



*ava*tion PLC

PROSPECTUS

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own financial advice immediately from an appropriately authorised stockbroker, bank manager, solicitor or other independent financial adviser who, if you are taking advice in the United Kingdom, is duly authorised under the Financial Services and Markets Act 2000 ("FSMA") or, if you are taking advice in Australia, holds an Australian Finance Services Licence.

The information in this Prospectus is not financial product advice or general investment advice for the purposes of the Corporations Act 2001 of the Commonwealth of Australia (the "Corporations Act") and has been prepared without taking into account your particular investment objectives, financial circumstances or needs. You should read the whole of this Prospectus and carefully consider the risk factors (including without limitation those set out in the Risk Factors section set out on pages 9 to 18 of this document) that could affect the performance of Avation PLC and which are associated with investing in Avation PLC in the light of your own particular investment objectives, financial circumstances and needs before deciding whether to invest.

This document comprises a prospectus relating to Avation PLC prepared in accordance with the Prospectus Rules of the Financial Services Authority (the "FSA") made under section 73A of FSMA and approved by the FSA under section 87A of FSMA in order to admit the transferable securities to trading on the London Stock Exchange's main market for listed securities. This document has been filed with the FSA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Application will be made to the FSA for all of the New Ordinary Shares to be listed on the Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules). Application will also be made to the London Stock Exchange for all such New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. **It is expected that Admission will become effective and that dealings in the New Ordinary Shares on the London Stock Exchange's main market for listed securities will commence on or around 30 March 2011.**

The Company and the Directors, whose names appear on page 23 of this Prospectus, accept responsibility, individually and collectively, for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Investors should rely only on the information in this document, and should read the whole of the text of this document and the documents incorporated herein by reference. In particular, your attention is drawn to the letter from the Chairman of the Company that is set out on page 24 of this document, and to the Risk Factors section set out on pages 9 to 18 of this document.

No person is authorised to give any information or make any representation in connection with the Placing which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by Avation PLC, the Directors, the Placing Agent or any other person.

The distribution of this document and/or the accompanying documents in jurisdictions other than the UK, including the United States, Australia, Canada, India, Japan, New Zealand or the Republic of South Africa, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

AVATION PLC

(Incorporated in England and Wales under the Companies Act 2006 with company number 5872328)

Placing of 10,000,000 New Ordinary Shares

38,532,220 Ordinary Shares in issue following Admission

Placing Agent
WH Ireland Limited

WH Ireland Limited, which is authorised and regulated by the FSA, is acting exclusively for Avation PLC and for no one else as placing agent in relation to the Placing and the listing of the New Ordinary Shares on the Official List and their admission to trading on the London Stock Exchange's main market for listed securities, and will not be responsible to any other person for providing the protections afforded to clients of WH Ireland Limited nor for providing advice in connection with the Placing, proposed listing or admission to trading or contents of this document or any other matters referred to in this document.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer or invitation to buy or subscribe for, New Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company and/or the Placing Agent.

The New Ordinary Shares will not be registered under the US Securities Act of 1933, as amended (the "Securities Act") or under the relevant laws of any state or other jurisdiction of the United States or under applicable securities laws of any state, province or territory of Australia, Canada, India, Japan, New Zealand or the Republic of South Africa and, accordingly, subject to certain exceptions, the Placing is not being made, and none of the New Ordinary Shares may be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States, Australia, Canada, India, Japan, New Zealand or the Republic of South Africa or any other jurisdiction where such offer or sale would violate the relevant securities laws of such jurisdiction.

This Prospectus has not been, and will not be, lodged with ASIC and is not, and does not purport to be, a document containing disclosure to

investors for the purposes of Chapter 6D of the Corporations Act. It is not intended to be used in connection with any offer, sale or issue for which disclosure is required and does not contain all the information that would be required by those provisions if they applied. No direct or indirect offers for issue or sale, and no invitations for applications for issue or offers to purchase, are being or will be made in, to or from Australia, and no prospectus, advertisement or other offering material relating to the New Ordinary Shares has been or will be distributed or published in Australia, unless: (a) such offer or invitation does not require disclosure to investors in accordance with Chapter 6D of the Corporations Act; (b) such action complies with all applicable laws, regulations and directives (including without limitation the licensing requirements set out in Chapter 7 of the Corporations Act); (c) such action does not require any document to be lodged with ASIC; and (d) the offer or invitation is made only to a person who is a “sophisticated investor” within the meaning of section 708(8) of the Corporations Act or a “professional investor” within the meaning of section 708(11) of the Corporations Act.

Neither the Placing Agent nor any of its advisers have authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Prospectus and do not make or purport to make any statement in this Prospectus and there is no statement in this Prospectus which is based on any statement by the Placing Agent or its advisers.

The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed comment upon or endorsed the merits of or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. Accordingly, the New Ordinary Shares may not be offered or sold directly or indirectly in or into the United States, or to or for the account or benefit of any US Person otherwise than in accordance with Regulation S.

Application will be made for the New Ordinary Shares to be listed on the Official List with a Standard Listing. A Standard Listing affords investors in the Company a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List, which are subject to additional obligations under the Listing Rules.

It should be noted that, as the Company’s shares have a Standard Listing and certain of the Listing Rules therefore do not apply to the Company, the UK Listing Authority will not have the authority to (and will not) monitor the Company’s compliance with any of the Listing Rules and/or any provision of the Model Code which would otherwise not apply but which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

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SUMMARY

This summary section should be read as an introduction to the Prospectus which comprises the whole of this document. Any decision to invest in the New Ordinary Shares should be based on a consideration of the Prospectus as a whole by the investor.

Where a claim relating to the information contained in a prospectus is brought before a court, a plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

The Company

The Company is a public company limited by shares incorporated in England and Wales on 11 July 2006. Its shares are listed on the Official List with a Standard Listing and admitted to trading on the London Stock Exchange's main market for listed securities.

Principal Activities

The Company's main activity is the leasing of commercial aircraft. Directly and through its subsidiaries, the Company leases twelve commercial passenger jet aircraft which are leased to various airlines across Europe, the United States and Australia.

Group Structure and History

The Company has three wholly owned subsidiaries, F100 Pty Ltd, MSN 429 Limited and Avation Eastern Fleet Pte Ltd, all of whose principal activities is the leasing of aircraft. F100 Pty Ltd was incorporated in Australia on 15 November 2006. MSN 429 Limited was incorporated in England and Wales on 24 March 2010. Avation Eastern Fleet Pte Ltd was incorporated in Singapore on 8 February 2011.

Additionally, the Company has a 51.17 per cent. holding in Capital Lease Aviation PLC ("CLA") whose shares are admitted to trading on AIM. Prior to CLA's pre-admission fundraising round in July 2007, it was a wholly owned subsidiary of the Company. CLA is an aircraft leasing company whose focus is on a different customer base to the Company, which itself has two wholly owned aircraft leasing subsidiaries, Capital Lease Australian Portfolio One Pty Ltd and Capital Lease Malta Limited.

The Company's Shares were initially admitted to trading on the PLUS Stock Exchange but on 6 October 2010, the Company's Shares were listed on the Official List with a Standard Listing and admitted to trading on the London Stock Exchange's main market for listed securities.

Key Assets

The Group leases eight 107-seat passenger capacity Fokker 100 jets, two 164-seat passenger capacity Airbus A320-200 jets and two 185-seat passenger capacity Airbus A321-200 jets.

Each Fokker 100 is entered on the Australian Civil Aircraft Register and is operated by Skywest Airlines (Australia) Pty Ltd ("Skywest") in accordance with the rules and procedures of the Australian Government's Civil Aviation Safety Authority (the "CASA"). One Airbus A320-200 is operated by US Airways in the USA and is registered with the Federal Aviation Administration. Both A321-200 aircraft are operated by Thomas Cook Airlines Scandinavia A/S and are registered with The Civil Aviation Administration of Denmark. The second A320-200 is registered with the CASA and the issuance of the Certificate of Airworthiness is currently pending with the CASA. It is operated by Skywest.

Aircraft leases

The summary on the leases entered into by the Group is set out below:

Aircraft type	Lessor company	Airline lessee	Commencement date	Lease term (months)	Monthly fixed rent (US\$)
Fokker 100 11484 (VH-FNY)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	3 April 2007	66	85,000
Fokker 100 11489 (VH-FNJ)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	23 April 2004	117	75,000
Fokker 100 11488 (VH-FNR)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	2 August 2004	117	75,000
Fokker 100 11373 (VH-FNU)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	8 August 2008	72	90,000
Fokker 100 11391 (VH-FSW)	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	19 August 2008	64	106,000
Fokker 100 11326 (VH-FNN)	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	26 October 2007	60	99,000
Fokker 100 11334 (VH-FNC)	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	28 February 2008	60	100,000
Fokker 100 11461 (VH-FNT)	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	28 October 2007	60	99,000
Airbus A320-200 52 (N620AW)	Wilmington Trust Company*	US Airways Inc	28 September 1990	267	185,000
Airbus A321-200 1881 (OY-VKA)	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	1 April 2003	144	375,000
Airbus A321-200 1921 (OY-VKB)	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	28 February 2003	144	375,000
Airbus A320-200 429 (VH-FNP)	Avation PLC – MSN 429 Limited as sub-lessor	Skywest Airlines (Australia) Pty Ltd	4 April 2010	36**	190,000

* Capital Lease Aviation PLC is the beneficial owner

** with an option to extend for a further 36 months

Financing

The Group has following finance facilities in place as at 28 February 2011, being the latest practicable date before publication of this document, and there has been no change to this position at the date of this document:

- A US\$43,538,535 senior loan facility which is secured by a cross collateralised mortgage over two Airbus A321 aircraft and one A320 aircraft. The finance period matches the lease term on each underlying aircraft with the residual final payments totalling US\$20,500,000.
- A US\$7,773,813 senior loan facility, which is secured by a mortgage over three Fokker F100 aircraft. The finance periods match the lease term on each underlying aircraft and amortises to nil with the exception of Fokker 100 MSN 11334 owned by Capital Lease Australian Portfolio One Pty Ltd, which has a US\$927,600 final payment attached.
- F100 Pty Ltd has a US\$9,193,138 senior loan facility, which is secured by mortgages over its five Fokker F100 aircraft. The finance periods match the lease terms on each underlying aircraft and amortise to nil.
- The Company and its wholly owned subsidiary, MSN 429 Limited have an arrangement over three years with the vendor for US\$6,599,999.88 in respect of its acquisition of an Airbus

A320-200 pursuant to a lease purchase agreement. Minimum lease payments remaining are US\$4,583,333. The three year vendor lease matches the sub-lease term with the airline customer.

- The Company through its wholly owned subsidiary Avation Eastern Fleet Pte Ltd has funded an amount of US\$1,000,000 for the initial commitment fee which has been paid to ATR in respect of the proposed acquisition from ATR of eight aircraft. This amount was loaned by entities in which the officers of Avation Eastern Fleet Pte Ltd are interested at a simple interest rate of 10 per cent. per annum (such loan arrangements constituting related party transactions).

Strategy

The Company's strategy is to continue to expand the Group's aircraft leasing business by:

- *Capitalising on continued growth in the aircraft leasing market by acquiring additional aircraft:* the Company intends to exploit the current growth dynamic in the aircraft leasing market by identifying and acquiring additional aircraft. The Company will adopt a flexible approach to the type of aircraft it purchases and this will depend principally on the requirements of its growing customer base. The Company is continuously evaluating potential opportunities for growth in line with its strategy, notably growing its portfolio of aircraft, in particular by maintaining communications with aircraft owners and manufacturers.
- *Leasing aircraft to regional and international airlines:* the Directors expect the Group's customer base to comprise both regional and global airline companies. The Group's customer base will not be restricted to a particular geography or type of customer.
- *Efficiently raising capital to execute its growth strategy:* the Company expects to fund its growth strategy through a mix of retained cashflow, debt and equity financing in order to maintain an efficient capital structure. The Company may utilize a broad range of funding options to support its growth strategy. The Company expects to use appropriate financing and hedging strategies to manage interest and exchange rate volatility.
- *Continuing to support Skywest Singapore:* the Company was originally incorporated in order to support Skywest Singapore by providing aircraft leasing facilities. Although the Group now also provides aircraft leasing facilities to other airlines, Skywest Singapore will continue to be an important customer of the Group and it is intended that the Group will assist Skywest with its ongoing aircraft leasing requirements.

Financial Performance

Set out below is a summary of audited financial results of the Group for the periods ended 30 June 2008, 2009 and 2010 together with the Unaudited Half Year Reports for the Six Month Periods ended 31 December 2009 and 31 December 2010:

	30 June 2008	30 June 2009	30 June 2010	Six months to 31 December 2009	Six months to 31 December 2010
	£	£	£	£	£
Revenue	5,031,679	16,278,212	17,552,513	7,556,268	8,282,327
Gross profit	4,903,940	15,406,718	16,568,634	6,962,442	7,919,966
Profit before taxation	8,145,212*	4,986,321	3,548,100	1,530,695	2,788,688
Profit after taxation	7,363,177*	4,231,913	2,818,583	1,343,540	2,257,541
Earnings per share	28.75 pence*	10.40 pence	6.39 pence	3.14 pence	5.86 pence
Total Assets	70,365,393	86,994,059	96,269,565	90,384,606	93,554,535

Total liabilities	49,141,293	57,767,480	60,237,639	57,097,252	56,210,679
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*the results for the year ended 30 June 2008 includes an exceptional item of £5,503,165

Background to and reasons for the Placing

On 10 January 2011, the Company entered into an agreement (“ARAN Agreement”) with Skywest Airlines (Australia) Pty Ltd (“Skywest”) and Virgin Blue Airlines Pty Ltd (“Virgin Blue”) to provide a fleet of up to 20 new aircraft which will operate primarily along the length of the Eastern Coast of Australia. Pursuant to the ARAN Agreement, the Company proposes to provide aircraft to Skywest under aircraft operating lease agreements. Skywest, in turn, proposes to provide “wet-lease” services to Virgin Blue by entering into “wet-lease” arrangements with Virgin Blue in relation to the aircraft to be provided by the Company to Skywest under the proposed operating lease arrangements.

In contemplation of the arrangement envisaged by the ARAN Agreement, the Company has entered into a sale and purchase contract (the “Supply Agreement”) with Avions de Transports Regional (“ATR”) pursuant to which ATR has agreed to supply to the Company four ATR 72-500 aircraft and four ATR 72-600 aircraft (together, the “Firm Aircraft”), with a further five ATR 72-600 aircraft on option and seventeen aircraft under purchase rights for operation on Virgin Blue and Skywest networks.

The Net Proceeds of the Placing of approximately £9,369,204 are intended to be used by the Company to fund the Pre-Delivery Payments relating to the Firm Aircraft. The total expected Pre-Delivery Payments required to be met from the Net Proceeds of the Placing will be US\$11,119,800 (approximately £6,950,000). The Pre-Delivery Payments will represent 7.5 per cent. of the aggregate purchase price for each of the first eight aircraft to be acquired from ATR. The Company has further entered into terms sheets for associated debt financing for the provision of in aggregate up to 92.5 per cent. of the purchase price of the Firm Aircraft.

However, the Placing is not conditional on the acquisition of the ATR aircraft and will otherwise be available for the Company’s purchase of alternative aircraft.

The Placing Agent has agreed, subject to certain conditions, to use its reasonable endeavours to procure investors to subscribe for the New Ordinary Shares to be issued by the Company under the Placing at the Placing Price.

Application will be made for the New Ordinary Shares to be listed on the Official List with a Standard Listing and admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, fully paid, will commence at 8:00 a.m. on 30 March 2011. The New Ordinary Shares will be registered with ISIN number GB00B196F554 and SEDOL number B196F55.

Risk Factors

The principal risk factors affecting the Company and the Ordinary Shares which are known to the Directors are:

(a) ARAN Agreement and subsequent conditions

Concluding the financing, purchase and leasing of the aircraft to be provided to Virgin Blue under the arrangements envisaged by the ARAN Agreement are subject to a number of conditions and further steps. Failure to satisfy the conditions or complete the further steps may delay the implementation of such arrangements and/or adversely affect the growth of the Company.

