exposure           | 65,533         | (38,619,685)         | (38,554,152) |

## Notes to the Financial Statements

for the year ended 30 June 2009

| Company                     | Pound Sterling | United States Dollar | Total       |
|-----------------------------|----------------|----------------------|-------------|
| 2009                        | £              | £                    | £           |
| Cash and cash equivalent    | 22,085         | 541,575              | 563,660     |
| Trade and other receivables | 4,957          | 13,286,912           | 13,291,869  |
| Loans and borrowings        | -              | (4,298,769)          | (4,298,769) |
| Other financial liabilities | (82,343)       | (1,791,743)          | (1,874,086) |
| Currency exposure           | (55,301)       | 7,737,975            | 7,682,674   |
| 2008                        |                |                      |             |
| Cash and cash equivalent    | 101,568        | 157,755              | 259,323     |
| Trade and other receivables | 2,498          | 11,431,658           | 11,434,156  |
| Loans and borrowings        | -              | (4,261,900)          | (4,261,900) |
| Other financial liabilities | (38,533)       | (1,713,264)          | (1,751,797) |
| Currency exposure           | 65,533         | 5,614,249            | 5,679,782   |

If the United States dollar (USD) changes against the Pound Sterling by 10% (2008: 10%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

| Group         | Increase/(Decrease)      |                | Increase/(Decrease)      |                |
|---------------|--------------------------|----------------|--------------------------|----------------|
|               | 2009<br>Profit after tax | 2009<br>Equity | 2008<br>Profit after tax | 2008<br>Equity |
|               | £                        | £              | £                        | £              |
| USD against £ |                          |                |                          |                |
| - strengthen  | (4,044,253)              | (4,044,253)    | (3,869,969)              | (3,869,969)    |
| - weakened    | 4,044,253                | 4,044,253      | 3,869,969                | 3,869,969      |
| Company       | 2009<br>Profit after tax | 2009<br>Equity | 2008<br>Profit after tax | 2008<br>Equity |
|               | £                        | £              | £                        | £              |
| USD against £ |                          |                |                          |                |
| - strengthen  | 773,797                  | 773,797        | 561,425                  | 561,425        |
| - weakened    | (773,797)                | (773,797)      | (561,425)                | (561,425)      |

## Notes to the Financial Statements

### for the year ended 30 June 2009

(v) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Short-term funding is obtained from loan facilities.

The table below analyses the maturity profile of the financial liabilities of the Group and the Company based on contractual undiscounted cash flows.

| Group                    | Less than<br>1 year | Between 1<br>and 2 years | Between 2<br>and 5 years | Over 5<br>years |
|--------------------------|---------------------|--------------------------|--------------------------|-----------------|
| <b>2009</b>              | £                   | £                        | £                        | £               |
| Trade and other payables | 2,851,710           | -                        | -                        | -               |
| Loans and borrowings     | 8,210,203           | 7,205,257                | 17,649,075               | 14,454,123      |
|                          | 11,061,913          | 7,205,257                | 17,649,075               | 14,454,123      |
| <b>2008</b>              |                     |                          |                          |                 |
| Trade and other payables | 2,305,160           | -                        | -                        | -               |
| Loans and borrowings     | 6,504,811           | 6,798,672                | 17,343,050               | 15,207,342      |
|                          | 8,809,971           | 6,798,672                | 17,343,050               | 15,207,342      |
| <b>Company</b>           |                     |                          |                          |                 |
| <b>2009</b>              |                     |                          |                          |                 |
| Trade and other payables | 2,010,496           | -                        | -                        | -               |
| Loans and borrowings     | 1,158,605           | 1,101,288                | 2,618,301                | -               |
|                          | 3,169,101           | 1,101,288                | 2,618,301                | -               |
| <b>2008</b>              |                     |                          |                          |                 |
| Trade and other payables | 1,751,797           | -                        | -                        | -               |
| Loans and borrowings     | 922,746             | 959,416                  | 3,080,102                | -               |
|                          | 2,674,543           | 959,416                  | 3,080,102                | -               |

## Notes to the Financial Statements for the year ended 30 June 2009

(vi) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

|               | Group      |            | Company    |            |
|---------------|------------|------------|------------|------------|
|               | 2009       | 2008       | 2009       | 2008       |
|               | £          | £          | £          | £          |
| Net debt      | 41,294,512 | 38,634,615 | 5,726,801  | 5,718,248  |
| Total equity  | 20,353,661 | 16,218,041 | 13,220,513 | 11,815,022 |
| Total capital | 61,648,173 | 54,852,656 | 18,947,314 | 17,533,270 |
| Gearing ratio | 67%        | 70%        | 30%        | 33%        |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2009 and 30 June 2008.

(vii) Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities reported in the balance sheet approximate the carrying amount of those assets and liabilities.

## 6 HOLDING AND ULTIMATE COMPANY

The Company is a subsidiary of Avation Plc, incorporated and registered in England and Wales which is also the ultimate holding company. Related companies in these financial statements refer to the members of the ultimate holding company's group of companies.

Some of the Company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured and payable upon demand unless stated otherwise.

Significant intercompany transactions, other than those disclosed elsewhere in the notes to the income statement are:

|  | Company<br>2009 | Company<br>2008 |
|--|-----------------|-----------------|
|  | £               | £               |
| - Interest income from a related company | -               | 26,901          |
| - Interest expense to a related company  | 38,612          | 936             |

## Notes to the Financial Statements

### for the year ended 30 June 2009

#### 7 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Company and Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and without fixed repayment terms.

##### (a) Compensation of directors and key management personnel

The remuneration of directors and key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) based on the cost incurred by the Company and the Group, and where the Company or Group did not incur any costs, the value of the benefits. The key management's remuneration is as follows:

|  | Group   |         | Company |         |
|--|---------|---------|---------|---------|
|  | 2009    | 2008    | 2009    | 2008    |
|  | £       | £       | £       | £       |
| Directors emoluments:                              |         |         |         |         |
| - Emoluments                                       | 295,585 | 234,574 | 295,585 | 234,574 |
| - Superannuation paid for director of a subsidiary | 7,964   | -       | -       | -       |
|  | 303,549 | 234,574 | 295,585 | 234,574 |

##### b) Significant related party transactions:

|   | Group     |           | Company |         |
|---|-----------|-----------|---------|---------|
|   | 2009      | 2008      | 2009    | 2008    |
|   | £         | £         | £       | £       |
| Service fee paid to a related party <sup>1</sup>                  | 10,000    | -         | 10,000  | -       |
| Guarantee and commitment fee paid to a related party <sup>2</sup> | 228,046   | -         | 228,046 | -       |
| Maintenance rent received from a related party <sup>3</sup>       | 853,286   | 331,248   | -       | -       |
| Rental income received from a related party <sup>4</sup>          | 2,242,009 | 1,126,533 | -       | 414,460 |

1 - Paid to Loeb Aron & Company Ltd in which a director of the company is a director of Loeb Aron & Company Ltd.

2 - Paid to CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital Ltd.

3 - Received from Skywest Airlines Pty Ltd in which a director of the company is also a director of Skywest Airlines Pty Ltd.

4 - Received from Skywest Airlines Pty Ltd in which a director of the company is also a director of Skywest Airlines Pty Ltd.

## Notes to the Financial Statements

for the year ended 30 June 2009

### 8 REVENUE

|                  | Group      |           |
|------------------|------------|-----------|
|                  | 2009       | 2008      |
|                  | £          | £         |
| Rental income    | 9,292,126  | 1,420,568 |
| Maintenance rent | 853,286    | 331,248   |
|                  | 10,145,412 | 1,751,816 |

### 9 OTHER OPERATING INCOME

|   | Group     |         |
|---|-----------|---------|
|   | 2009      | 2008    |
|   | £         | £       |
| Incentive income                          | -         | 37,046  |
| Interest income                           | 6,252     | 311,349 |
| Foreign currency exchange adjustment gain | 1,211,295 | 58,698  |
|   | 1,217,547 | 407,093 |

### 10 OTHER OPERATING EXPENSES

|   | Group     |         |
|---|-----------|---------|
|   | 2009      | 2008    |
|   | £         | £       |
| Maintenance expense                           | 818,271   | 109,826 |
| Depreciation of property, plant and equipment | 3,148,565 | 389,958 |
| Auditors' remuneration for audit services     | 17,000    | 31,720  |
| Auditors' remuneration for non-audit services |           |         |
| - Corporate finance                           | -         | 19,000  |
| - Other                                       | 24,378    | 13,178  |
|   | 3,998,214 | 543,682 |

### 11 FINANCE EXPENSE

|  | Group     |         |
|--|-----------|---------|
|  | 2009      | 2008    |
|  | £         | £       |
| Interest expense on secured borrowings | 2,876,483 | 130,847 |
| Guarantee and commitment fee           | 228,046   | -       |
|  | 3,104,529 | 130,847 |

## Notes to the Financial Statements

### for the year ended 30 June 2009

#### 12 STAFF COSTS

There were no staff costs during the financial year ended 30 June 2009 and 30 June 2008 except for emoluments paid to directors. See Note 7 for details.

#### 13 TAXATION

|                                       | 2009     | Group | 2008    |
|---------------------------------------|----------|-------|---------|
|                                       | £        |       | £       |
| Current tax expense                   |          |       |         |
| - United Kingdom                      | -        |       | 8,117   |
| - Overseas                            | 276,411  |       | 100,342 |
| Deferred tax expense - United Kingdom | 126,533  |       | 196,521 |
| Deferred tax expense - overseas       | (22,483) |       | (8,062) |
|                                       | 380,461  |       | 296,918 |

The standard rate of current tax for the period based on the UK standard rate of corporation tax is 28% (2008 : 30%). The current tax expense for the period is less than 28% (2008 : 30%) for the reasons set out in the following reconciliation:

|  | 2009      | Group | 2008      |
|--|-----------|-------|-----------|
|  | £         |       | £         |
| Profit before income tax                       | 3,631,665 |       | 1,111,357 |
| Tax calculated at tax rate of 28% (2008 : 30%) | 1,016,866 |       | 333,407   |
| Effects of:                                    |           |       |           |
| Non-taxable item                               | (851,212) |       | (220,351) |
| Different tax rates of other countries         | 110,757   |       | (4,597)   |
| Total income tax expense                       | 276,411   |       | 108,459   |

## Notes to the Financial Statements for the year ended 30 June 2009

### 14 EARNINGS PER SHARE

#### (a) Basic earnings per share ("EPS")

EPS is calculated by dividing the net profit attributable to members of the Company by the weighted average number of ordinary shares in issue during the financial year.

|  | Group      |            |
|--|------------|------------|
|  | 2009       | 2008       |
|  | £          | £          |
| Net profit attributable to equity holders of the Company | 3,251,204  | 814,439    |
| Weighted average number of ordinary shares               | 97,808,339 | 97,004,847 |
| Basic earnings per share                                 | 3.32 pence | 0.84 pence |