(b) Working Capital

The completion of the purchase and leasing of aircraft pursuant to the ARAN Agreement will be dependent on the Company completing the Placing and entering into definitive contracts in respect of the Senior Debt facility and, to the extent required, the Junior Debt facility. Accordingly, the Company does not, at the date of this document, have the working capital immediately available to it to complete the arrangements envisaged by the ARAN Agreement.

(b) Ordinary Shares

The price of Ordinary Shares is determined by the interaction of supply and demand in the market. The market price of the New Ordinary Shares is therefore likely to fluctuate. The liquidity of the New Ordinary Shares may be lesser than if the Company had a Premium Listing.

(c) Unforeseen difficulties and costs associated with the acquisition and/or management of the aircraft portfolio could reduce or prevent future growth and profitability of the Company

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

(d) A deterioration in the financial condition of the commercial airline industry would have an adverse impact on the Company's ability to lease its aircraft following expiry of the current leases

The Company will lease its aircraft principally to commercial airline customers. Hence, the ability of the Company to lease its aircraft following expiry of the current leases in place (the earliest lease to expire will expire in September 2012) will depend on the financial condition and growth of the commercial airline industry. If the financial condition of the commercial airline industry deteriorates, the Company may be adversely affected.

(e) As the leases of the aircraft expire, the Company may not be able to re-lease the aircraft on favourable terms, or at all, or may not be able to sell the aircraft on favourable terms

The business strategy of the Company requires it to re-lease aircraft as the existing leases expire in order to generate sufficient revenues to finance its growth and operations (the earliest lease will expire in September 2012). The ability to re-lease aircraft following expiry of the current leases will depend on general market and competitive conditions at the relevant time. If the Company is not able to re-lease an aircraft or to do so on favourable terms, it may be required to sell the aircraft to provide funds for debt service or operating expenses. If the Company is not able to stagger the lease expiry dates of its aircraft, it may also face difficulty in re-leasing all its aircraft as and when such leases expire. The ability of the Company to re-lease or sell aircraft on favourable terms could be adversely affected by a number of factors, including depressed conditions in the airline and aircraft industries, airline bankruptcies, the effects of terrorism and war or the availability of other aircraft from other companies.

(g) Aircraft values and achievable lease rates could reduce in the future

Any decrease in the values of and achievable lease rates for the Company's portfolio of aircraft following expiry of the current leases (the earliest lease will expire in September 2012) could have a material adverse effect on the Company's financial condition and business prospects.

RISK FACTORS

Investment in the Company and the Ordinary Shares carries a degree of risk, including risks relating to the Company's business strategy, taxation and the Ordinary Shares. Prospective investors should carefully consider all the information in this document, including the risks described below. The Directors have identified these risks as the material risks relating to the Company and an investment in the Ordinary Shares of which the Directors are aware as at the date of this document. Additional risks and uncertainties not presently known to the Directors, or that the Directors consider immaterial, may also adversely affect the Company's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Company's business, financial condition, operational performance and the Ordinary Share price could be materially adversely affected. In that case the trading price of the Ordinary Shares and/or the level of dividends or distributions (if any) received from the Ordinary Shares could decline significantly and investors could lose some or all of their investments in the Company.

For the avoidance of doubt, none of the risk factors detailed below seeks to qualify the working capital statement set out in paragraph 15 of Part V of this document.

Standard Listing

The Ordinary Shares have a Standard Listing on the Official List and as a consequence additional on-going requirements and protections applicable to shares with a Premium Listing under the Listing Rules will not apply to the Company

The Company is listed under Chapter 14 of the Listing Rules (*Standard Listing (shares)*) and as a consequence a significant number of the Listing Rules do not apply to the Company. Shareholders in the Company therefore do not receive the full protections of the Listing Rules otherwise associated with a Premium Listing.

Listing Rule 14.3 sets out the continuing obligations applicable to the Company and requires that the Company's listed securities must be admitted to trading on a regulated market at all times. The Company must have at least 25 per cent. of the shares of any listed class in public hands at all times in one or more EEA States and the FSA must be notified as soon as possible if these holdings fall below that level.

The continuing obligations under Chapter 14 of the Listing Rules also include requirements as to:

- the forwarding of circulars and other documentation to the National Storage Mechanism, and related notification to an RIS;
- the provision of contact details of appropriate persons nominated to act as a first point of contact with the FSA in relation to compliance with the Listing Rules and Disclosure and Transparency Rules;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- notifying an RIS in relation to changes to equity and debt capital; and
- compliance with, in particular, Chapters 4, 5 and 6 of the Disclosure Rules and Transparency Rules.

As a company with a Standard Listing, the Company will not be required to comply with, *inter alia*, the provisions of Chapters 6 to 13 of the Listing Rules, which set out more onerous requirements for issuers with Premium Listings of equity securities. These include provisions relating to listing principles, the requirement to appoint a sponsor, various continuing obligations, significant transactions, related party transactions, dealings in own securities and treasury shares and contents of circulars.

The Company has stated that it intends to comply with the Listing Principles set out in Chapter 7 of the Listing Rules which would otherwise apply to the Company if it were to obtain a Premium Listing on the Official List. The Company is not, however, subject to such Listing Principles and will not be required

to comply with them. The Directors intend to ensure that Shareholders are provided with sufficient information in order for them to make an informed decision on any matter which they need to approve, and the Directors will also take independent financial advice where appropriate.

The Company is not required to, and does not intend to, appoint a listing sponsor under Chapter 8 of the Listing Rules in order to guide the Company in understanding and meeting its responsibilities under the Listing Rules.

The provisions of Chapter 9 of the Listing Rules (*continuing obligations*) will not apply to the Company. Chapter 9 includes provisions relating to transactions, including, *inter alia*, requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10 per cent. of market value, notifications, and the content requirements of certain financial information.

Although the Company is not required to comply with Chapter 9 of the Listing Rules, it will voluntarily:

- publish its preliminary statement of annual results (or the information from its annual financial report that is required to be communicated to the media pursuant to the Disclosure and Transparency Rules) through an RIS as soon as possible after it has been approved and in any event within four months of the end of the period to which it relates and only after it has been agreed with the Company's auditors;
- notify an RIS as soon as possible after the Directors have approved any decision to pay or make any dividend or other distribution or to withhold any dividend or interest payment; and
- publish its half yearly report to an RIS as soon as possible after it has been approved and in any event within two months of the end of the period to which it relates.

The Company is not required to comply with the Model Code on Directors' dealings in shares of the Company set out in Chapter 9 of the Listing Rules. However, the Company has adopted a share dealing code that is broadly consistent with the provisions of the Model Code and will continue to follow such dealing code.

The Company is not required to comply with Chapters 10, 11 and 12 of the Listing Rules (*significant transactions, related party transactions, dealing in own securities and treasury shares*). The Company does, however, intend that it will continue to conduct its activities as if it were subject to such requirements (in so far as reasonably practicable). It should be noted that neither the UK Listing Authority nor the London Stock Exchange will have the authority to monitor the Company's voluntary compliance with, nor impose sanctions, in the event of a breach of any such provisions.

Chapter 13 of the Listing Rules contains provisions relating to the content of circulars and is only applicable to companies with a Premium Listing. Consequently, the Company is not required to comply the provisions of that chapter.

The Company confirms that, although Listing Rule 5.2.5 (*cancellation of listing*) does not apply to it, in the event a cancellation of its listings were to be proposed, it would in any event seek shareholder approval as if Listing Rule 5.2.5 of the Listing Rules was applicable to it. Pursuant to Listing Rule 5.2.5 this will mean, *inter alia*, that the Company would send a circular to its Shareholders containing certain information as specified in the Listing Rules and obtain the approval of not less than 75 per cent. of its Shareholders in the event that it proposes to seek a cancellation of its listing.

It should be noted that the UK Listing Authority will not have the authority to monitor the Company's voluntary compliance with any of the Listing Rules applicable to companies with a Premium Listing (and will not do so) nor will it impose sanctions in respect of any breach of such requirements by the Company.

Standard Listings have only recently been available for UK companies and relatively few UK companies have come to market with a Standard Listing. Therefore it may not yet be possible to predict how UK companies with Standard Listings will be viewed by analysts and institutional investors.

A company with a Standard Listing is not currently eligible for inclusion in any of the FTSE indices (i.e. FTSE100, FTSE350 etc.). This may mean that certain institutional investors are unable to invest in them.

ARAN Agreement subject to conditions

The proposals in the ARAN Agreement for the provision of aircraft is subject to the Company agreeing the terms of the leases relating to each aircraft with each of Skywest and Virgin Blue. Should the terms of any such leases not be agreed this would delay the implementation of the proposals envisaged in the ARAN Agreement and would delay the period from which Company would benefit from the proposals envisaged under the ARAN Agreement. There are no express sanctions under the ARAN Agreement if there is any delay or failure in the delivery of aircraft by ATR.

COFACE and/or SACE may not approve the required funding guarantees

The funding proposed to be provided to the Company by Crédit Agricole CIB associated with the acquisition of aircraft from ATR is conditional on obtaining guarantees from the ECAs under export credit financing arrangements. In the event that such guarantees are not forthcoming the Company may not be able to obtain the funding required to complete the acquisition of the ATR aircraft in the timeframes envisaged. The Company would be forced to procure alternative aircraft from other sources which it may not be able to do in a timely manner or on favourable terms which may delay the period from which the Company would benefit from the proposals envisaged by the ARAN Agreement or materially adversely affect the benefit to the Company of the proposals envisaged by the ARAN Agreement.

Financing from Crédit Agricole CIB subject to definitive financing documentation

The debt financing proposed to be provided to the Company by Crédit Agricole CIB is subject to the negotiation and signing of definitive financing documentation. Should the terms of this documentation not be agreed this would delay the implementation of the proposals envisaged in the ARAN Agreement and would delay the period from which Company would benefit from the proposals envisaged under the ARAN Agreement. To the extent that the Company was required to source funding elsewhere it may not be able to do in a timely manner or on favourable terms which may adversely affect the benefit to the Company of the proposals envisaged by the ARAN Agreement.

Working Capital

The completion of the purchase and leasing of aircraft pursuant to the ARAN Agreement will be dependent on the Company completing the Placing and entering into definitive contracts in respect of the Senior Debt facility and, to the extent required, the Junior Debt facility. Accordingly, the Company does not, at the date of this document, have the working capital immediately available to it to complete the arrangements envisaged by the ARAN Agreement.

Delay in delivery of ATR aircraft

If ATR is late in delivering aircraft, the Company will be unable to commence the leases of such aircraft until such time as they are actually delivered. Under the terms of the Supply Agreement, if the delay is caused by ATR and is deemed to be an Inexcusable Delay, the Company will receive compensation from ATR in respect of lost lease payments. However, in the unlikely event that compensation is not due to the Company because of a delay due to Excusable Delay this would delay the period from which Company would benefit from the leasing of the delayed aircraft. There are no express sanctions under the ARAN Agreement if there is any delay or failure in the delivery of aircraft by ATR.

The Company may be adversely affected by “type” faults in a particular type of aircraft

Eight of the twelve aircraft currently owned by the Group are of one type of aircraft, the Fokker F100, and the Company is intending to purchase four ATR 72-500 aircraft and four ATR 72-600 aircraft. The Company may be adversely affected by design, safety or other issues which may affect aircraft of those types, although there are no known such faults in any of those aircraft types. In the event that there is a “type” fault in a particular type of aircraft, all aircraft of that type may be required to be taken out of service for checks until the nature of the fault is fully ascertained, although that does not obviate each lessee’s obligation to make any rental payments due. This may impact the ability of the Company to re-lease its aircraft in the future (after the current leases expire, from September 2012 onwards) or may cause unforeseen expense, since some of the current aircraft leases oblige the Company to cover the cost of any rectification in a recall event.

The Company currently has a limited customer base

The Company's aircraft are leased to three customers, Skywest, Thomas Cook Airlines Scandinavia A/S and US Airways Inc under operating lease agreements. Following the delivery of the first aircraft under the arrangements proposed by the ARAN Agreement (that is, that such aircraft will be leased from the Company to Skywest under operating lease agreements and, in turn, leased from Skywest to Virgin Blue under "wet-lease" arrangements), should the Company or Virgin Blue exercise its put or call option rights, respectively, Virgin Blue shall be required to take over as lessee of the operating lease agreements to be entered into between the Company and Skywest and will, therefore, become a fourth customer of the Company. Should any of its customers face an unexpected failure of its business, this would impact the ability of the Company to receive monthly rental payments from that customer. If such an event were to occur it would adversely affect the Company's cash flow, even if adequate remedies were available to the Company under the terms of the lease agreements or otherwise in law. However, should any leases be terminated following an unexpected failure of a customer's business, the Company will remain the owner of the aircraft which could then be re-marketed by sale or new lease. If the Group is not able to re-lease an aircraft or to do so on favourable terms, it may be required to sell the aircraft to provide funds for debt service or operating expenses. To the extent that aircraft were disposed of on unfavourable terms, this may adversely affect the Company's net assets.

Unforeseen difficulties and costs associated with future acquisitions could reduce or prevent future growth and profitability of the Company

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

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

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

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

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

The Company will require additional financing to grow its business beyond the acquisition of the Firm Aircraft pursuant to the ARAN Agreement (for example should the Company exercise its option or purchase rights under the Supply Agreement). Such debt or equity financing may only be available on

terms that are not favourable or may indeed not be available at all. In addition, the terms of any other indebtedness incurred by the Company may restrict its ability to incur additional debt. If the Company is unable to raise such additional funds or obtain capital on acceptable terms, it may have to delay, change or abandon some or all of its intended growth strategies or in taking the available finance it may see its projected returns on any aircraft investment lessened by the terms of such finance, for example due to higher interest rates.

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

The business strategy of the Group requires it to re-lease aircraft as the existing leases expire in order to generate sufficient revenues to finance its growth and operations at the time which the existing leases expire. The earliest lease to expire of any of the Group's current aircraft will expire in September 2012. The ability to re-lease aircraft will depend on general market and competitive conditions at the time of expiry. If the Group is not able to re-lease an aircraft or to do so on favourable terms, it may be required to sell the aircraft to provide funds for debt service or operating expenses. If the Group is not able to stagger the lease expiry dates of its aircraft, it may also face difficulty in re-leasing all its aircraft as and when such leases expire. The ability of the Group to re-lease or sell aircraft on favourable terms could be adversely affected by a number of factors, including depressed conditions in the airline and aircraft industries, airline bankruptcies, the effects of terrorism and war and the sale of other aircraft by companies.

Aircraft values and achievable lease rates could reduce in the future

Any decrease in the values of, and achievable lease rates for, the Group's portfolio of aircraft on new leases after the current leases expire (from September 2012 onwards) could have a material adverse effect on the Company's financial condition and business prospects. Factors that may affect the value and/or achievable lease rates of the aircraft include, *inter alia*, the following:

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

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

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

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

The success of the Company depends upon the financial strength of the Group's lessees (including the creditworthiness of the credit support provider of such lessees and the performance by the credit support provider, if any, of its obligations). The ability of each lessee to perform its obligations under its lease will depend primarily on the lessee's financial condition and cash flow, which may be affected by factors beyond the control of the Group, including:

- competition;
- fare levels;

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

However, the Directors have no reason to believe the lessees' financial condition will impact their ability to meet their obligations to the Company.

The Company could be exposed to the political, economic and social conditions in the jurisdictions where the Group's lessees are located, and whence they operate

The Group could be exposed to political, economic and social events in the jurisdictions where aircraft lessees are located, and in the markets they serve (the aircraft operate predominantly in Australia, Scandinavia and the US). Such events include political unrest, interest rate and currency exchange rate fluctuations, the nationalisation or expropriation of private assets, strikes, war, economic instability, and other events such as natural disasters, epidemics, widespread transmission of communicable or infectious diseases, acts of God, terrorist attacks and other events beyond the control of the Group that may adversely affect local economies, infrastructures and livelihoods. The resulting instability may adversely affect the Company's sub ownership interest in its aircraft or the ability of lessees which operate in these markets to meet their lease obligations either or both of which could impact on the Company's revenues.

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

The Group's lessees are typically primarily responsible for maintaining the aircraft and complying with all governmental requirements applicable to the relevant lessee and aircraft, including operational, maintenance, and registration requirements and airworthiness directives. A lessee's failure to perform required maintenance during the term of a lease could result in a reduction in the value of an aircraft, an inability to re-lease the aircraft at favourable rates or at all and may require the Group to incur expenditure to restore the aircraft to an acceptable condition prior to any sale or re-leasing, following expiry of the current leases (from September 2012 onwards) all and each of which could negatively affect the business, financial condition and results of operations of the Company, whether or not any appropriate remedies are available to the Company in respect of any such lessee's failure.

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

Aircraft leases often require specific licences, consents or approvals. These include consents from governmental or regulatory authorities for certain payments under the leases and for the import, re-export or de-registration of the aircraft. Subsequent changes in applicable law or administrative practice may increase these requirements. In addition, a governmental consent, once given, might be withdrawn. Furthermore, consents needed in connection with future re-leasing or sale of an aircraft may not be forthcoming. Any of these events could adversely affect the ability of the Group to re-lease or sell aircraft, which could negatively affect its business, financial condition and results of operations.

The Company is subject to risks inherent in investing in a single industry

The Company's principal activity directly and through its subsidiaries is to own and invest in a portfolio of aircraft intended to operate under medium to long-term leases. By concentrating the vast majority of its operations and investments in the airline market, the Company is susceptible to a downturn in that market which may correlate with a decline in demand for aircraft leasing and could result in the Company's income being adversely affected when the current leases end (from September 2012 onwards) and the Company is required to re-lease the aircraft. The Company's other activities would not alone allow the Company to meet its growth and development goals in the event of a downturn in the aircraft leasing industry at that point.

The Company depends on certain key personnel; the loss of any key personnel may adversely affect its operations

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

The Company may engage in hedging transactions, which can limit gains and increase exposure to losses

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

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

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

Government regulations could require substantial expenditure which may reduce the Company's profitability

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

Aircraft might be adversely affected if not adequately managed and maintained

In circumstances where lessees are not already doing so in accordance with the terms of the relevant lease agreements, should the Group fail to provide adequate management and maintenance of the aircraft, the value of the Company's aircraft might be adversely affected. This could adversely affect the re-lease or sale value of those aircraft and any remedies available to the Company in respect of such inadequate management or maintenance may not adequately compensate the Company for the fall in value.

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

There can be no assurance that upon the expiry or termination of the existing leases, the aircraft will necessarily be leased to a lessee located in a jurisdiction that does not impose withholding tax on aircraft lease payments. Any withholding tax incurred by the Company may have an adverse effect on its cash flow.

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

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

Operational costs will increase as the Company's aircraft age

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

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

Fuel costs represent a major expense to companies operating within the airline industry, and fuel prices fluctuate widely depending primarily on international market conditions, geo-political and environmental events, currency exchange rates and natural disasters. In 2008, fuel prices were at historically high levels. A return to such a high cost of fuel may have a material adverse impact on airline profitability. Due to the competitive nature of the airline industry, airlines may not be able to pass on increases in fuel prices to their customers by increasing fares. If they pass on the higher costs, it may adversely affect demand for air travel, which would reduce their revenues. In addition, airlines may not be able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. If fuel prices return to historically high levels, they are likely to cause the airline lessees to incur higher costs or experience reduced revenues. Consequently, if such conditions persisted in the longer term, beyond the scope of lessees' hedging strategies and risk management policies, this may:

- affect the lessees' ability to make rental and other lease payments due to the Group;
- result in lease restructurings and aircraft repossessions;
- increase the Group's costs of servicing and marketing aircraft;
- impair the Group's ability to re-lease the aircraft following expiry of the current leases from September 2012 onwards or otherwise dispose of the assets on a timely basis at favourable rates; and
- reduce the proceeds received for the aircraft upon any disposal.

The effects of terrorist attacks and geo-political conditions may negatively affect the airline industry

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

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

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

The effects of epidemics may negatively affect the airline industry

The spread of Severe Acute Respiratory Syndrome ("SARS") was linked to air travel early in its development and had a severe adverse impact on the aviation industry, which was evidenced by a sharp reduction in passenger bookings, cancellation of many flights and employee layoffs. In addition, there have been several outbreaks of avian influenza, or "Bird Flu", beginning in Asia and, most recently, spreading to certain parts of Africa and Europe and "Swine Flu" which began in Mexico before spreading globally. Further outbreaks of SARS, Bird Flu, Swine Flu or other epidemics, or the fear of such events, could provoke responses, including government imposed travel restrictions, which could negatively affect passenger demand for air travel and the financial condition of the aviation industry. This in turn could adversely affect the ability of Company to re-lease aircraft to the extent that once the current leases expire (from September 2012 onwards) lessees of aircraft may find their own financial condition and liquidity adversely affected and consequently cease to trade or reduce the number of aircraft they lease.

The Company operates in a highly competitive market for investment opportunities in aircraft and other aviation assets

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

In addition, the Directors consider that the Company may encounter competition from other entities, such as airlines, aircraft manufacturers, financial institutions (including those seeking to dispose of repossessed aircraft at distressed prices), aircraft brokers, public and private partnerships and investors and funds with more capital to invest in aircraft and engines. The Company may compete with Capital Lease Aviation PLC, a non-wholly owned subsidiary, when seeking to acquire aircraft as there is a relationship agreement in place between Capital Lease Aviation PLC and the Company to ensure independent operation of the two companies' boards. This could result in the Company paying more for a specific aircraft than it would have done so otherwise or failing to obtain a specific aircraft at all.

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

The aviation leasing and sales industry has experienced periods of aircraft over-supply and under-supply. The over-supply of a specific type of aircraft or other aviation asset in the market is likely to depress lease rates and values. This would have an impact on the Group's cost of acquiring aircraft or other aviation assets, and could delay or prevent the aircraft from being re-leased or sold (as the case may be) at the expiry of their respective leases (from September 2012 onwards), and may impact on the ability of the Company to raise debt on favourable terms and to meet any new debt conditions on expiry of its current facilities. Currently, each facility matches the term of the relevant underlying lease so that no facilities expire prior to September 2012. This could have an adverse effect on the Company's financial condition and results of operations.

The Company depends on the financial stability of aircraft and engine manufacturers and their ability to continue producing aircraft and engines

The Company depends on the financial stability of aircraft manufacturers and their ability to continue

producing aircraft and related components, and provide support services, which meet airlines' demands. Should the manufacturers fail to respond appropriately to changes in the market environment or fail to fulfil their contractual obligations, the Group may experience an inability to acquire aircraft and related components on terms that will allow the Group to lease those aircraft and related components to customers at profitable levels. This may also result in a reduction in the Group's competitiveness due to deep discounting by the manufacturers, which may lead to reduced market lease rates and may adversely affect the value of its portfolio and its ability to remarket or sell some of the aircraft in its portfolio when the current leases expire (from September 2012 onwards).

Currency Risk

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

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	25 March 2011
Admission of the New Ordinary Shares to the Official List and to trading on the main market of the London Stock Exchange	30 March 2011
CREST accounts credited	30 March 2011
Despatch of definitive share certificates for New Ordinary Shares in certificated form (where applicable)	week commencing 4 April 2011

Notes: The dates set out in the Expected Timetable of Principal Events above and mentioned throughout this document may be adjusted by the Company, in which event details of the new dates will be notified, as required, to the UK Listing Authority and the London Stock Exchange and, where appropriate, to Shareholders.

PLACING STATISTICS

Placing Price	100 pence per New Ordinary Share
Estimated Net Proceeds of the Placing received by the Company	£9,369,204
Number of New Ordinary Shares being issued	10,000,000
Total number of Shares in issue following the Placing and Admission	38,532,220

DEALING CODES

The dealing codes for the New Ordinary Shares are as follows:

ISIN	GB00B196F554
SEDOL	B196F55
Ticker/Symbol	AVAP

IMPORTANT NOTICES

In assessing an investment in the Company, prospective investors should rely only on the information in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, the Placing Agent or any other person. Without prejudice to the Company's obligations under the FSMA, the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information contained herein is correct as at any time after its date.

Neither the Placing Agent nor any person acting on its behalf make any representations or warranties, express or implied, with respect to the completeness, accuracy or verification of this document nor does any such person authorise the contents of this document. No such person accepts any responsibility or liability whatsoever for the contents of this document or for any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares, the Placing or Admission. The Placing Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement. Neither the Placing Agent nor any person acting on its behalf accept any responsibility or obligation to update, review or revise the information in this document or to publish or distribute any information which comes to its or their attention after the date of this document, and the distribution of this document shall not constitute a representation by the Placing Agent or any such person that this document will be updated, reviewed, revised or that any such information will be published or distributed after the date hereof.

The Placing Agent and any affiliate thereof acting as an investor for its or their own account(s) may subscribe for, retain, purchase or sell New Ordinary Shares for its or their own account(s) and may offer or sell such securities otherwise than in connection with the Placing. The Placing Agent does not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any applicable legal or regulatory requirements.

This document is being furnished by the Company in connection with an offering exempt from registration under the Securities Act solely to enable prospective investors to consider the purchase of New Ordinary Shares. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the New Ordinary Shares offered hereby is prohibited. Each offeree of the New Ordinary Shares, by accepting delivery of this document, agrees to the foregoing.

This document does not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer or invitation to subscribe for or buy, any Ordinary Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation. The distribution of this document and the offering of the New Ordinary Shares in certain jurisdictions may be restricted. Accordingly, persons outside the United Kingdom or Australia into whose possession this document comes are required by the Company and the Placing Agent to inform themselves about, and to observe any restrictions as to the offer or sale of the New Ordinary Shares and the distribution of, this document under the laws and regulations of any territory in connection with any applications for the New Ordinary Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company or the Placing Agent that would permit a public offering of the New Ordinary Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action for that purpose is required. The Company and the Placing Agent do not accept any responsibility for any violation of any of these restrictions by any other person.

The New Ordinary Shares have not been and will not be registered under the Securities Act, or under any relevant securities laws of any state or other jurisdiction in the United States, or under the applicable securities laws of Australia, Canada, India, Japan, New Zealand or the Republic of South Africa. Subject to certain exceptions, the New Ordinary Shares may not be taken up, offered, sold, resold, reoffered, pledged, transferred, distributed, delivered directly or indirectly, within, into or in the United States, Australia, Canada, India, Japan, New Zealand or the Republic of South Africa or to any national, resident or citizen of Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any US Person.

The New Ordinary Shares have not been approved or disapproved by the SEC, any federal or state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or confirmed the accuracy or determined the adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

This Prospectus has not been, and will not be, lodged with ASIC and is not, and does not purport to be, a document containing disclosure to prospective investors for the purposes of Chapter 6D of the Corporations Act. It is not intended to be used in connection with any offer, sale or issue for which disclosure is required and it does not contain all the information that would be required by those provisions if they applied. No direct or indirect offers for issue or sale, and no invitations for applications for issue or offers to purchase, are being or will be made in, to or from Australia, and no prospectus, advertisement or other offering material relating to the New Ordinary Shares has been or will be distributed or published in Australia, unless: (a) such offer or invitation does not require disclosure to prospective investors in accordance with Chapter 6D of the Corporations Act; (b) such action complies with all applicable laws, regulations and directives (including without limitation the licensing requirements set out in Chapter 7 of the Corporations Act); (c) such action does not require any document to be lodged with ASIC; and (d) the offer or invitation is made only to a person who is a “sophisticated investor” within the meaning of section 708(8) of the Corporations Act or a “professional investor” within the meaning of section 708(11) of the Corporations Act.

Investment Considerations

Prospective investors should not treat the contents of this document or any subsequent communications from the Company or the Placing Agent or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the holding, transfer or other disposal of Ordinary Shares, (b) any foreign exchange restrictions applicable to the holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the holding, transfer or other disposal of Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company’s investment objectives will be achieved. This Prospectus should be read in its entirety before making any investment in the New Ordinary Shares. All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Memorandum of Association and Articles, which prospective investors should review.

Forward looking statements

This Prospectus contains forward looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “forecasts”, “projects”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward looking statements. These factors include, but are not limited to, those described in the part of the Prospectus entitled “Risk Factors”, which should be read by prospective investors in conjunction

with the other cautionary statements that are included in this Prospectus. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements apply only as at the date of this Prospectus. Subject to its legal and regulatory obligations (including under the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules), the Company expressly disclaims any obligations to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based unless required to do so by any appropriate regulatory authority or by law, including the FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 15 of Part V of this document.

Presentation of information

Market, economic and industry data

Market, economic and industry data used throughout this Prospectus is derived from various industry and other independent sources. The Company and the Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Currency information

Unless otherwise indicated, all references in this document to "British pound sterling", "Sterling", "£" or "pounds" are to the lawful currency of the United Kingdom and all references to "\$", "US\$" or "USD" are to the lawful currency of the United States.

Latest Practicable Date

Unless otherwise indicated, the latest practicable date for the inclusion of information in this Prospectus is at close of business on 23 March 2011.

Definitions

A list of defined terms used in this Prospectus is set out at pages 71 to 75 of this Prospectus.

Governing Law

Unless otherwise stated, statements made in this Prospectus are based on the law and practice currently in force in England and Wales and are subject to changes therein.

DIRECTORS AND ADVISERS

Directors	Robert Jeffries Chatfield (<i>Chairman</i>) Andrew Charles Baudinette Bryant James McLarty
Registered Office	Georgian House 63 Coleman Street London EC2R 5BB United Kingdom
Principal place of business:	510 Thomson Road #12-04 SLF Building Singapore 298135
Company Secretaries both of	Siobhán Mary Macgroarty Cool Carissa Gina Tan 510 Thomson Road #12-04 SLF Building Singapore 298135
Placing Agent	WH Ireland Limited 11 St James Square Manchester M2 6WH United Kingdom
Legal Advisers to the Company as to English Law	Speechly Bircham LLP 6 New Street Square London EC4A 3LX United Kingdom
Legal Advisers to the Company as to Australian law	Herbert Geer Level 21, 385 Bourke Street Melbourne Victoria 3000 Australia
Legal Advisers to the Placing Agent	Charles Russell LLP 5 Fleet Place London EC4M 7RD United Kingdom
Auditors	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD United Kingdom
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZY United Kingdom

PART I
CHAIRMAN'S LETTER

AVATION PLC

(Incorporated in England and Wales with company number 5872328)

Directors:

Robert Jeffries Chatfield (*Chairman*)
Andrew Charles Baudinette
Bryant James McLarty

510 Thomson Road
#12-04 SLF Building
Singapore
298 135

25 March 2011

Dear Shareholder,

Proposed Placing of New Ordinary Shares of Avation PLC on the Official List

Introduction

Since the Company moved from the PLUS quoted market to the London Stock Exchange's main market for listed securities on 6 October 2010, the Company's share price has increased from 75.5 pence to 112.5 pence at the latest practicable date prior to publication of this document.

Furthermore, in my Chairman's letter dated 30 September 2010 introducing the Company's Standard Listing prospectus, I remarked how the Board believed that the aviation industry was one where nimble growth companies, such as Avation PLC, can prosper. The Company is continuously evaluating potential opportunities for growth in line with its strategy, notably growing its portfolio of aircraft, in particular by maintaining communications with aircraft owners and manufacturers.

Last month's signing of the agreement with Skywest and Virgin Blue for the establishment of the Australian Regional Airline Network (the "ARAN Agreement") is a significant advance for Avation. The ARAN Agreement envisages that the Company will lease aircraft to Skywest which will, in turn, provide "wet-lease" services to Virgin Blue.

In contemplation of the arrangements to be implemented to establish the Australian Regional Airline Network, the Company has also entered into a sale and purchase agreement with Avions de Transport Regional ("ATR") for the supply of eight new ATR 72 aircraft, comprising four ATR 72-500 aircraft and four ATR 72-600 aircraft, as well as a further five aircraft under option and a further 17 aircraft under purchase rights (the "Supply Agreement"). The purchase of the aircraft under this agreement is conditional on the Company entering into definitive financing documents in respect of the Senior Debt facility and, to the extent that it is required, the Junior Debt facility (attention is drawn to the working capital statement at paragraph 15 of Part V of this document).