#### (b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares; warrants.

For warrants, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

|  | Group       |             |
|--|-------------|-------------|
|  | 2009        | 2008        |
|  | £           | £           |
| Net profit attributable to equity holders of the Company | 3,251,204   | 814,439     |
| Weighted average number of ordinary shares               | 97,808,339  | 97,004,847  |
| Adjustment for:  |             |             |
| - Warrants   | 5,447,916   | 3,247,916   |
|  | 103,256,255 | 100,252,763 |
| Diluted earnings per share                               | 3.15 pence  | 0.81 pence  |

## Notes to the Financial Statements

for the year ended 30 June 2009

### 15 TRADE AND OTHER RECEIVABLES

|                    | Group   |        | Company    |            |
|--------------------|---------|--------|------------|------------|
|                    | 2009    | 2008   | 2009       | 2008       |
| <b>Current</b>     | £       | £      | £          | £          |
| Holding company    | 618     | -      | 618        | -          |
| Subsidiaries       | -       | -      | 10,530,544 | 11,426,911 |
| Trade receivables  | 272,344 | 71,713 | -          | 2,498      |
| Accrued income     | 317,942 | -      | -          | -          |
| Other receivables  | 46,048  | 4,747  | 45,895     | 4,747      |
|                    | 636,952 | 76,460 | 10,577,057 | 11,434,156 |
| <b>Non-current</b> |         |        |            |            |
| Subsidiary         | -       | -      | 2,714,812  | -          |

In respect of the company, the non-current amount due from a subsidiary includes the following:

- Loan of £1,125,048 to a subsidiary at interest rate of 7% per annum, repayment of the loan is without fixed repayment terms and will not be called up for repayment within the next 12 months.
- Loan of £1,010,691 to a subsidiary at interest rate of 10% per annum, repayment of the loan is without fixed repayment terms and will not be called up for repayment within the next 12 months.

The average credit period generally granted to non-related trade receivables customers is 30 to 60 days. In respect to leased aircraft, rent is due in advance in accordance with the leases.

The trade and other receivables are denominated in the following currencies:

|                       | Group   |        | Company    |            |
|-----------------------|---------|--------|------------|------------|
|                       | 2009    | 2008   | 2009       | 2008       |
|                       | £       | £      | £          | £          |
| Pounds Sterling       | 4,957   | 2,498  | 4,957      | 2,498      |
| United States Dollars | 631,995 | 73,962 | 13,286,912 | 11,431,658 |
|                       | 636,952 | 76,460 | 13,291,869 | 11,434,156 |

## Notes to the Financial Statements

for the year ended 30 June 2009

### 16 INVESTMENT IN SUBSIDIARIES

|                                 | Company |      |
|---------------------------------|---------|------|
|                                 | 2009    | 2008 |
|                                 | £       | £    |
| Unquoted equity shares, at cost | 243     | 243  |

All the subsidiaries were dormant on acquisition and the purchase price of these subsidiaries was equivalent to the net assets of the company at the date of acquisition.

| Name of company interest | Principal activities | Country of incorporation/ operations | Company's cost of investment |      | Group's effective equity interest |      |
|--------------------------|----------------------|--------------------------------------|------------------------------|------|-----------------------------------|------|
|                          |                      |                                      | 2009                         | 2008 | 2009                              | 2008 |
|                          |                      |                                      | £                            | £    | %                                 | %    |

The subsidiaries held directly by the Company:

|  |                     |           |     |     |     |     |
|--|---------------------|-----------|-----|-----|-----|-----|
| Capital Lease Australian Portfolio One Pty Ltd (a) | leasing of aircraft | Australia | 5   | 5   | 100 | 100 |
| Capital Lease Malta Ltd (b)                        | leasing of aircraft | Malta     | 238 | 238 | 100 | 100 |

(a) Audited by Moore Stephens, Perth, Australia

(b) Audited by Brian Tonna & Co, Malta

Significant transactions with subsidiaries are as follows:

|   | Company |         |
|---|---------|---------|
|   | 2009    | 2008    |
|   | £       | £       |
| Interest income   | 226,948 | 154,184 |
| Management and service income                                     | 176,812 | 201,755 |
| Gain on disposal of property, plant and equipment to a subsidiary | -       | 158,412 |