Virgin Blue

Lease Arrangements

On 10 January 2011, the Company entered into the ARAN Agreement under which it agreed to provide a fleet of up to 20 new aircraft which will operate primarily along the length of the Eastern Coast of Australia. Pursuant to the ARAN Agreement, the Company proposes to provide each aircraft to Skywest under an operating lease agreement to be entered into with Skywest which would, in turn, provide "wet-lease" services to Virgin Blue. In accordance with industry standards for wet-leases, Skywest will

provide the complete crew, maintenance and insurance for each aircraft to Virgin Blue. Virgin Blue will pay Skywest by the number of flight hours operated for each aircraft. Virgin Blue will provide all fuel and covers all airport fees, duties and taxes. All flights will use Virgin Blue flight numbers. Under this arrangement, Skywest will be the operator of the aircraft for the purposes of obtaining the Australian Aircraft Operator Certificate in respect of each aircraft.

It is anticipated that the first eight aircraft will commence service during the 2011-2012 financial year. Each aircraft will be operated under the wet-lease arrangements by Skywest on behalf of Virgin Blue for a fixed period of ten years. The Company is also obliged to seek purchase rights for the delivery of an additional twelve aircraft.

The aircraft will be owned through the structure which is described below which will be dedicated to the new fleet. Summaries of the proposed operating lease and wet lease agreements (which have been already settled in principle) between the Company with Virgin Blue and Skywest respectively are set out in paragraph 9 of Part V of this document. The operating leases and corresponding wet leases will operate on 10 year concurrent terms with other commercial terms being comparable to other leases already entered into by the Company and its lessee customers. The form of the wet lease agreement is subject to further negotiation within the scope of the terms agreed under the ARAN Agreement.

Put and Call Option Arrangements

Under the lease arrangements described above, Skywest will be the lessor under each of the operating leases in respect of the new aircraft which would then be subject to the relevant wet leases to Virgin Blue. However, pursuant to put and call option agreements to be entered into between the Company and Virgin Blue in respect of each operating lease between the Company and Skywest, the Company will be entitled to exercise its put rights so that Virgin Blue will be required to take over the operating lease for the relevant aircraft as lessor in Skywest's place in consideration for the payment to Virgin Blue of the put option fee of A\$1.

Under the put and call option agreement, Virgin Blue also has a call option to require the operating lease for an aircraft to be transferred from Skywest to it in consideration for the payment of a call option fee of A\$1 to the Company.

The Company and Virgin Blue shall only be entitled to exercise their put and call option rights, respectively, during the period of 30 days after the occurrence of certain events, including if an aircraft operating lease to be entered into between the Company and Skywest is terminated prior to its agreed expiry date because Skywest commits an event of default.

These arrangements will ensure that should the Company have any concerns with regard to Skywest's ability to perform its obligations under the terms of any of the operating leases, the Company will have the ability to require Virgin Blue to take over as lessee of such leases.

Timing of documentation

It is envisaged that the operating lease, the wet lease and the associated put and call option agreement will be entered into at the time of and as part of the process of completing the purchase and delivery of each of the aircraft and will need to be finalised prior to the scheduled delivery of the first aircraft in May 2011.

Acquisition of new ATR 72 aircraft

On 2 February 2011, the Company agreed to a supply proposal from ATR for the supply of eight new ATR 72 aircraft, comprising four ATR 72-500 aircraft and four ATR 72-600 aircraft, as well as a further five aircraft under option and a further 17 aircraft under purchase rights (the "Supply Proposal"), such Supply Proposal being subject to the signing of the Supply Agreement. The Supply Agreement was subsequently entered into on 4 March 2011.

The Supply Proposal and the Supply Agreement were agreed following a tender process during which the Company determined that ATR provided the proposal that would be in the best interests of the Company.

Pursuant to the Supply Proposal, the Company caused to be paid a commitment fee of US\$1,000,000 to

ATR on 10 February 2011 (the “Commitment Fee”). This commitment fee is only refundable in limited circumstances. The Commitment Fee will be credited against each of the first eight aircraft as prepayments against the purchase price.

The delivery schedule for the first eight aircraft is set out below:

<i>Aircraft</i>	<i>Type</i>	<i>Scheduled Delivery Date</i>
Aircraft 1	ATR 72-500	May 2011
Aircraft 2	ATR 72-500	June 2011
Aircraft 3	ATR 72-500	September 2011
Aircraft 4	ATR 72-500	November 2011
Aircraft 5	ATR 72-600	May 2012
Aircraft 6	ATR 72-600	July 2012
Aircraft 7	ATR 72-600	October 2012
Aircraft 8	ATR 72-600	November 2012

The base purchase price for each ATR 72-500 Firm Aircraft will be US\$18,316,000 (valid for deliveries in 2011) and the base purchase price for each ATR 72-600 Firm Aircraft will be US\$18,750,000 (valid for a theoretical delivery in December 2011), subject to adjustments to reflect, among other things, changes in economic conditions and the agreed aircraft specifications. Full details of the adjustments are set out at paragraph 9.3(a) of Part V of this document.

All of the aircraft are to be delivered to the Company in Toulouse, France with an Export Certificate of Airworthiness issued by Direction Générale de l’Aviation Civile of the Transport Ministry of France and in a state and condition allowing the inclusion of the aircraft on the Australian register of airworthiness.

The Company will be required to make a first pre-payment equal to 1.5 per cent. of the base price of each aircraft (less the Commitment Fee) on completion of the Placing. The Company will then be required to make a second pre-payment equal to three per cent. of the base price of each aircraft twelve months prior to the delivery of each individual aircraft and a third pre-payment equal to three per cent. of the base price of each aircraft six months prior to the delivery of each individual aircraft. All pre-payments will need to be made on completion of the Placing for each of Aircraft 1, Aircraft 2 and Aircraft 3, and the first and second pre-payment will need to be made on completion of the Placing in respect of Aircraft 4.

Five additional ATR 72-600 aircraft (the “Option Aircraft”) may be acquired by the Company if the Company pays a non-refundable option fee (the “Option Fee”) of US\$50,000 per Option Aircraft on completion of the Placing. If the Company, having paid such fees, elects to exercise the option it must give at least 18 months’ written notice to ATR. The price for the Option Aircraft will be the same as for the first ATR 72-600s, subject to certain adjustments. The five Option Aircraft are scheduled to be delivered in January 2013, April 2013, July 2013, October 2013 and January 2014, respectively. The Company also has the option to request ATR 42-600 aircraft in place of ATR 72-600 when exercising its option. Further fund raising will be required by the Company to implement the purchase of the Option Aircraft. The requirement for further funding will be assessed prior to the exercise of the option rights.

The Company will also be entitled to exercise its right to purchase up to 17 additional ATR 72-600 aircraft (the “Additional Aircraft”) so long as the right is exercised to allow delivery of the Additional Aircraft before the end of December 2017. Further fund raising may be required by the Company to implement the purchase of the Additional Aircraft. The requirement for further funding will be assessed prior to the exercise of the purchase rights.

If the proposed debt financing described below is not made available or withdrawn prior to the delivery date of any of the aircraft (for reasons not related to a material adverse change in the financial condition of the Company), ATR and the Company will initially be obliged to work together to find alternative

financing. If no such alternative financing acceptable to the Company is found within three months after the scheduled delivery date of the aircraft, any pre-payments (which in respect of the first four aircraft will have been made out of the Net Proceeds of the Placing) will be returned save for the commitment fee. ATR will then be entitled to terminate the Supply Agreement in respect of the aircraft for which payment was not made and delivery not taken.

A summary of the principal terms of the Supply Agreement is set out in paragraph 9.3 of Part V.

Export credit financing of ATR aircraft

Pursuant to a financing term sheet dated 11 February 2011 between Crédit Agricole CIB (“CA”), the Company and Skywest, CA offered a 10/12-year export lease proposal for the financing of the first eight ATR 72 aircraft to be purchased.

Senior Debt

Pursuant to the term sheet, CA will (subject to the parties entering into definitive financing documents as set out in the paragraph detailing the structure of the proposed arrangements below) provide up to 85 per cent. of the final purchase price of each of the first eight ATR 72 aircraft (the “Senior Debt”). The Company may elect a fixed rate of interest, being either (i) the aggregate of USD Three Month LIBOR and a margin of 1.45 per cent. per annum or (ii) the aggregate of the CIRR-2 rate and an additional bank margin of 0.70 per cent. per annum.

The funding by CA will be conditional on obtaining guarantees from COFACE and SACE under the export credit financing (the “ECA Guarantees”) and to the completion of definitive documentation. The Senior Debt facility to be provided by CA was agreed by the Company following a competitive tender process during which the Company sought offers from a number of providers of ECA-backed financing.

Junior debt

The Company has agreed a term sheet with ATR pursuant to which ATR has agreed to cause to be provided a junior debt facility of up to 7.5 per cent. of the final purchase price of each of the first eight ATR 72 aircraft purchased, with interest on this facility payable at one month USD LIBOR or USD Interest Rate Swap (at seven years) in each case plus 4.8 per cent. per annum (the “Junior Debt”). In relation to each aircraft, the Company will be entitled to determine whether it will drawdown under the junior facilities or fund the outstanding amounts from equity.

It is envisaged that the Senior Debt facility and, to the extent required, the Junior Debt facility is to be entered into in May 2011 prior to the scheduled delivery of the first of the Firm Aircraft. Drawdown under both the Senior Debt and, if so determined by the Company, the Junior Debt facilities will be made at the scheduled delivery date of each aircraft to fund the balance of the purchase price payable at that time.

Worked examples of the funding scenarios are set out at page 32 of this document.

Purpose of the Placing and use of proceeds

The Net Proceeds of the Placing of approximately £9,369,204 are intended to be used by the Company to fund the Pre-Delivery Payments and the Option Fee referred to above. The total expected Pre-Delivery Payments required to be met from the Net Proceeds of the Placing will be US\$11,119,800 (approximately £6,950,000) and the total expected Option Fee payment will be US\$250,000 (approximately £156,250). The Net Proceeds of the Placing of approximately £2,261,704 remaining after the payment of the Pre-Delivery Payments and the Option Fee may be used by the Company to reduce its utilisation of the Junior Debt facility or may be retained by the Company for use in part funding the purchase of the Option Aircraft or the Additional Aircraft or, if the Company does not exercise such option rights or purchase rights, may be retained by the Company for use in part funding alternative aircraft acquisitions, as yet to be identified. Please see the worked examples at page 32 below which detail how each aircraft will be financed out of the proceeds of the Placing and the Senior Debt facility and, where utilised, the Junior Debt Facility.

However, the Placing is not conditional on the acquisition of the aircraft from ATR. To the extent that

any of the planned acquisitions from ATR do not take place or if there is any of the Net Proceeds of the Placing remaining, such remaining Net Proceeds will be available for the Company for use in funding alternative aircraft acquisitions, although no such alternative acquisitions have been identified as at the date of this document.

Should the Company be required to source alternative aircraft where the ATR aircraft acquisitions do not take place or where there is any surplus, the Net Proceeds of the Placing would be invested in interest bearing deposit accounts with one of its banks until such time as the funds would be required for use in such alternative transactions.

Pursuant to the Placing Letters, the Placing Agent has received commitments from the investors party to those Placing Letters for the subscription of a total of 10,000,000 New Ordinary Shares at a Placing Price of 100 pence per New Ordinary Share, which shall result in the Company raising aggregate gross proceeds of £10,000,000.

Admission and Dealings

Applications will be made to the UK Listing Authority for the New Ordinary Shares to be listed on the Official List with a Standard Listing under Chapter 14 of the Listing Rules and to the London Stock Exchange for such shares to be admitted to trading on its main market for listed securities. It is expected that Admission will occur, and that dealings will commence, on 30 March 2011.

Taxation

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in paragraph 10 of Part V of this document.

Prospective investors should note that New Ordinary Shares are qualifying investments for a stocks and shares ISA and will constitute permitted investments for the purposes of a SIPP. Prospective investors who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional adviser.

Costs of the Admission

The Company's expenses in connection with the Admission are estimated to amount to approximately £630,796 (exclusive of VAT). These expenses will be borne by the Company.

Yours faithfully,



Robert Jeffries Chatfield
(Chairman)

PART II INFORMATION ON THE COMPANY

Introduction

The Company is a public company limited by shares, which was incorporated in England and Wales on 11 July 2006.

The Company is principally an aircraft leasing company which directly and through its subsidiaries either owns or leases twelve commercial passenger jet aircraft which are leased or sub-leased to various airlines in Europe, the United States and Australia.

As at 31 December 2010, the Company had total gross assets of £93,554,535.

Principal Activities

The Company's main activity is the leasing of commercial aircraft. Directly and through its subsidiaries, the Company owns or leases twelve commercial passenger jet aircraft which are leased to various airlines across Europe, the United States and Australia.

The aircraft are leased for terms of at least 36 months and, in most cases, considerably longer. Monthly rental payments are due under each operating lease agreement which provides the Company with a stable cash flow. The Company believes that its services will become increasingly in demand as airlines look to reduce capital expenditure by renting, rather than purchasing, aircraft.

As a secondary activity, the Company offers a procurement service for both airlines and media broadcasters to purchase consumables, although this activity is not a significant contributor to the Company's revenues or balance sheet.

Group Structure and History

The Company was incorporated on 11 July 2006 with the object of supporting Skywest Singapore by providing aircraft leasing facilities and continues to do so. Its initial membership base was formed via a special dividend from Skywest Singapore with shares distributed in specie to all of the then Skywest Singapore shareholders pursuant to a share exchange transaction between the Company and Skywest Singapore. The Company's shares were originally admitted to trading on the PLUS-quoted market from 7 November 2006 until 5 October 2010. On admission to the PLUS-quoted market, the price of the Ordinary Shares was 4 pence each. On 6 October 2010, the Company's Shares were listed on the Official List with a Standard Listing and admitted to trading on the London Stock Exchange's main market for listed securities. The Company is currently considering seeking a dual listing of its securities on the ASX and the Company will make further announcements in due course with regard to any significant developments with respect to such plans.

The Company has three wholly owned subsidiaries, F100 Pty Ltd, MSN 429 Limited and Avation Eastern Fleet Pte Ltd, all of whose principal activities is the leasing of aircraft. F100 Pty Ltd was incorporated in Australia on 15 November 2006. MSN 429 Limited was incorporated in England and Wales on 24 March 2010. Avation Eastern Fleet Pte Ltd was incorporated in Singapore on 8 February 2011.

Additionally, the Company has a 51.17 per cent. holding in Capital Lease Aviation PLC whose shares are admitted to trading on AIM. Prior to CLA's pre-admission fundraising round in July 2007, CLA was a wholly owned subsidiary of the Company. CLA is an aircraft leasing company which itself has two wholly owned aircraft leasing subsidiaries, Capital Lease Australian Portfolio One Pty Ltd and Capital Lease Malta Limited.

The Company owns 99.96 per cent. of Avation.net Inc., a subsidiary incorporated in Delaware, through which the Group's procurement business is operated.

Principal Markets

The Group's principal markets are Europe, the United States and Australia. The following table shows a breakdown by country of the location of the net book value of the Group's aircraft for the financial

years ended 30 June 2008, 2009 and 2010:

Country	2008	Net Book Value £ 2009	2010
Australia	22,203,425	31,866,651	37,503,127
United States of America	6,418,583	6,093,330	7,649,047
Denmark	38,897,029	45,093,718	47,368,403

Aircraft leases

Information on the leases entered into by the Group is set out below:

MSN	Aircraft Type	Lessor Company	Airline Lessee	Commencement Date (Original Date)	Lease Term (Months)	Monthly Fixed Rent (US\$)	Areas of Operation
11484 (VH-FNY)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	3 April 2007	66 months	85,000	Western Australia, Northern Territory, Bali (Indonesia)
11489 (VH-FNJ)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	23 April 2004	117 months	75,000	Western Australia, Northern Territory, Bali (Indonesia)
11488 (VH-FNR)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	2 August 2004	117 months	75,000	Western Australia, Northern Territory, Bali (Indonesia)
11373 (VH-FNU)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	8 August 2008	72 months	90,000	Western Australia, Northern Territory, Bali (Indonesia)
11391 (VH-FSW)	Fokker 100	F100 Pty Ltd	Skywest Airlines (Australia) Pty Ltd	19 August 2008	64 months	106,000	Western Australia, Victoria
11326 (VH-FNN)	Fokker 100	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	26 October 2007	60 months	99,000	Western Australia, Victoria
11334 (VH-FNC)	Fokker 100	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	28 February 2008	60 months	100,000	Western Australia
11461 (VH-FNT)	Fokker 100	Capital Lease Australian Portfolio One Pty Ltd	Skywest Airlines (Australia) Pty Ltd	28 October 2007	60 months	99,000	Western Australia, Victoria
52 (N620AW)	Airbus A320-200	Wilmington Trust Corporation*	US Airways Inc	28 September 1990	267 months	185,000	North America
1881 (OY-VKA)	Airbus A321-200	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	1 April 2003	144 months	375,000	Europe, Scandinavia
1921 (OY-VKB)	Airbus A321-200	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	28 February 2003	144 months	375,000	Europe, Scandinavia
429 (VH-FNP)	Airbus A320-200	MSN 429 Limited	Skywest Airlines (Australia) Pty Ltd	4 April 2010	36 months**	190,000	Western Australia, Bali, Victoria

*Capital Lease Aviation PLC as beneficial owner ** with an option to extend for a further period of 36 months

The lessees are responsible for all operational costs, insurance costs, maintenance and repairs, airframe and engine overhauls, for obtaining consents and approvals and compliance with conditions for the return of aircraft on lease expiry. Some of the lessees also pay maintenance rent based on the number of hours flown and are entitled to some reimbursement of maintenance expenses as a result. On expiry of

each lease, the lessee is obliged to ensure in the handback process that the aircraft possesses a valid certificate of airworthiness with life-limited parts required to have a minimum number of flight hours remaining.

Strategy

The Company's strategy is to continue to expand the Group's aircraft leasing business by:

- *Capitalising on continued growth in the aircraft leasing market by acquiring additional aircraft:* the Company intends to exploit the current growth dynamic in the aircraft leasing market by identifying and acquiring additional aircraft. The Company will adopt a flexible approach to the type of aircraft it purchases and this will depend principally on the requirements of its growing customer base. The Company is continuously evaluating potential opportunities for growth in line with its strategy, notably growing its portfolio of aircraft, in particular by maintaining communications with aircraft owners and manufacturers.
- *Leasing aircraft to regional and international airlines:* the Directors expect the Group's customer base to comprise both regional and global airline companies. The Group's customer base will not be restricted to a particular geography or type of customer.
- *Efficiently raising capital to execute its growth strategy:* the Company expects to fund its growth strategy through a mix of retained cashflow, debt and equity financing in order to maintain an efficient capital structure. The Company may utilize a broad range of funding options to support its growth strategy. The Company expects to use appropriate financing and hedging strategies to manage interest and exchange rate volatility.
- *Continuing to support Skywest Singapore:* the Company was originally incorporated in order to support Skywest Singapore by providing aircraft leasing facilities. Although the Group now also provides aircraft leasing facilities to other airlines, Skywest Singapore will continue to be an important customer of the Group and it is intended that the Group will assist Skywest with its ongoing aircraft leasing requirements.

Financing

The Group has following finance facilities in place as at 28 February 2011, being the latest practicable date before publication of this document, and there has been no change to this position at the date of this document:

- A US\$43,538,535 senior loan facility which is secured by a cross collateralised mortgage over two Airbus A321 aircraft and one A320 aircraft. The finance period matches the lease term on each underlying aircraft (such lease terms being set out at pages 24 and 25 above) with the residual final payments totalling US\$20,500,000.
- A US\$7,773,813 senior loan facility, which is secured by a mortgage over three Fokker F100 aircraft. The finance periods match the lease term on each underlying aircraft and amortises to nil with the exception of Fokker 100 MSN 11334 owned by Capital Lease Australian Portfolio One Pty Ltd, which has a US\$927,600 final payment attached.
- F100 Pty Ltd has a US\$9,193,138 senior loan facility, which is secured by mortgages over its five Fokker F100 aircraft. The finance periods match the lease terms on each underlying aircraft and amortise to nil.
- The Company and its wholly owned subsidiary, MSN 429 Limited have an arrangement over three years with the vendor for US\$6,599,999.88 in respect of its acquisition of an Airbus A320-200 pursuant to a lease purchase agreement. Minimum lease payments remaining are US\$4,583,333. The three year vendor lease matches the sub-lease term with the airline customer.
- The Company through its wholly owned subsidiary Avation Eastern Fleet Pte Ltd has funded an amount of US\$1,000,000 for the initial commitment fee which has been paid to ATR in respect of the proposed acquisition from ATR of eight aircraft, further details of which are set out on

pages 25 and 26 of this document. This amount was loaned by entities in which the officers of Avation Eastern Fleet Pte Ltd are interested at a simple interest rate of 10 per cent. per annum (such loan arrangements constituting related party transactions, further details of which are set out at note (8) in the table of related party transactions on pages 58 and 59 of this document).

Financing of Virgin Blue ATR aircraft

Financing for the acquisition of each aircraft is intended to be provided through the debt facility provided by Crédit Agricole CIB (“Senior Debt”) and the debt facility which Avions de Transport Regional has agreed to cause to be provided (“Junior Debt”) (such Junior Debt only being provided if the Company determines in relation to each aircraft that it should be drawdown, rather than funding the outstanding amounts out of the Company’s the Net Proceeds of the Placing or other existing cash resources).

Set out below is a worked example (for illustrative purposes only) for a single ATR 72-500 aircraft of how the funding will be repaid under a funding scenario which includes only Senior Debt and a funding scenario which includes Senior and Junior Debt with, in each case, the balance of the funding being provided out of the Net Proceeds of the Placing or the Company’s other cash resources which may be available to it at the time (referred to as “Equity”) in the tables below):

Funding Scenario¹ One	
85% senior debt and 15% equity	
1 Total purchase consideration	Equity (15%): US\$2.74m
For 1 plane: US\$18.3m	Senior debt (85%): <u>US\$15.56m</u>

Annual lease revenue of one plane²	\$2.11
Less:	
Depreciation and Amortization ³	(\$0.75)
Net average annual interest expense ⁴	(\$0.45)
Total expenses	(\$1.20)
Pretax profit	\$0.91
Margin (%)	43.1%

Funding Scenario⁵ Two	
85% senior debt, 7.5% junior debt and 7.5% equity	
1 Total purchase consideration	Equity (7.5%): US\$1.372m
For 1 plane: US\$18.3m	Junior debt (7.5%) US\$1.372m
	Senior debt (85%): <u>US\$15.56m</u>

<u>US\$ millions</u>	
Annual lease revenue of one plane⁶	\$2.11
Less:	
Depreciation and Amortization ⁷	(\$0.75)
Net average annual interest expense ⁸	(\$0.51)
Total expenses	(\$1.26)
Pretax profit	\$0.85
Margin (%)	40.1%

¹ Senior debt cost of 5.09% (ECA 10Y), junior debt cost of 8.08%

² Lease rate of 0.96% (of aircraft value) per month

³ Depreciation over 25 years per industry standard plus minor amortization of upfront loan fees

⁴ Average interest expense over the 10 year term

⁵ Senior debt cost of 5.09% (ECA 10Y), junior debt cost of 8.08%

⁶ Lease rate of 0.96% (of aircraft value) per month

⁷ Depreciation over 25 years per industry standard plus minor amortization of upfront loan fees

⁸ Average interest expense over the 10 year term

The requirements for the financing of the Option Aircraft and the Additional Aircraft will be assessed by the Company prior to the exercise by the Company of the respective option rights or purchase rights, as the case may be.

Structure of the proposed financing

The Senior Debt facility will be secured by a security package in a form and substance satisfactory to the ECAs and CA, including (but not limited to) a first priority mortgage over the Aircraft, a first priority security assignment of the rights of the lessor under the lease and plaques naming the security trustee as mortgagee being affixed on the airframe. However, the financing structure and security package relating to the Senior Debt facility will be not be finalised until the Company has agreed definitive documentation in relation to the Senior Debt facility.

The Board

The Directors have overall responsibility for the Company's activities. The Board consists of three Directors and their biographies are as follows:

Robert Jeffries Chatfield (Chairman)

Mr Chatfield is Chairman of the Company and was a founding director, appointed on 11 July 2006. He is also the Executive Chairman of Skywest Singapore, and Chairman of CLA. Mr Chatfield has managed and been a director of a number of companies involved in the airline, data distribution, electronics, investment, broadcasting and manufacturing sectors. He is the author of a variety of patents held by the Company and its subsidiaries. He has a Bachelor of Engineering and a Masters in Engineering Science from the University of Western Australia. He is a member of the Australian Institute of Company Directors and the Singapore Institute of Directors. He was born in Perth, Australia and is a Permanent Resident of Singapore.

Andrew Charles Baudinette

Mr Baudinette was appointed as a founding Director of the Company on 11 July 2006. He is an Australian citizen and a resident of the Republic of Singapore. An experienced marketer and manager, he has a 25 year history in media, having held management positions in the Australian radio and newspaper industries. Prior to this, he was a broadcaster and radio programmer in regional Australian radio. He was appointed as Chief Executive Officer of the Company's subsidiary, Avation.net Inc, in 2003 and became its Managing Director in 2005.

As well as having significant management level experience in all facets of commercial media and emerging technology, Mr Baudinette has been involved with and driven start-up businesses in the advertising, travel, technology and entertainment industries.

Bryant James McLarty

Mr McLarty was appointed as a Non-Executive Director on 28 November 2007.

Mr McLarty has extensive experience in corporate strategy and management and a practical working knowledge of securities and equity markets.

Currently the Executive Chairman of the Australian Stock Exchange listed company, PharmAust Limited (ASX:PAA), Mr McLarty also holds an Australian Financial Services Licence in his capacity as Executive Director of Equity Capital Markets and Corporate Advisory firm Mac Equity Partners.

Mr McLarty is a member of the Australian Institute of Company Directors.

Other Group directors

Additionally, with the exception of Mr Chatfield, the directors of CLA are different from the Directors of the Company. They are as follows:

Richard Headon Sinclair

Mr Sinclair is the Chief Executive Officer of CLA. He has worked for public listed companies such as Westfield Ltd and Allco (Singapore) Ltd. Mr Sinclair holds a Bachelor of Economics degree from the

University of Adelaide and is a member of the Certified Practicing Accountants of Australia.

Soeren Eric Ferré

Mr Ferré is a Non-Executive Director of CLA and has been the Strategic Advisor to APFleet since October 2010. Prior to this, he was the Chief Executive Officer of AerCap Group Services B.V. from January 2008. In addition to this responsibility, he was 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. In 2001, Mr Ferré became 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

Peter Anthony Freeman

Mr Freeman is a Non-Executive Director of CLA. He is a compliance officer of Loeb Aron & Co Ltd (a Corporate Finance firm authorised and regulated by the Financial Services Authority) and was previously a director of OFEX Plc and OFEX Holdings Plc (now PLUS Markets Group Plc) and of Loeb Aron & Co Ltd. He is a director of Jenolan Ltd and a member of the Chartered Institute of Securities and Investments corporate finance professional interest forum committee.

Olivier Pierre-Yves Garrigue

Mr Garrigue is a Non-Executive Director of CLA. He is also managing director of Mapesbury Capital Partners and a Non-Executive Director of a leading online media agency Equi Media Limited and on the advisory board of Long Tail Value S.A.S. He was formerly an investment banker with Dresdner Kleinwort Benson and Bear Stearns. Mr Garrigue holds an MA degree from ESCE Paris and an MBA degree from the Cranfield School of Management.

Ronald Lewis Aitkenhead

Mr Aitkenhead is a director of F100 Pty Ltd, the Australian subsidiary of the Company. He is a qualified Justice of the Peace and former Chairman of the Fremantle Port Authority. Mr Aitkenhead is a past Chairman of the Central Wheatbelt Business Enterprise Centre and has held executive positions in many community and sporting organisations in Western Australia.

Other key management

Other key management engaged by the Company include Rod Mahoney.

Mr Mahoney is a fleet planning consultant to the Company and has previously been a project advisor to a variety of Asia-Pacific airlines, suppliers and other aviation businesses, including Virgin Blue and V Australia. Before that, he held various positions at Airbus for 23 years, largely within the sales divisions covering Europe and Africa, China and the Pacific. He holds a Bachelor of Science Degree in Aeronautical Engineering (BSc. Hons), a Masters in Air Transport (MSc) and a Masters of Applied Finance (MAppFin). Mr Mahoney holds dual citizenship of the United Kingdom and Australia and resides in Sydney, Australia.

Performance

As at 23 March 2011, being the latest date prior to publication of this document, the Company's market capitalisation was £32,098,747.50 and as at 4 February 2011 the enterprise value of the Company was approximately £82,700,000 based on the market capitalisation of the Company less its cash and cash equivalents, preferred stock, debt and minority interests.

Prior to this the Group has experienced growth since 30 June 2008 with net equity (excluding minority interest) growing to £23,276,405 and annual revenue and gross profit increasing to £16,568,634 in each case for the year ended 30 June 2010.

This has been achieved through the operation its aircraft assets on lease to a subsidiary of Skywest Singapore as well as through the management of its 51.17 per cent. owned subsidiary, CLA.

Please refer to the Financial Statements in Part IV of this document for detailed financial information.

Dividend Policy

The Company's dividend policy is, subject to having the reserves to do so, to declare a dividend if the Board considers that it is in the best long-term interests of the Company and its shareholders. The policy is a progressive dividend policy, in that if reserves are available the dividend shall increase.

Since its incorporation, the Company has made four dividends; an interim dividend of 0.5p per share in the financial year ended 30 June 2007 (a total of £126,800), a final dividend of 0.5p per share in the financial year ended 30 June 2008 (a total of £127,903), a final dividend of 0.5p per share in the financial year ended 30 June 2009 (a total of £131,095) and a final dividend of 0.6p per share in the financial year ended 30 June 2010 (a total of £171,193).

Borrowing Policy and Requirements

In financing assets, the Group has relationships with numerous lenders and seeks to obtain the most competitive finance available for the specific asset or project under consideration.

In order to minimize risk, the term of the finance is matched to the lease period or to the life of the underlying asset or project. Fixed interest finance is sought if the future income stream is fixed. Where contracts are linked to floating interest rates, the Group would seek finance with an appropriate floating rate in order to minimize interest rate risk.

Generally, currency risk is managed by matching the asset and income stream to the financing in terms of currency. If a material multi-currency transaction is entertained, the Group will consider various hedging alternatives to minimize currency risk.

Administration and Company Secretarial Arrangements

The Company has two members of its company secretariat who provide advice and support to the Board. An external share registrar, Computershare Investor Services PLC, handles matters concerning shareholder movements and dividend payments.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous twelve months which may have, or have had in the recent past, significant effects on the Company's and/or Group's financial position or profitability.

Significant Change

There has been no significant change in the financial or trading position of the Group which has occurred since 31 December 2010, the end of the last financial period for which interim financial information has been published.

Financial Statements

The Company prepares its financial statements in accordance with IFRS.

Reports to Shareholders and AGMs

The Company's annual report and financial statements are prepared up to 30 June each year. The Company's AGMs are usually held in December of each year.

PART III

INFORMATION ON THE PLACING

1. Introduction

As explained in the letter from the Chairman at Part I of this document, the Company is issuing 10,000,000 New Ordinary Shares at the Placing Price pursuant to the Placing, raising approximate Net Proceeds of £9,369,204. The New Ordinary Shares represent 35 per cent. of the Company's Existing Ordinary Shares.

The background to, and reasons for, the Placing are set out in the letter from the Chairman at Part I of this document. The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* with the Existing Ordinary Shares of the Company, including the right to receive all dividends and other distributions declared.

The Company has entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to use its reasonable endeavours to procure subscribers for the New Ordinary Shares made available in the Placing. Further details of the terms of the Placing Agreement, including the fees payable thereunder, are summarised in paragraph 3 of this Part III. Robert Jeffries Chatfield is participating in the Placing through Fitel Nominees Limited for 150,000 New Ordinary Shares.