## Notes to the Financial Statements

for the year ended 30 June 2009

### 17 PROPERTY, PLANT AND EQUIPMENT

| Group                               | Aircraft   | Total      |
|-------------------------------------|------------|------------|
|                                     | £          | £          |
| <b>2009</b>                         |            |            |
| Cost or valuation:                  |            |            |
| At beginning of year                | 56,262,144 | 56,262,144 |
| Additions                           | 11,033     | 11,033     |
| Currency realignment                | 10,341,124 | 10,341,124 |
| At end of year                      | 66,614,301 | 66,614,301 |
| Representing:                       |            |            |
| At cost                             | -          | -          |
| At valuation                        | 66,614,301 | 66,614,301 |
|                                     | 66,614,301 | 66,614,301 |
| Accumulated depreciation:           |            |            |
| At beginning of year                | 391,100    | 391,100    |
| Depreciation for the year           | 3,148,565  | 3,148,565  |
| Currency realignment                | (42,370)   | (42,370)   |
| At end of year                      | 3,497,295  | 3,497,295  |
| Net book value:                     |            |            |
| At beginning of year                | 55,871,044 | 55,871,044 |
| At end of year                      | 63,117,006 | 63,117,006 |
| <b>2008</b>                         |            |            |
| Cost or valuation:                  |            |            |
| At beginning of year                | -          | -          |
| Additions                           | 50,973,873 | 50,973,873 |
| Revaluation surplus on acquisitions | 5,223,307  | 5,223,307  |
| Currency realignment                | 64,964     | 64,964     |
| At end of year                      | 56,262,144 | 56,262,144 |
| Representing:                       |            |            |
| At cost                             | -          | -          |
| At valuation                        | 56,262,144 | 56,262,144 |
|                                     | 56,262,144 | 56,262,144 |
| Accumulated depreciation:           |            |            |
| At beginning of year                | -          | -          |
| Depreciation for the year           | 389,958    | 389,958    |
| Currency realignment                | 1,142      | 1,142      |
| At end of year                      | 391,100    | 391,100    |
| Net book value:                     |            |            |
| At beginning of year                | -          | -          |
| At end of year                      | 55,871,044 | 55,871,044 |

## Notes to the Financial Statements

for the year ended 30 June 2009

| Company                             | Aircraft    | Total       |
|-------------------------------------|-------------|-------------|
|                                     | £           | £           |
| <b>2009</b>                         |             |             |
| Cost or valuation:                  |             |             |
| At beginning of year                | 6,501,306   | 6,501,306   |
| Additions                           | -           | -           |
| At end of year                      | 6,501,306   | 6,501,306   |
| Representing:                       |             |             |
| At cost                             | -           | -           |
| At valuation                        | 6,501,306   | 6,501,306   |
|                                     | 6,501,306   | 6,501,306   |
| Accumulated depreciation:           |             |             |
| At beginning of year                | 82,723      | 82,723      |
| Depreciation for the year           | 325,253     | 325,253     |
| At end of year                      | 407,976     | 407,976     |
| Net book value:                     |             |             |
| At beginning of year                | 6,418,583   | 6,418,583   |
| At end of year                      | 6,093,330   | 6,093,330   |
| <b>2008</b>                         |             |             |
| Cost or valuation:                  |             |             |
| At beginning of year                | -           | -           |
| Additions                           | 14,647,977  | 14,647,977  |
| Revaluation surplus on acquisitions | 412,728     | 412,728     |
| Disposal                            | (8,559,399) | (8,559,399) |
| At end of year                      | 6,501,306   | 6,501,306   |
| Representing:                       |             |             |
| At cost                             | -           | -           |
| At valuation                        | 6,501,306   | 6,501,306   |
|                                     | 6,501,306   | 6,501,306   |
| Accumulated depreciation:           |             |             |
| At beginning of year                | -           | -           |
| Depreciation for the year           | 129,714     | 129,714     |
| Disposal                            | (46,991)    | (46,991)    |
| At end of year                      | 82,723      | 82,723      |
| Net book value:                     |             |             |
| At beginning of year                | -           | -           |
| At end of year                      | 6,418,583   | 6,418,583   |

## Notes to the Financial Statements

### for the year ended 30 June 2009

On 25 March 2008, the Company acquired the right, title and interest in the Aircraft held on trust by Wilmington Trust Company ("Wilmington"), a US trust company. As the Aircraft is registered in the US, legal title to the Aircraft is held by Wilmington and the Company is the beneficial owner. The Aircraft is leased by Wilmington to a US airline.

The Group's property, plant and equipment include borrowing costs from bank loans specifically used for purchase of aircraft. During the financial year, the borrowing costs capitalised as cost of property, plant and equipment amount to NIL (2008 : £542,218).

The Group's and Company's aircraft were revalued in May and June 2008 by independent valuers, on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders equity.

If the aircraft were measured using the cost model, the carrying amounts would be as follows:

|                          | Group       |            | Company   |           |
|--------------------------|-------------|------------|-----------|-----------|
|                          | 2009        | 2008       | 2009      | 2008      |
|                          | £           | £          | £         | £         |
| Cost                     | 60,381,197  | 51,038,837 | 6,088,578 | 6,088,578 |
| Accumulated depreciation | (2,836,156) | (368,971)  | (324,518) | (80,975)  |
| Net carrying value       | 57,545,041  | 50,669,866 | 5,764,060 | 6,007,603 |

## 18 TRADE AND OTHER PAYABLES

|                            | Group     |           | Company   |           |
|----------------------------|-----------|-----------|-----------|-----------|
|                            | 2009      | 2008      | 2009      | 2008      |
|                            | £         | £         | £         | £         |
| Holding company (Note 6)   | -         | 6,437     | -         | 6,437     |
| Related companies (Note 6) | 183,448   | 410,160   | 183,448   | 410,160   |
| Related parties (Note 7)   | 151,019   | 1,420     | 151,019   | 1,420     |
| Trade payables             | 1,645,911 | 1,378,012 | 1,591,382 | 1,294,546 |
| Deferred income            | 612,517   | 131,167   | -         | -         |
| Accrued expenses           | 258,815   | 377,964   | 84,647    | 39,234    |
|                            | 2,851,710 | 2,305,160 | 2,010,496 | 1,751,797 |

The amount due to the holding company, related companies and related parties are unsecured, interest free and without fixed repayment terms except for a short term loan from a related company of £181,638 with interest rate of 14% per annum. This facility is due for repayment on 30 June 2010.

The average credit period taken to settle non-related party trade payables is approximately 60 days.

## Notes to the Financial Statements for the year ended 30 June 2009

The trade and other payables are denominated in the following currencies:

|                      | Group     |           | Company   |           |
|----------------------|-----------|-----------|-----------|-----------|
|                      | 2009      | 2008      | 2009      | 2008      |
|                      | £         | £         | £         | £         |
| Pound Sterling       | 123,801   | 38,533    | 82,343    | 38,533    |
| United States Dollar | 2,586,545 | 2,221,206 | 1,791,743 | 1,713,264 |
| Australian Dollar    | 130,791   | 39,114    | 130,690   | -         |
| Euro                 | 3,853     | 2,485     | -         | -         |
| Singapore Dollar     | 6,720     | 3,822     | 5,720     | -         |
|                      | 2,851,710 | 2,305,160 | 2,010,496 | 1,751,797 |

### 19 LOAN AND BORROWINGS

|   | Group       |             | Company   |           |
|---|-------------|-------------|-----------|-----------|
|   | 2009        | 2008        | 2009      | 2008      |
|   | £           | £           | £         | £         |
| Secured borrowing I                         | 4,298,769   | 4,261,900   | 4,298,769 | 4,261,900 |
| Secured borrowing II                        | 13,952,664  | 12,660,350  | -         | -         |
| Secured borrowing III                       | 14,541,461  | 13,161,750  | -         | -         |
| Unsecured borrowing IV                      | 731,516     | 1,002,800   | -         | -         |
| Secured borrowing V                         | 3,364,725   | 3,471,620   | -         | -         |
| Secured borrowing VI                        | 2,414,187   | 2,325,492   | -         | -         |
| Total                                       | 39,303,322  | 36,883,912  | 4,298,769 | 4,261,900 |
| Less: current portion of<br>loan borrowings | (6,230,626) | (4,931,395) | (924,764) | (701,960) |
|   | 33,072,696  | 31,952,517  | 3,374,005 | 3,559,940 |

Secured borrowing I is for a five year period to January 2013, repayable monthly. The loan is secured by the aircraft of the Company.

Secured borrowing II is for a seven year period to March 2015, repayable monthly. The loan is secured by the aircraft of its subsidiary, Capital Lease Malta Ltd and a charge over the shares in Capital Lease Malta Ltd.

Secured borrowing III is for a seven year period to February 2015, repayable monthly. The loan is secured by the aircraft of its subsidiary, Capital Lease Malta Ltd and a charge over the shares in Capital Lease Malta Ltd.

Unsecured borrowing IV is for a 23 month period to June 2010, repayable monthly. The loan is unsecured and its holding company, Avation Plc has issued a corporate guarantee in favour for the amount.

Secured borrowing V is for a four year period and maturing 2012 repayable monthly. The loan is secured by the aircraft of its subsidiary, Capital Lease Australian Portfolio One Pty Ltd.

## Notes to the Financial Statements

### for the year ended 30 June 2009

Secured borrowing VI is for a five year period and maturing 2013 repayable monthly. The loan is secured by the aircraft of its subsidiary, Capital Lease Australian Portfolio One Pty Ltd.

The Group has a mezzanine finance facility of US\$2,000,000 from a related party, CaptiveVision Capital Ltd which has a revised expiry in June 2010. CaptiveVision Capital Ltd granted a lender of the secured borrowings of the Group a charge over its assets for US\$2,000,000. CaptiveVision Capital Ltd charged the Group interest at 14% per annum based on the committed asset amount of A\$2,089,967.

At 30 June 2009, the Group has a facility from its ultimate holding company, Avation Plc and its subsidiary F100 Pty Ltd for US\$300,000. This facility has a revised expiry in June 2010. See Note 18 for details.

The average interest rates for the outside party borrowings range from 6% to 11% per annum.

All the loans are denominated in United States Dollars.

The carrying amounts of the borrowings approximate their fair values.

## 20 SHORT TERM PROVISIONS

|                           | Group   |         |
|---------------------------|---------|---------|
|                           | 2009    | 2008    |
|                           | £       | £       |
| Maintenance reserve claim | 757,396 | 110,308 |

|  | Group     |         |
|--|-----------|---------|
|  | 2009      | 2008    |
|  | £         | £       |
| Movement in provision for maintenance reserve claim is as follows: |           |         |
| Beginning of financial year  | 110,308   | -       |
| Provisions made during the period                                  | 818,271   | 110,308 |
| Provisions used during the period                                  | (171,963) | -       |
| Currency realignment   | 780       | -       |
| End of financial year  | 757,396   | 110,308 |

A provision of £818,271 (2008:£110,308) was made during the year ended 30 June 2009. This provision is based on maintaining a sufficient balance to match expected drawdowns of reserves over the lease period of the aircraft. There were drawdowns totalling £171,963 (2008 : £Nil) on the reserves for the year ended 30 June 2009.