The Placing, which was announced on 9 March 2011, was made by means of a conditional offering of the New Ordinary Shares to institutional investors in the United Kingdom on the terms of the Placing Agreement and the Placing Letters details of which are set out below.

2. Use of proceeds

The Net Proceeds of the Placing will be used by the Company to fund the balance of the purchase price for each of the first eight aircraft to be acquired from ATR in accordance with the Supply Agreement and which will not be funded through the ECA Facility or the Junior Facility. In the event that the arrangements with Virgin Blue contemplated by the ARAN Agreement do not proceed for any reason, the Net Proceeds will be used by the Company to acquire aircraft from other sources to be leased to existing and new airline lessees.

3. Placing Agreement

Pursuant to the Placing Agreement dated 25 March 2011 between the Company and WH Ireland, WH Ireland was appointed as the Placing Agent in connection with the Placing.

Under the Placing Agreement, WH Ireland agrees to use its reasonable endeavours to procure subscribers for the New Ordinary Shares at the Placing Price. WH Ireland is not obliged to subscribe for any of the New Ordinary Shares itself and there is no absolute obligation for WH Ireland to procure any person to subscribe for any of the New Ordinary Shares.

WH Ireland is obliged to pay a sum equal to the amount of the subscription monies received by WH Ireland from investors whose participation in the Placing has been procured by WH Ireland ("WHI Investors").

3.1. Conditions to the Placing

The obligations of WH Ireland to procure subscribers for the New Ordinary Shares are conditional, inter alia, upon the fulfilment of certain conditions (which may be waived by WH Ireland), including without limitation: Admission occurring no later than 8.00 am on 28 April 2011 or such later date as WH Ireland and the Company may agree; formal approval by the UK Listing Authority of the Prospectus being given by 12 noon on 25 March 2011; and the warranties given by the Company remaining true, accurate and not misleading at any time between the date of the Placing Agreement and Admission.

(a) Commission and fees

The Company will pay WH Ireland a commission of 4.5 per cent. of the gross aggregate value at the Placing Price of the New Ordinary Shares procured and placed by WH Ireland pursuant to the Placing.

The Placing Agreement also provides for the Company to pay all costs, charges and expenses of, or incidental to, the Placing, including the fees and expenses of WH Ireland (such fees and expenses being capped at £5,000 plus VAT).

(b) *Warranties, representations and indemnity*

The Placing Agreement contains certain customary warranties and representations given by the Company in favour of WH Ireland. The Placing Agreement also contains an indemnity, in a form customary for an agreement of its nature, from the Company in favour of WH Ireland. The liabilities of the Company under the Placing Agreement are unlimited as to time and amount.

(c) *Termination rights under the Placing Agreement*

The Placing Agreement may be terminated by WH Ireland on the occurrence of certain specified events including, but not limited to: any material adverse change in the financial position, business or prospects of the Group; any breach of any of the representations or warranties given by the Company in the Placing Agreement; or a failure by the Company to comply with its obligations under the Placing Agreement.

(d) *Placing Letters*

Pursuant to letters dated 6 March 2011 to WH Ireland (the "Placing Letters"), the Placees have given irrevocable undertakings in aggregate to subscribe for 10,000,000 New Ordinary Shares respectively at a Placing Price of 100 pence per New Ordinary Share. Subscription for the New Ordinary Shares is subject to the Placing Agreement becoming unconditional in all respects and not being terminated by WH Ireland in accordance with its terms, such terms including Admission becoming effective by not later than 8:00 a.m. on 30 March 2011 (or such later time and/or date as WH Ireland and the Company may agree, but not later than 28 April 2011).

4. Overseas investors

This document has been approved by the FSA, being the competent authority in the United Kingdom. Accordingly, the distribution of this document and the making of the Placing to persons resident or ordinarily resident in, or who are citizens of, or who have a registered address in, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom may be affected by the laws or regulatory requirements of the relevant jurisdiction. **Those persons should consult their professional advisers without delay as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for New Ordinary Shares in connection with the Placing.** The attention of such persons is also drawn to the notices to investors contained in the section headed "Important Notices", which sets out certain restrictions that apply to the distribution of this document and the New Ordinary Shares being issued under the Placing in certain jurisdictions, as well as selling and transfer restrictions that may be applicable.

No action has been or will be taken by the Company, the Placing Agent or any other person, to permit a public offering or distribution of this Prospectus (or any other offering or publicity materials relating to the New Ordinary Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom.

5. Admission, settlement and dealings

The result of the Placing were announced on 9 March 2011. Application will be made to the UK Listing Authority for the New Ordinary Shares to be listed on the Official List and application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, fully paid, will commence at 8:00 a.m. on 30 March 2011.

Payment for New Ordinary Shares to be acquired under the Placing will be made in accordance with the settlement instructions provided by the Placing Agent. It is expected that settlement for the New Ordinary Shares will be made on 30 March 2011.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to

CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

6. Money laundering

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK and Australia, any of the Company and its agents, including the Registrar and the Placing Agent may require evidence in connection with any application for New Ordinary Shares, including further identification of the applicant(s), before any New Ordinary Shares are issued.

Each of the Company and its agents, including the Registrar and the Placing Agent reserve the right to request such information as is necessary to verify the identity of a Shareholder or prospective Shareholder and (if any) the underlying beneficial owner or prospective beneficial owner of a Shareholder's New Ordinary Shares. In the event of delay or failure by the Shareholder or prospective Shareholder to produce any information required for verification purposes the Directors, in consultation with any of the Company's agents, including the Registrar and the Placing Agent, may refuse to accept a subscription for New Ordinary Shares.

PART IV
FINANCIAL INFORMATION RELATING TO THE COMPANY

1. Statutory Accounts for the Three Financial Years Ended 30 June 2008, 2009 and 2010

Statutory accounts of the Company for the three financial years ended 30 June 2008, 2009 and 2010, in respect of which the Company's Auditor has given unqualified opinions that the accounts give a true and fair view of the state of affairs of the Company and of its total return and cash flows for each of the three financial years ended 30 June 2008, 2009 and 2010 and have been properly prepared in accordance with the Companies Act 1985, the Companies Act 2006 and IFRS.

The Auditor of the Company for the financial years ended 30 June 2008, 2009 and 2010 was Kingston Smith LLP of Devonshire House, 60 Goswell Road, London, EC1M 7AD. Kingston Smith LLP is a member of the Institute of Chartered Accountants in England and Wales.

2. Published Annual Reports and Financial Statements for the Three Financial Years Ended 30 June 2008, 2009 and 2010 and the unaudited interim statement for the six month periods to 31 December 2009 and 31 December 2010

2.1 Historical financial information

The published annual reports and audited financial statements for the Company for the three financial years ended 30 June 2008, 2009 and 2010 and the unaudited interim statement for the six month periods to 31 December 2009 and 31 December 2010, which have been incorporated into this document by reference, included, on the pages specified in the table below, the following information:

Nature of Information	Annual report and accounts for the year ended 30 June			Six months to 31 December 2009	Six months to 31 December 2010
	2008 Page No(s) ¹	2009 Page No(s) ¹	2010 Page No(s) ²	Page No(s) ¹	Page No(s) ³
Income statement	74	37	14	31	3
Reconciliation of movements in Shareholders' funds	77	40	17	n/a	5
Balance sheet	75	38	15	33	4
Cash flow statement	79	43	19	32	6
Accounting policies	80	44	21	n/a	7
Notes to the accounts	80	44	21	34	7
Independent auditor's report	73	36	12	n/a	n/a
Chairman's statement	n/a	n/a	5	1	1
Directors' report	n/a	n/a	8	n/a	n/a

¹Page numbers refer to the Company's prospectus dated 1 October 2010

²Page numbers refer to the Company's annual report and financial statements for the financial year ended 30 June 2010

³Page numbers refer to the Company's unaudited interim statement for the six month period to 31 December 2010

2.2 Selected financial information

The key audited figures that summarise the Company's financial condition in respect of the three financial years ended 30 June 2008, 2008 and 2010 and the six month periods to 31 December 2009 and 31 December 2010, which have been extracted without material adjustment from the historical financial information referred to in this Part IV, are set out in the following table:

	30 June 2008 £	30 June 2009 £	30 June 2010 £	Six months to 31 December 2009 £	Six months to 31 December 2010 £
Revenue	5,031,679	16,278,212	17,552,513	7,556,268	8,282,327

Gross profit	4,903,940	15,406,718	16,568,634	6,962,442	7,919,966
Profit before taxation	8,145,212	4,986,321	3,548,100	1,530,695	2,788,688
Profit after taxation	7,363,177	4,231,913	2,818,583	1,343,540	2,257,541
Earnings per share	28.75 pence	10.40 pence	6.39 pence	3.14 pence	5.86 pence
Total Assets	70,365,393	86,994,059	96,269,565	90,384,606	93,554,535
Total liabilities	49,141,293	57,767,480	60,237,639	57,097,252	56,210,679

Capitalisation and Indebtedness

Set out below is a statement of capitalisation and indebtedness in relation to the Group. The financial information for capitalisation has been prepared from the published results as at 31 December 2010. Although the information is older than 90 days there has been no material change since the last published financial statements, other than the Company's entry into the ARAN Agreement as described from page 24 of this document.

The financial information for indebtedness is extracted from the unaudited management accounts as at 31 December 2010.

Total current debt	£
Secured	9,841,422
Unsecured	9,841,422
Total non-current debt (excluding current portion of long term debt)	34,283,291
Secured	34,283,291
Shareholders' equity	
Share capital	285,322
Share premium account	1,326,126
Other reserves (1)	9,779,001
Total	55,515,162
(1) excludes retained earnings	

Indebtedness based on 31 December 2010 unaudited figures

Net indebtedness of the Group as at 31 December 2010 is set out below:

Cash and cash equivalents	3,054,403
Liquidity	3,054,403
Current portion of loans and borrowings	9,841,422
Net current financial indebtedness	6,787,019
Non current financial indebtedness	34,283,291
Net financial indebtedness	41,070,310

Availability of annual reports

Copies of the Company's audited annual reports and financial statements for the three financial years ended 30 June 2008, 2009 and 2010 and for the six month periods to 31 December 2009 and 31 December 2010 are available for inspection at the Company's registered office and are also available at the Company's website, www.avation.net/results.html.

Significant gross change

The Placing is expected to constitute a significant gross change to the net assets of the Company, as it will increase the Company's net assets by the amount of the Net Proceeds of the Placing. The Placing will have no significant impact on the liabilities or earnings of the Company.

PART V GENERAL INFORMATION

1. Responsibility

The Company, whose registered office appears at paragraph 2.1.2 of this Part V, and the Directors, whose names and functions appear on page 23 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Company

2.1 Incorporation

2.1.1 The Company was incorporated in England and Wales on 11 July 2006 under the Companies Act 1985. The Company is registered as a public limited company with registered number 5872328.

2.1.2 The registered office of the Company is Georgian House, 63 Coleman Street, London, EC2R 5BB.

2.1.3 The Company's Ordinary Shares of £0.01 each are currently listed on the Official List with a Standard Listing and admitted to trading on the London Stock Exchange's main market for listed securities. The ISIN of the Ordinary Shares is GB00B196F554.

2.1.4 The principal legislation under which the Company operates is the 2006 Act and regulations promulgated thereunder. The Company is domiciled in England and Wales.

2.2 Principal Activities of the Company

The principal activities of the Company are aircraft leasing and procurement and it conducts its business in Europe, the United States, Asia and Australia through the following subsidiaries:

2.2.1 Capital Lease Aviation PLC ("CLA"), a 51.17 per cent. owned UK subsidiary which, through its two wholly owned subsidiaries, Capital Lease Australian Portfolio One Pty Ltd and Capital Lease Malta Limited, owns three Fokker F100 passenger jet aircraft, and two Airbus A321-200s. CLA itself is the beneficial owner of an American Trust instrument that owns one Airbus A320-200.

2.2.2 F100 Pty Ltd, a wholly owned Australian incorporated subsidiary which owns five Fokker F100 passenger jets.

2.2.3 MSN 429 Limited a wholly owned UK subsidiary which is acquiring one Airbus 320 by way of a finance lease.

2.2.4 Avation.net inc, a 99.96 per cent. owned Delaware subsidiary.

2.2.5 Avation.net Inc (Singapore branch), a branch of Avation.net Inc established in Singapore.

2.2.6 Avation Eastern Fleet Pte Ltd, a wholly owned subsidiary, which has been incorporated in Singapore specifically to hold aircraft acquired pursuant to the ARAN Agreement.

3. Structure

	<i>Name</i>	<i>Country of incorporation</i>	<i>Shares directly held by</i>	<i>Proportion of equity held by shareholding entity</i>
1.	Capital Lease Aviation PLC	England and Wales	The Company	51.17%
2.	Capital Lease Australian Portfolio One Pty Ltd	Australia	Capital Lease Aviation PLC	100%
3.	Capital Lease Malta Limited	Malta	Capital Lease Aviation	100%

				PLC	
4.	F100 Pty Ltd	Australia	The Company		100%
5.	MSN 429 Limited	England and Wales	The Company		100%
6.	Avation.net Inc	USA, Delaware	The Company		99.96%
	Avation.net Inc (Singapore Branch)	n/a	n/a		n/a
7.	Avation Eastern Fleet Pte Ltd	Singapore	The Company		100%

4. Share Capital

4.1 The following table shows the issued share capital of the Company as at 31 December 2010 (being the last date in respect of which the Company has published financial information) and as at 23 March 2011 (being the latest practicable date prior to the publication of this document):

	31 December 2010		23 March 2011	
	Nominal Value (£)	Number of Ordinary Shares	Nominal Value (£)	Number of Ordinary Shares
Issued share capital (fully paid)	285,322	28,532,220	285,322	28,532,220

4.2 The following table shows the details of warrants over shares in the Company's capital as at 31 December 2010 (being the last date in respect of which the Company has published financial information) and as at 23 March 2011 (being the latest practicable date prior to the publication of this document)

31 December 2010					23 March 2011				
Warrant holder	Number of Ordinary Shares	Grant date	Expiry date	Exercise price per share	Warrant holder	Number of Ordinary Shares	Grant date	Expiry date	Exercise price per share
Epsom Assets Ltd*	200,000	22 December 2009	21 December 2011	35.5 pence	Epsom Assets Ltd*	200,000	22 December 2009	21 December 2011	35.5 pence
Ronald Lewis Aitkenhead	100,000	22 December 2009	21 December 2011	35.5 pence	Ronald Lewis Aitkenhead	100,000	22 December 2009	21 December 2011	35.5 pence
Giant Mix Enterprises Limited**	75,000	22 December 2009	21 December 2011	35.5 pence	Giant Mix Enterprises Limited**	75,000	22 December 2009	21 December 2011	35.5 pence
Bryant James McLarty	50,000	22 December 2009	21 December 2011	35.5 pence	Bryant James McLarty	50,000	22 December 2009	21 December 2011	35.5 pence
Epsom Assets Ltd*	200,000	2 December 2010	1 December 2012	67.5 pence	Epsom Assets Ltd*	200,000	2 December 2010	1 December 2012	67.5 pence
Giant Mix Enterprises Limited**	75,000	2 December 2010	1 December 2012	67.5 pence	Giant Mix Enterprises Limited**	75,000	2 December 2010	1 December 2012	67.5 pence
Bryant James McLarty	50,000	2 December 2010	1 December 2012	67.5 pence	Bryant James McLarty	50,000	2 December 2010	1 December 2012	67.5 pence
Ronald Lewis Aitkenhead	100,000	2 December 2010	1 December 2012	67.5 pence	Ronald Lewis Aitkenhead	100,000	2 December 2010	1 December 2012	67.5 pence

* Epsom Assets Limited is a company in which Robert Jeffries Chatfield is interested.