## Notes to the Financial Statements for the year ended 30 June 2009

### 21 DEFERRED TAX LIABILITIES

Recognised deferred tax assets and liabilities are attributable to the following:

| Group                          | Assets<br>2009 | Liabilities<br>2009 | Net<br>2009 |
|--------------------------------|----------------|---------------------|-------------|
|                                |                | £                   | £           |
| Property, plant and equipment  | (73,928)       | 1,333,841           | 1,259,913   |
| Other items                    | (229,192)      | 50,718              | (178,474)   |
| Tax assets                     | (303,120)      | 1,384,558           | 1,081,439   |
| Set off tax                    | 229,122        | (229,122)           | -           |
| Net tax (assets) / liabilities | (73,998)       | 1,155,437           | 1,081,439   |

| Group                         | Assets<br>2008 | Liabilities<br>2008 | Net<br>2008 |
|-------------------------------|----------------|---------------------|-------------|
|                               |                | £                   | £           |
| Property, plant and equipment | -              | 924,182             | 924,182     |
| Other items                   | (68,482)       | 19,941              | (48,541)    |
| Tax (assets) / liabilities    | (68,482)       | 944,123             | 875,641     |

| Company                       | Assets<br>2009 | Liabilities<br>2009 | Net<br>2009 |
|-------------------------------|----------------|---------------------|-------------|
|                               |                | £                   | £           |
| Property, plant and equipment | -              | 438,128             | 438,128     |

| Company                       | Assets<br>2008 | Liabilities<br>2008 | Net<br>2008 |
|-------------------------------|----------------|---------------------|-------------|
|                               |                | £                   | £           |
| Property, plant and equipment | -              | 311,595             | 311,595     |

Movement in temporary differences during the financial year:

| Group                         | Balance<br>1 July 2008 | Recognised in<br>profit and loss | Recognised in<br>equity | Currency<br>realignment | Balance<br>30 June 2009 |
|-------------------------------|------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|
|                               | £                      | £                                | £                       | £                       | £                       |
| Property, plant and equipment | 924,145                | 284,555                          | (5,831)                 | 105,885                 | 1,308,754               |
| Other items                   | (48,504)               | (174,674)                        | -                       | (4,137)                 | (227,315)               |
|                               | 875,641                | 109,881                          | (5,831)                 | 101,748                 | 1,081,439               |

| Group                         | Balance<br>1 July 2007 | Recognised in<br>profit and loss | Recognised in<br>equity | Currency<br>realignment | Balance<br>30 June 2008 |
|-------------------------------|------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|
|                               | £                      | £                                | £                       | £                       | £                       |
| Property, plant and equipment | -                      | 236,926                          | 687,219                 | -                       | 924,145                 |
| Other items                   | -                      | (48,504)                         | -                       | -                       | (48,504)                |
|                               | -                      | 188,442                          | 687,219                 | -                       | 875,641                 |

## Notes to the Financial Statements

for the year ended 30 June 2009

| Company                       | Balance<br>1 July 2008 | Recognised in<br>profit and loss | Recognised in<br>equity | Balance<br>30 June 2009 |
|-------------------------------|------------------------|----------------------------------|-------------------------|-------------------------|
|                               | £                      | £                                | £                       | £                       |
| Property, plant and equipment | 311,595                | 132,364                          | (5,831)                 | 438,128                 |

Movement in temporary differences during the financial year:

| Company                       | Balance<br>1 July 2007 | Recognised in<br>profit and loss | Recognised in<br>equity | Balance<br>30 June 2008 |
|-------------------------------|------------------------|----------------------------------|-------------------------|-------------------------|
|                               | £                      | £                                | £                       | £                       |
| Property, plant and equipment | -                      | 196,521                          | 115,074                 | 311,595                 |

## 22 SHARE CAPITAL

|  | Company |         |
|--|---------|---------|
|  | 2009    | 2008    |
|  | £       | £       |
| Authorised:  |         |         |
| 100,000,000 ordinary shares of £0.001 each                   | 100,000 | 100,000 |
| Allotted, called up and fully paid:                          |         |         |
| 97,808,339 (2008: 97,808,339) ordinary shares of £0.001 each | 97,808  | 97,808  |

## 23 SHARE-BASED PAYMENTS

### a) Share options and warrants

The Group has an ownership-based compensation scheme for directors and senior management of the Group.

Each share warrant converts into one ordinary share of Capital Lease Aviation Plc on exercise. No amounts are paid or are payable by the recipient on receipt of the warrant. The warrants carry neither rights to dividends nor voting rights. Warrants may be exercised at any time from the date of vesting to the date of their expiry.

Warrants are granted to the directors and senior management of the Group to gain:

- Improvement in share price
- Improvement in net profit
- Improvement in return to shareholders

The following share-based payment arrangements were in existence during the current reporting period:

| Warrant series<br>signed on | Balance at<br>beginning<br>of year | Granted<br>during<br>the year | Exercised<br>during<br>the year | Expired/<br>Cancelled | Balance at<br>end of<br>year | Expiry<br>Date | Exercise<br>Price | Fair value<br>at grant<br>date |
|-----------------------------|------------------------------------|-------------------------------|---------------------------------|-----------------------|------------------------------|----------------|-------------------|--------------------------------|
| (1) 20 Jul 2007             | 3,150,000                          | -                             | -                               | -                     | 3,150,000                    | 13 Dec 2009    | 24p               | 24p                            |
| (2) 2 Aug 2007              | 2,000,000                          | -                             | -                               | (2,000,000)           | -                            | 13 Oct 2008    | 82.5p             | 24p                            |
| (3) 27 Nov 2007             | 97,916                             | -                             | -                               | -                     | 97,916                       | 13 Dec 2009    | 24p               | 25.5p                          |
| (4) 7 Nov 2008              | -                                  | 2,200,000                     | -                               | -                     | 2,200,000                    | 6 Nov 2009     | 67.5p             | 67.5p                          |

## Notes to the Financial Statements for the year ended 30 June 2009

The value of the warrants granted during the year was £9,460 which has not been expensed in these accounts as it is not material. In 2008, the company recognised immediately and charged as an expense to the profit and loss account of £24,968 in respect of the payment settled warrants in the period.

The weighted average fair value of the warrants granted during the financial year is 0.43 pence. Warrants were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past four months.

| Inputs into the model  | Warrant Series |            |          |            |
|------------------------|----------------|------------|----------|------------|
|                        | Series 1       | Series 2   | Series 3 | Series 4   |
| Grant date share price | 24 pence       | 24 pence   | 75 pence | 67.5 pence |
| Exercise price         | 24 pence       | 82.5 pence | 24 pence | 67.5 pence |
| Expected volatility    | 15%            | 15%        | 15%      | 5%         |
| Warrant life           | 2.4 years      | 2.2 years  | 2 years  | 1 year     |
| Dividend yield         | 0%             | 0%         | 0%       | 3%         |

### 24 OPERATING LEASES

#### a) Leases as Lessor

The Group and the Company lease out their aircraft held under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

|  | Group      |            | Company   |           |
|--|------------|------------|-----------|-----------|
|  | 2009       | 2008       | 2009      | 2008      |
|  | £          | £          | £         | £         |
| Within one year                        | 8,958,978  | 7,435,419  | 1,344,210 | 1,113,108 |
| In the second to fifth years inclusive | 34,604,326 | 32,877,299 | 3,472,543 | 3,988,637 |
| More than five years                   | -          | 3,196,423  | -         | -         |

#### b) Contingencies

The Company's subsidiary, Capital Lease Australian Portfolio One Pty Ltd, receives maintenance rent from the lease of its aircraft in addition to the base rent. Lessees may be entitled to be reimbursed for specific long term maintenance items ("maintenance rent activities") that they may incur during the term of the lease. The lessees must not be in default of the lease and must satisfy certain conditions before they can claim. Furthermore, the lessees must provide invoices and supporting documentation as satisfactory evidence to Capital Lease Australian Portfolio One Pty Ltd that the maintenance rent activity has been carried out necessarily.

The amount of the claim for any one maintenance rent activity is limited to the total amount of the maintenance rent received for that specific maintenance rent activity to date under the lease for that aircraft.

The carrying out of each specific maintenance activity is dependant on the number of cycles and flying hours conducted by the aircraft.

## Notes to the Financial Statements for the year ended 30 June 2009

Consequently, Capital Lease Australian Portfolio One Pty Ltd has a contingent liability which is conditional on the volume of cycles and flying hours of the aircraft, upon the actual cost of maintenance rent activity, the lessee making a valid claim with the required documents in the required time frame, and there being an unclaimed balance against the specific maintenance rent activity for that aircraft.

Any unclaimed balance that Capital Lease Australian Portfolio One Pty Ltd holds at the end of the lease is not refundable to the lessees.

As at 30 June 2009, Capital Lease Australian Portfolio One Pty Ltd had received £853,286 (2008 : £ 331,248) in maintenance rent.

The future claims against the maintenance reserves funds can be estimated according to manufacturers' recommendations and typical aircraft usage. Unforeseen events may occur however, which creates some uncertainty for the Company in calculating the final future claimable amount and the timing of such claims from the maintenance reserve funds.

### 25 SEGMENT INFORMATION

#### a) Segment reporting policy

A segment is a distinguishable component of the Group within a particular economic environment (geographical segment) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

The primary format, business segments, is based on the Group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products or services provided by the Group, information for geographical segments is based on the geographical areas where the customers are located.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets and liabilities or income statements items that are not directly attributable to a segment or those that cannot be allocated on a reasonable basis. Common expenses were allocated based on revenue from the Group.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

#### b) Primary reporting segment – business segments

During the year ended 30 June 2009, the Group was organised into one main business segment which is Aircraft leasing.

Other operations of the Group mainly comprise investment holding which does not constitute a separate reportable segment. There is no inter-segment transaction recorded during the financial period.

## Notes to the Financial Statements for the year ended 30 June 2009

### c) Second reporting segment – geographical segments

The following table provides an analysis of the revenues by geographical market, irrespective of the origin of the good:

| Group<br>2009 | Revenue    | Capital<br>expenditure | Total<br>assets |
|---------------|------------|------------------------|-----------------|
|               | £          | £                      | £               |
| Australia     | 3,095,295  | 10,908,147             | 12,892,448      |
| United States | 1,386,594  | 6,456,968              | 6,627,893       |
| Denmark       | 5,663,523  | 38,897,029             | 45,094,137      |
|               | 10,145,412 | 56,262,144             | 64,614,478      |

| Group<br>2008 | Revenue   | Capital<br>expenditure | Total<br>assets |
|---------------|-----------|------------------------|-----------------|
|               | £         | £                      | £               |
| Australia     | 1,457,781 | 10,908,147             | 10,977,837      |
| United States | 281,480   | 6,456,968              | 6,626,861       |
| Denmark       | 12,555    | 38,897,029             | 38,897,263      |
|               | 1,751,816 | 56,262,144             | 56,501,961      |

| Aircraft net book value | Company    |            |
|-------------------------|------------|------------|
|                         | 2009       | 2008       |
|                         | £          | £          |
| Australia               | 11,929,958 | 10,555,432 |
| United States           | 6,093,330  | 6,418,583  |
| Denmark                 | 45,093,718 | 38,897,029 |
|                         | 63,117,006 | 55,871,044 |

## 26 CONTINGENT LIABILITIES

|            | Company    |            |
|------------|------------|------------|
|            | 2009       | 2008       |
|            | £          | £          |
| Guarantees | 39,303,322 | 36,883,912 |

The maximum estimated amount the Company could become liable is as shown above.