** Giant Mix Enterprises Limited is a company in which Andrew Charles Baudinette is interested.

- 4.3 All warrants currently in force are capable of being extended for a period between twenty business days and one month after the expiry date (depending on the specific terms of the relevant deed of warrant grant) in the event that the holder is precluded from exercising the warrant due to a trading blackout or the holder being in possession of price sensitive information.
- 4.4 All of the Ordinary Shares are in registered form and, subject to the new Ordinary Shares being admitted to and accordingly enabled for settlement in CREST, the New Ordinary Shares will be capable of being held in both certificated and uncertificated form. No temporary documents of title will be issued.
- 4.5 The Company's issued share capital history during the last three financial years and since 30 June 2010 is as follows:
- (i) in the financial year ended 30 June 2008:
 - (a) on 13 July 2007, the Company issued 3,225,000 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders;
 - (b) on 17 August 2007, the Company issued 2,000,000 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders;
 - (c) on 3 January 2008, the Company purchased 40,000 Ordinary Shares on market through PLUS Markets at 80 pence per ordinary share for cancellation;
 - (d) on 7 January 2008, the Company purchased 19,197 Ordinary Shares on market through PLUS Markets at 79 pence per ordinary share for cancellation;
 - (e) on 8 January 2008, the Company purchased 25,000 Ordinary Shares on market through PLUS Markets at 78 pence per ordinary share for cancellation;
 - (f) on 16 January 2008, the Company purchased 10,000 Ordinary Shares on market through PLUS Markets at 74 pence per ordinary share for cancellation;
 - (g) on 31 January 2008, the Company purchased 10,000 Ordinary Shares on market through PLUS Markets at 69 pence per ordinary share for cancellation;
 - (h) on 24 March 2008, the Company issued 125,000 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders;
 - (i) on 24 March 2008, the Company issued 1,000,000 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders;
 - (j) on 1 April 2008, the Company purchased 40,000 Ordinary Shares on market through PLUS Markets at 60 pence per ordinary share for cancellation;
 - (k) on 3 April 2008, the Company purchased 20,000 Ordinary Shares on market through PLUS Markets at 58 pence per ordinary share for cancellation; and
 - (l) on 25 April 2008, the Company purchased 30,000 Ordinary Shares on market through PLUS Markets at 49 pence per ordinary share for cancellation.
 - (ii) in the financial year ended 30 June 2009:
 - (a) on 11 December 2008, the Company issued 310,510 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders; and
 - (b) on 11 February 2009, the Company purchased 25,000 Ordinary Shares on market through PLUS Markets at 28 pence per ordinary share for cancellation.
 - (iii) in the financial year ended 30 June 2010:
 - (a) on 3 December 2009, the Company issued 63,500 Ordinary Shares of 1 penny each

following the exercise of warrants by warrant holders; and

(b) on 8 January 2010, the Company issued 600,000 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders.

(iv) in the period from 1 July 2010 to 23 March 2011, the Company has issued 2,313,210 Ordinary Shares of 1 penny each following the exercise of warrants by warrant holders

4.6 At a general meeting of the Shareholders held on 18 March 2011, the Resolutions which relate to the following matters were duly passed:

(i) authorise the directors to allot shares up to a maximum aggregate nominal value of £500,000;

(ii) disapply pre-emption rights in respect of the shares authorised for allotment by the first resolution;

(iii) deleting the Company's memorandum of association (in accordance with the provisions of the 2006 Act and adopting new articles of association; and

(iv) enabling the Company to hold general meetings other than annual general meeting on 14 days' notice.

5. Memorandum and Articles

The Memorandum of Association and the Articles contain, amongst other things, material provisions as summarised in paragraphs 5.1 and 5.2 below.

5.1 Memorandum of Association

The Memorandum of Association of the Company provides that the Company's objective is to carry on as a general commercial company.

5.2 Articles of Association

Set out below is a summary of the provisions of the Company's Articles.

5.2.1 Share capital

The Articles provide that the Company's share capital consists of Ordinary Shares only.

The Ordinary Shares have such rights, preferences and restrictions attached to them as are set out in the Articles.

The Articles do not confer any additional rights for the holders of Ordinary Shares to share in any surplus in the event of liquidation of the Company other than rights provided by legislation.

5.2.2 Share rights

(i) Subject to the provisions of the Articles and the Companies Acts, and in particular those conferring rights of redemption, and without prejudice to any special rights conferred on the holders of any shares or class of shares, any shares in the Company may be issued with or have attached to them such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

(ii) Subject to the provisions of the Companies Acts, any shares may be issued on the terms that they are, or at the option of the Company are to be liable, to be redeemed on such terms and in such manner as the Company may by special resolution determine.

5.2.3 Share warrants

(i) The Board may issue share warrants to bearer in respect of any fully paid shares under the Seal or in any other manner authorised by the Board. Any share while represented by such warrant shall be transferrable by delivery of the warrant relating to it. In any case in which a warrant is so issued, the Board may provide for the payment of dividends or other moneys

on shares represented by the warrants by coupons or otherwise. The Board may decide, either generally or in any particular case that any signature on a warrant may be applied by mechanical means or printed on it or that the warrant need not be signed by any person.

The Board may determine, and from time to time vary, the conditions on which share warrants to bearer shall be issued and, in particular, the conditions on which: (a) a new warrant or coupon shall be issued in place of one worn-out, defaced, lost or destroyed (but no new warrant shall be issued unless the Company is satisfied beyond reasonable doubt that the original has been destroyed); or (b) the bearer shall be entitled to attend and vote at general meetings; or (c) a warrant may be surrendered and the name of the bearer entered in the Register in respect of the shares specified in the warrant.

- (ii) Subject to those conditions and to the provisions of the Companies Acts, the bearer shall be deemed to be a member and shall have the same rights and privileges as he would have if his name had been included in the Register as the holder of the shares comprised in the warrant.

5.2.4 *Variation of rights*

- (i) Subject to the Companies Act and terms of the shares issued, all or any of the rights and restrictions for the time being attached to any share or class of shares issued may from time to time be varied, added to or abrogated by a special resolution passed at a separate meeting of the holders of the relevant class of shares in accordance with the Companies Acts.
- (ii) The rights conferred upon the holders of any shares or class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority to them for payment of a dividend or repayment of capital but shall not, unless otherwise expressly provided, or the rights attaching to, or the terms of issue of, such shares, be deemed to be varied or abrogated by:
 - (a) the creation or issue of further shares ranking *pari passu* with them or subsequent to them save as to the date from which such new shares shall rank for dividends; or
 - (b) subject to the Articles, a purchase by the Company of its own shares.

5.2.5 *Allotment*

Subject to the provisions of the Companies Acts and the Articles relating to authority, pre-emption rights or otherwise and of any resolutions of the Company, all unissued shares of the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, and for such consideration and upon such terms as the Board may determine.

5.2.6 *Commission*

The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Companies Acts as consideration for subscribing or agreeing to subscribe (whether absolutely or conditionally) or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares. The commissions and brokerage may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

5.2.7 *Shares held in uncertificated form*

The Company may issue shares which may be held, evidenced and transferred through a relevant system in uncertificated form. Where any share is held in uncertificated form, the Company shall not issue, and no person shall be entitled to receive, a certificate in respect of such share at any time and for so long as the title to that share is evidenced otherwise than by a certificate, and transfers may be made otherwise than by a written instrument by virtue of the Uncertificated Securities Regulations. Title to shares in issue at the date of adoption of the Articles may be transferred and evidenced by a relevant system.

5.2.8 *Dividends*

The Company may, subject to the provisions of the Companies Acts and the Articles, from time to time declare dividends to be paid to shareholders not exceeding the amount recommended by the Board. In so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends. Any dividend, unclaimed after a period of 12 years from the date such dividend was declared or became payable shall, if the Board resolves, be forfeited and revert to the Company.

5.2.9 *Transfer of Ordinary Shares*

- (i) Subject to any restrictions in the Articles, a shareholder may transfer all or any of his shares, in the case of certificated shares, by an instrument of transfer in the usual common form or in any other manner (whether or not by written instrument) approved by the Board. Any written instrument of transfer shall be executed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register.
- (ii) The Board may decline, without giving any reason, to register any transfer of any share:
 - (a) which is not a fully paid up share providing such refusal will not prevent dealings in the shares from taking place on an open and proper basis;
 - (b) to a person known to be a minor, bankrupt or person who is mentally disordered or a patient for the purpose of any statute relating to mental health.
- (iii) The Board may also decline to register any share transfer unless:
 - (a) any written instrument of transfer, duly stamped, is lodged with the Company at the Registered Office or such other place as the Board may appoint accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognised person or a holder of such shares in respect of whom the Company is not required by law to deliver a certificate and to whom a certificate has not been issued in respect of such shares); and
 - (b) there is provided such evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so; and
 - (c) any instrument of transfer is in respect of only one class of share; and
 - (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.
- (iv) If the Board declines to register a transfer it shall, within ten business days or such period (if any) as may be prescribed by the Companies Acts, send to the transferee notice of the refusal.

5.2.10 *Alteration of share capital*

- (i) Without prejudice to the rights attached to any then existing share or class of shares, the Company may from time to time by ordinary resolution increase its capital by the creation of shares of such nominal amounts and carrying such rights and restrictions as the resolution may specify but unless the shares so created are uniform in all respects with a class of shares in the capital of the Company prior to such resolution, such new shares shall be subject to the provisions of these Articles with reference to lien, the payment of calls, forfeiture, transfer, transmission and otherwise as the shares in the existing share capital.
- (ii) Subject to the provisions of the Companies Acts, the Company may by resolution increasing its capital direct that the new shares or any of them shall be offered in the first instance to all holders for the time being of shares of any class or class in proportion to the number of such shares held by them respectively or may make any provisions as to the

issue of new shares.

- (iii) The Company may from time to time by ordinary resolution:
- (a) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
 - (b) subject to the provision of the Companies Acts, sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association and so that resolution where by any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division one or more of the shares may have such deferred or qualified rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares; and
 - (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
- (iv) The Company may reduce its share capital in accordance with the Companies Acts

5.2.11 *Purchase of own Ordinary Shares*

Subject to the provisions of the Companies Acts the Company may purchase all or any of its shares of any class including any redeemable shares. Every contract for the purchase of, or under which the Company may become entitled or obliged to purchase, shares in the Company shall be authorised by such resolution of the Company as may be required by the Companies Acts and by a special resolution passed at a separate general meeting of the holders of any shares which at the date on which the contract is authorised by the Company in general meeting entitle them, either immediately or at any time later on, to convert all or any of the shares of that class held by them into equity share capital of the Company.

5.2.12 *General meetings*

(i) *Notice*

General meetings and annual general meetings shall be held in accordance with the Companies Acts and the Articles at such time and place as the Board may determine. Any general meeting of the Company other than an annual general meeting shall be called a general meeting.

The Board may convene a general meeting whenever it thinks fit. A general meeting shall also be convened on such requisition, or in default may be convened by such requisition as provided by the Companies Acts. If there are not within the United Kingdom sufficient members of the Board to convene a general meeting, any Director or any shareholder of the Company may call a General Meeting. In the case of a general meeting called in pursuance of a requisition, no business shall be transacted except that stated by the requisition or proposed by the Board.

An annual general meeting shall be called by not less than 21 clear days' notice in writing. A meeting other than annual general meetings shall be called by not less than 14 clear days' notice in writing. Notwithstanding that a general meeting is called on shorter notice, it shall be deemed duly called if it is so convened:

- (a) in the case of an annual general meeting, by all the shareholders entitled to attend and vote at the meeting; and
- (b) in the case of any other meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

The notice shall specify the nature of the meeting, the place, day and time of the meeting, the general nature of the business and include any details of any arrangements made for the

general meeting to be held in more than one location or for persons entitled to be able to view and hear the recordings of the general meeting. These shall appear with reasonable prominence in every such notice and statement that a shareholder is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him and that a proxy need not be a shareholder.

(ii) *Quorum*

No business shall be transacted unless two shareholders are present in person or by proxy are entitled to attend and to vote. If within 15 minutes or such longer period (not exceeding one hour as the Chairman of the meeting may determine to wait) as the Chairman in his absolute discretion thinks fit, after the time appointed for the meeting a quorum is not present, or if a quorum ceases to be present during a meeting, the meeting if convened on the requisition of shareholders, shall be dissolved. In any other case it shall stand adjourned to such other day (being not less than seven days thereafter) at the same time and place, or as the Chairman may determine.

(iii) *Right to vote*

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held at a general meeting, on a show of hands every shareholder who is present in person or by proxy and is entitled to vote in his own right and the duly authorised representative of one or more corporations shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for each share of which he is a holder.

(iv) *Voting*

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is duly demanded before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least three shareholders present in person or by proxy and entitled to attend and vote at the meeting; or
- (c) or any shareholder or shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting; or
- (d) or any shareholder or shareholders present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sums paid up on all shares conferring that right.

5.2.13 *Directors*

- (i) Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two, and there shall not be any maximum number of Directors.
- (ii) Each of the Directors who does not hold executive office shall be paid a fee at such rate as may from time to time determined by the Board (or for the avoidance of doubt any duly authorised committee of the Board) provided that the aggregate of all such fees paid to such Directors (excluding amounts payable under any other Article) shall not exceed £50,000 per annum, or such higher sum as may be determined from time to time by ordinary resolution of the Company, except that any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only be entitled to a sum in proportion to the time during the period which he has held office.

- (iii) Each Director who does not hold executive office may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company and shall be paid all expenses properly and reasonably properly incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any such Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. Such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other provision of these Articles.
- (iv) At every annual general meeting, one third of the Directors for the time being or, if their number is not a multiple of three, the number nearer to and not exceeding one third shall retire from office. Each Director shall retire from office at least once every three years.
- (v) No shareholding qualification for Directors shall be required.
- (vi) Directors interests etc.
 - (a) If a situation arises in which a Director has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company (a "Relevant Situation") the Directors may for the purposes of section 175 of the Act, resolve to authorise:
 - (i) if a Relevant Situation arises from the appointment or proposed appointment of a person as a Director of the Company, the appointment of the Director and the Relevant Situation, subject to any limits or conditions which the directors may determine; or
 - (ii) if the Relevant Situation arises in circumstances other than as set out in (vi)(a)(i), the Relevant Situation and the continuing performance by the Director of his duties, subject to any limits or conditions which the Directors may determine,

and any such authorisation will be subject only to any limits or conditions which the Directors expressly impose.
 - (b) The interested Director, and any other Director with a similar interest, cannot vote, or be counted in the quorum, on a resolution to authorise his interest.
 - (c) Any limits or conditions determined by the Directors under the Relevant Situation may be imposed at the time of authorisation or may be imposed or varied subsequently and may include (without limitation):
 - (i) whether the interested Director(s) may vote (or be counted in the quorum at a meeting) in relation to any resolution relating to the Relevant Situation;
 - (ii) the exclusion of the interested Director(s) from all information and discussion by the company of the Relevant Situation; and
 - (iii) the imposition of a specific duty of confidentiality for any confidential information of the company relating to the Relevant Situation.
 - (d) An interested Director must act in accordance with any limits or obligations imposed by the Directors under the Relevant Situation.
 - (e) Subject to the Articles, any authorisation shall be dealt with in the same way as any other matter that may be decided by the Directors under the Articles.
 - (f) Any authorisation of a Relevant Situation given by the Directors may provide that, where the interested Director obtains (other than through his position as a director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.