The company has guaranteed the loans of its subsidiaries, Capital Lease Portfolio One Pty Ltd and Capital Lease Malta Ltd.

## Notes to the Financial Statements

### for the year ended 30 June 2009

#### 27 RECLASSIFICATION AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current years' financial statements. The reclassifications included the following:

| Group                    | After<br>Reclassification | Before<br>Reclassification | Difference |
|--------------------------|---------------------------|----------------------------|------------|
|                          |                           | £                          | £          |
| Trade and other payables | 131,167                   | -                          | 131,167    |
| Deferred income          | -                         | 131,167                    | (131,167)  |
| Other operating expenses | 109,826                   | -                          | 109,826    |
| Administrative expenses  | -                         | 109,826                    | (109,826)  |

#### 28 ULTIMATE PARENT COMPANY

The ultimate parent company is Avation plc.

#### 29 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

The group intends to apply these standards and interpretations when they become effective.

| International Accounting Standards (IAS/IFRS)                               | Effective Date |
|---|----------------|
| IFRS 2 Amendments to IFRS 2 – Vesting Conditions and Cancellations          | 1 January 2009 |
| IFRS 3 Business Combinations (revised January 2008)                         | 1 July 2009    |
| IFRS 8 Operating Segments   | 1 January 2009 |
| IAS 1 Presentation of Financial Statements (revised September 2007)         | 1 January 2009 |
| IAS 23 Borrowing Costs (revised March 2007)                                 | 1 January 2009 |
| IAS 27 Consolidated and Separate Financial Statement (Revised January 2008) | 1 July 2009    |
| <b>International Financial Reporting Interpretations Committee (IFRIC)</b>  |                |
| IFRIC 18 Transfers of Assets from customers                                 | 1 July 2009    |

#### 30 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company and the consolidated financial statements of the Group for the financial period ended 30 June 2009 were authorised for issue by the Board of Directors on 14 October 2009.

## Top 5 Shareholders

(as at 30 June 2009)

|                            | Holding    | %      |
|----------------------------|------------|--------|
| AVATION PLC                | 50,100,000 | 51.22% |
| VIDACOS NOMINEES LIMITED   | 28,811,446 | 29.46% |
| EUROCLEAR NOMINEES LIMITED | 8,941,667  | 9.14%  |
| ROY NOMINEES LIMITED       | 3,125,000  | 3.20%  |
| FITEL NOMINEES LIMITED     | 2,604,168  | 2.66%  |

# Corporate Directory

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**DIRECTORS:** Robert Jeffries Chatfield  
Peter Anthony Freeman  
Richard Headon Sinclair  
Olivier Pierre-Yves Garrigue  
Soeren Eric Ferré

**COMPANY SECRETARIES:** Siobhan Cool  
Loh Chuen Thim (Appointed on 4 July 2007 and resigned on 27 August 2008)

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

**AUDITORS:** Kingston Smith LLP  
Devonshire House  
60 Goswell Road  
London EC1M 7AD  
United Kingdom

**SOLICITORS:** Speechly Bircham LLP  
6 St Andrew Street  
London EC4A 3LX  
United Kingdom

**NOMINATED ADVISER  
AND BROKER:** W H Ireland Limited  
24 Martin Lane  
London EC4R 0DR  
United Kingdom

**REGISTRARS:** Computershare Ltd  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH  
United Kingdom

**BANKERS:** Standard Chartered Bank  
6 Battery Road  
Singapore 049909

Lloyds TSB Bank Plc  
25 Gresham Street  
London EC2V 7HN  
United Kingdom

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# Our Directors

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**Robert Jeffries Chatfield**  
**(Executive Chairman and Chairman of the Nomination Committee)**

Mr Chatfield is the Chairman of Avation PLC and has been instrumental in establishing and growing the Company. He is also the Group Executive Chairman of Skywest Airlines Ltd and Chairman

of Skywest Airlines Pty Ltd. 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 has worked in a number of successful start-up companies and is the author and registered holder of a variety of patents. He has a Bachelor of Engineering and a Master of 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 and an Audit Committee member)**

Mr Sinclair was formerly Finance Director of Avation Plc ("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, a public company involved in real estate, aircraft and other capital assets, and Westfield Ltd, a public company which is the world's largest shopping centre owner. 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, Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee)**

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 Garrigue**  
**(Non-executive Director, Chairman of the Remuneration Committee and a member of the Audit Committee)**

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 Aptix ASA where he was a non-executive director and member of the audit committee, BBC Resources Limited where he was Director of Strategy and Mapesbury Communications Limited where he was one of the founders and a non-executive Chairman prior to selling the company earlier this year. Mr Garrigue currently holds one other non-executive directorships with Guava Limited a leading online marketing agency. Mr Garrigue is a graduate of ESCE Paris and holds an MBA from Cranfield School of Management.



**Soeren Ferré**  
**(Non-executive Director)**

Mr. Ferré has been Chief Executive Officer of AerCap Group Services B.V. since January 2008. In addition to this responsibility, he is also Head of Europe, Middle East, Africa & Asia-Pacific Region of AerCap Holdings N.V. He joined

AerCap in September 2003 as Vice President of Marketing for the Asia-Pacific region. In July 2004, he was appointed as the Head of Sales and 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 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 Sales Director 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 Nationale de l'Aviation Civile.



Index:

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CLA.L / "CLA LN"

FTSE AIM

Sector:

Transport