- (g) Whilst there is a Relevant Situation, the general duties which the interested Director owes to the Company under Sections 171 to 177 of the 2006 Act will not be infringed if he:
- (i) absents himself from meetings of the Directors or from the discussion of any matter at a meeting relating to the Relevant Situation; and / or
 - (ii) makes arrangements for papers to be received and read by a professional adviser on his behalf which may relate to the Relevant Situation; and / or
 - (iii) behaves in any other way authorised by any guidance which may be issued by the Directors from time to time.
- (h) Subject to the provisions of the Companies Acts and the Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or employment or as a vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the shareholders for any remuneration, profit or other benefit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established or to vacate the office of Director.
- (i) A Director who to his knowledge is in any, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature and extent of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. A declaration of interest may also be made in writing in accordance with the provisions of section 185 of the 2006 Act. For the purposes of this Article, a general notice to the Board by a Director to the effect that:
- (i) he is a member of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm, or
 - (ii) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him within the meaning of the Act,
- shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement; provided that no such notice shall be effective unless either it is given at a meeting of the Board or otherwise in accordance with section 185 of the 2006 Act.
- (j) Subject to the provisions of the Companies Act, and provided that he has disclosed to the Board the nature and extent of any material interest of his, a Director, notwithstanding his office:
- (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
 - (ii) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and
 - (iii) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and

not such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

- (k) Save as otherwise provided by the Articles, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one or more of the following paragraphs:
- (i) the giving to him of a guarantee, security or indemnity in respect of money lent to or an obligation incurred by him for the benefit of the Company or any of its subsidiary undertakings;
 - (ii) the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) his interest arises by virtue of his subscribing or agreeing to subscribe for any shares, debentures or other securities of the Company or any of its subsidiary undertakings, or by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures or other securities by the Company or any of its subsidiary undertakings for subscription, purchase or exchange;
 - (iv) the resolution relates in any way to any proposal concerning a retirement, death or disability benefits scheme or a share option scheme, share incentive scheme or profit-sharing scheme which either relates to both employees and directors and/or directors of any subsidiary undertaking and does not provide to any Director as such any privilege or advantage not accorded to the employees to whom such scheme or fund relates or has been approved by or is conditional on approval by the Inland Revenue for tax purposes;
 - (v) a contract, arrangement, transaction or proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest representing one per cent. or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);
 - (vi) any proposal concerning an insurance which the Company is empowered to purchase and/or maintain for the benefit of and against any liability incurred by any Directors or persons who include the Directors;

An interest of a person who is, for any purpose of the Act (excluding any statutory modification thereof not in force when this Article becomes binding on the Company), connected with a Director shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director has otherwise.

- (l) If any question arises at any meeting of the Board as to the entitlement of any Director (other than the chairman) to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, it shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned (as known to such Director) has not

been fairly disclosed to the chairman of the meeting. If any question as aforesaid shall arise in respect of the chairman of the meeting the question shall be decided by a resolution of the Board (for which purpose such chairman shall be counted in the quorum but shall not vote on the issue). Such resolution shall be final and conclusive except in the case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

- (m) The Company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of the Articles prohibiting a Director from voting at a meeting of Directors or of a committee of Directors.

5.2.14 Borrowing powers and limit

Subject as provided in the Articles and subject to the Companies Acts, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present or future) and uncalled capital or any part thereof and (subject to section 551 of the 2006 Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights, powers of control or rights of influence exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise the Board can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Group and for the time being owing to persons outside the Group less the aggregate amount of Current Asset Investments (as defined at article 145.2(e)) shall not at any time without the previous sanction of the Company in general meeting exceed an amount equal to four times the Adjusted Capital and Reserves (as defined at article 145.2(b)).

5.2.15 Reserves

The Board may, before recommending any dividend, (whether preferential or otherwise) set aside out of the profits of the Company such sums as it thinks proper as reserves which shall (subject to the Companies Acts), at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any purpose to which the profits of the Company may be properly applied. Pending any such application such reserves may, also at such discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit, so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve, carry forward any profits which it may think prudent not to distribute.

5.2.16 Capitalisation of reserves

The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) and not required for payment of dividend on any shares with a preferential right to dividend, whether or not the same is available for distribution, and accordingly that such amount be set free for distribution among the shareholders or any class of shareholder who would be entitled to it if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such shareholders respectively or in payment up in full of unissued shares, debentures or other obligations of the Company, to be allotted, distributed and credited as fully paid up to and amongst such shareholders, or partly in one way and partly in the other and the Board shall give effect to such resolution provided that for the purposes of this Article, a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued

shares of the Company to be allotted to such shareholders credited as fully paid and that no unrealised profits shall be used in paying up any amounts unpaid on any issued shares.

5.2.17 *Uncertificated Shares*

- (a) The Company may issue shares which may be held, evidenced and transferred through a relevant system in uncertificated form pursuant and subject to the uncertificated securities regulations (the Regulations). Where any share is held in uncertificated form, the Company shall not issue, and no person shall be entitled to receive, a certificate in respect of such share at any time and for so long as the title to that share is evidenced otherwise than by a certificate, and transfers may be made otherwise than by a written instrument by virtue of the Regulations.
- (b) The Board shall have power to implement any arrangements as they may, in their absolute discretion, think fit in relation to the evidencing and transfer of shares held in uncertificated form (subject always to the Regulations and the facilities and requirements of the relevant system concerned).
- (c) Conversion of shares held in certificated form into shares held in uncertificated form, and vice versa, may be made in such manner as the Board may, in its absolute discretion, think fit (subject always to the Regulations and the facilities and requirements of the relevant system concerned).
- (d) The Company shall enter on the Register how many shares are held by each shareholder in uncertificated form and in certificated form and shall maintain the Register in each case as is required by the Regulations and the relevant system concerned.
- (e) Notwithstanding any provision of these Articles, a class of shares shall not be treated as two classes by virtue only of that class comprising both certificated and uncertificated shares or as a result of any provision of these Articles or the Regulations which apply only in respect of certificated or uncertificated shares.
- (f) Any provision in the Articles in relation to the shares shall not apply to any uncertificated shares to the extent that they are inconsistent with the holding of any shares in uncertificated form, the transfer of title to any shares by means of a relevant system and any provision of the Regulations.

5.2.18 *Untraced Shareholders*

- (a) When the registered address of any shareholder appears to the Board to be incorrect or out of date such shareholder may, if the Board so resolves, be treated as if he had no registered address and the Company will not thereafter be obliged to send to such shareholder cheques, warrants, notices of meetings or copies of the documents referred to in the Articles. No such resolution shall be passed by the Board until cheques or warrants sent to the registered address of the shareholder have been returned by the Post Office or left uncashed on at least two consecutive occasions or, following one such occasion, reasonable enquiries have failed to establish any new address of such shareholder.
- (b) The Company shall be entitled to sell at the best price reasonably obtainable any share of a shareholder or any share to which a person is entitled by transmission and provided that:
 - (i) for a period of twelve years, in the course of which at least three dividends have become payable in respect of the share in question, no cheque or warrant sent by the Company through the post in a prepaid letter addressed to the shareholder or to the person entitled by transmission to the share at his address on the Register, or other the last known address given by the shareholder or the person entitled by transmission to which cheques and warrants are to be sent, has been cashed, no dividend has been claimed and no communication has been received by the Company from the shareholder or the person entitled by transmission; and
 - (ii) the Company as at the expiration of such period of twelve years by advertisement in

both a leading national newspaper and in a newspaper circulating in the area in which the address referred to in paragraph (i) above is located given notice of its intention to sell such share; and

- (iii) the Company has not during the further period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the shareholder or person entitled by transmission; and
 - (iv) the Company has first given notice in writing to the Stock Exchange of its intention to sell such shares.
- (c) To give effect to any such sale mentioned above, the Company may appoint any person (a) in the case of certificated shares, to execute as transferor an instrument of transfer of such share or stock and (b) in the case of uncertificated shares, to authorise and procure the execution of such transfer in accordance with and subject to the regulations and facilities and requirements of the relevant system concerned.
- (d) Every such instrument of transfer and transfer shall be as effective as if it had been executed by the registered holder of or person entitled by transmission to such share.
- (e) The Company shall account to the shareholder or other person entitled to such share for the net proceeds of such sale and shall be deemed to be his debtor and not a trustee for him in respect of the proceeds. Any money not accounted for to the shareholder or other person entitled to such share shall be carried to a separate account and shall be a permanent debt of the Company. Money carried to such separate account may either be employed in the business of the Company or invested in such investments (other than shares of the Company or its holding company, if any) as the Directors may from time to time think fit.

6. Mandatory Bids, Squeeze-out and Sell-out Rules Relating to the Ordinary Shares

6.1 *Mandatory Bid*

The City Code on Takeovers and Mergers (the “City Code”) applies to the Company. Under Rule 9 of the City Code, if:

- (i) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or his concert parties during the previous 12 months.

6.2 *Compulsory Acquisition*

Under sections 974 to 991 of the 2006 Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the 2006 Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

7. **Borrowing**

Subject to the 2006 Act, the Articles and to any directions given to the Company in general meeting, the Directors shall manage the Company's business and can use all the Company's powers. In particular, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Company's current Borrowing Policy is set out on page 35 of this document.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights, powers of control or rights of influence exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise the Board can secure) that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Group and for the time being owing to persons outside the Group, less the aggregate amount of Current Asset Investments (as defined in the Articles) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to four times the adjusted capital and reserves (as defined in the Articles).

8. **Interests of Directors, Major Shareholders and Related Party Transactions**

8.1 *Directors' Interests*

As at 30 June 2010 and 23 March 2011 (being the latest practicable date before the publication of this document), the Directors had a beneficial interest in the following number of Ordinary Shares, excluding the future interests set out in the table at 4.2 of this Part V:

<i>Name</i>	<i>30 June 2010</i>		<i>23 March 2011</i>	
	<i>Number of Ordinary Shares</i>	<i>% of issued ordinary share capital</i>	<i>Number of Ordinary Shares</i>	<i>% of issued ordinary share capital</i>
Robert Jeffries Chatfield	4,400,001*	16.78	6,713,211*	23.53
Andrew Charles Baudinette	620,001	2.36	620,001	2.17
Bryant James McLarty	57,300	0.22	57,300	0.20

*Shares held in the name of Fitel Nominees Limited and RBC, other than 1 certificated share. 'Mr Chatfield's interest will increase to 6,863,211 following his participation for 150,000 in the Placing, such New Ordinary Shares to be held through Fitel Nominees Limited

8.2 Save as disclosed in paragraphs 4.2 and 8.1 above, immediately following Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

8.3 **Directors' Contracts with the Company**

8.3.1 None of the Directors provides his services to the Company pursuant to a service contract with the Company. Their appointments are subject to their deeds of engagement, as follows:

- (i) Andrew Charles Baudinette is engaged by the Company under a deed of engagement dated 31 October 2007.
- (ii) Robert Jeffries Chatfield is engaged by the Company under a deed of engagement dated 25 September 2006.
- (iii) Bryant James McLarty is engaged by the Company under a deed of engagement dated 28 November 2007.

8.3.2 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively.

8.4 **Remuneration and Benefits**

In the last full financial year of the Company, to 30 June 2010, the amount of remuneration paid (including contingent or deferred compensation) and benefits in kind granted to the Directors of the Company by the Group was as follows:

	<i>Fees and salary</i>	<i>Benefits in Kind</i>	<i>Total</i>
	£	£	£
Robert Jeffries Chatfield	143,725	-	143,725
Andrew Charles Baudinette	91,133	2,889	94,022
Bryant James McLarty	10,831	-	10,831
			248,578

The aggregate amount accrued in relation to pension, retirement and other similar benefits for the Directors and the senior managers in the period to 30 June 2010 was £nil.

8.5 **Other Interests**

Over the five years preceding the date hereof, the Directors have held the following directorships (apart from their directorships of the Company or subsidiaries of the Company) and/or partnerships:

8.5.1 Robert Jeffries Chatfield

Current directorships: Australian Historical Investments Pty Ltd, CaptiveVision Capital Ltd, Diamond Distribution and Polishing Pte Ltd, Mibago (S) Pte Ltd, A.C.N 098 904 262 Ltd, Skywest Airlines (Australia) Pty Ltd, Skywest Airlines (S) Pte Ltd, Skywest Airlines Ltd, Epsom Assets Limited, Takeoff Services Pte Ltd, Tantini Pty Ltd, PPT Consulting Pte Ltd, Fleet Solutions Consulting Pte Ltd, IPC Technology Pte Ltd, Lovelie Investment And Asset Holdings Pte Ltd, Avation Eastern Fleet Pte Ltd.

Past directorships: Avation D.O (Brazil), CaptiveVision Sdn Bhd (Malaysia), Data & Commerce Ltd, Io Research Pty Ltd, Kingsbay Pty Ltd, Malbend Pty Ltd, Television Licensors International Ltd, Victorian Radio Network Pty Ltd, ID+Plus Ltd, Hanger Co for Airport Pty Ltd.

8.5.2 Andrew Charles Baudinette

Current directorships: Giant Mix Enterprises Limited

Past directorships: Stereophonic Group Limited, Epsom Assets Limited, Radio at Work Pty Ltd, Media Enterprises (Holdings) Pty Ltd.

8.5.3 Bryant James McLarty

Current directorships: Pharmaust Ltd, Mac Equity Partners Pty Ltd, Mac Equity Pty Ltd, Pharmaust Chemistry Ltd, Hot Energy Limited.

Past directorships: Water Sciences Pty Ltd, Advanced Molecular Technologies Pty Ltd, Phamaust Manufacturing Ltd, Epicchem Limited, Animal Health Pharmaceuticals Pty Ltd, Pharmaust Health Pty Ltd, Echo Technologies Ltd, Wytomic Ltd, Shipping Services Pty Ltd, LTEX Pty Ltd.

8.6 Save as disclosed at paragraph 8.9, none of the Directors, members of any administrative, management and supervisory body, nor any senior manager has any conflict of interest between any duties to the Company and to his private interest or to any other duties.

8.7 In the five year period prior to the date of this document, none of the Directors:

8.7.1 had any convictions in relation to fraudulent offences;

8.7.2 was associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; or

8.7.3 received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and has not been disqualified by a court from acting as a member of the administration, management of supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer,

save in respect of Bryant McLarty who was a director of Phamaust Manufacturing Ltd which was placed in members voluntary administration and subsequently liquidated.

8.8 **Major Shareholders**

8.8.1 As at 23 March 2011 (being the latest practicable date before publication of this document) insofar as known to the Company, the following parties had declared a notifiable interest in the Company's voting rights:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>% of voting rights</i>
Fitel Nominees Limited (0067873)	6,403,210	22.44
Fitel Nominees Limited (C052452)	2,600,000	9.11
Fitel Nominees Limited (C050049)	2,026,000	7.10
Apollo Nominees Ltd (CRE)	1,959,156	6.87
Credit Suisse Securities (Europe) Limited	1,583,244	5.55
Lynchwood Nominees Limited (2006420)	1,065,084	3.73
Loeb Aron & Company Limited	920,000	3.22

8.8.2 All Shareholders have the same voting rights in respect of the share capital of the Company.

8.8.3 The Company and the Directors are not aware of any person, who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

8.8.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

8.9 **Related Party Transactions**

Save as disclosed below, in the period covered by the historical financial information and in the period to 23 March 2011, being the latest practicable date before the publication of this document, there were no related party transactions entered into by the Company and Group members.

8.9.1 *Transactions with the Group and related parties*

	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2010	1 July 2010 To 23 March 2011
	£	£	£	US\$
Service fees paid to related parties (1)	5,287	16,239	5,000	
Sale of goods to related parties (2)	143,529	158,542	303,137	
Rental income received from related parties (3)	3,128,561	5,466,054	5,975,334	
Maintenance rent received from related parties (4)	1,423,665	2,712,006	3,320,157	
Guarantee and commitment fee paid to related parties (5)	-	228,046	163,406	
Interest paid to a related party (6)	-	-	498	
Service rendered to a related party (7)	-	-	661,103	
Loans from a related parties (8)				1,000,000
Management fee paid to a related party (9)	120,000	-	-	
Service fee paid to a related party (10)	56,979	-	-	

(1) Service fee paid to Loeb Aron & Company Ltd, a company in which Peter Freeman, a director of a subsidiary of the Company is a director

(2) Sale of goods to Skywest Airlines (Australia) Pty Ltd, a company in which Robert Chatfield, a director of the Company is a director.

(3) (4) Received from Skywest Airlines (Australia) Pty Ltd, a company in which Robert Chatfield, a director of the Company is a director.

(5) Paid to CaptiveVision Capital Ltd, a company in which Robert Chatfield, a director of the Company is a director.

(6) Paid to Australian Historical Investments Pty Limited a company in which Robert Chatfield, a director of the Company is a director and shareholder

(7) Services rendered to Skywest Airlines (Australia) Pty Ltd, a company in which Robert Chatfield, a director of the Company is a director.

(8) US\$500,000 received from Fleet Solutions Consulting Pte Ltd, a related party to Soeren Ferre and US\$500,000 from Lovelie Investment and Asset Holdings Pte Ltd, a related party to Robert Chatfield.

(9) Paid to Epsom Assets Ltd, a company in which Robert Chatfield, a director of the Company is a director.

(10) Paid to Sinclair Management, in which a director of the subsidiary is a member.

The guarantee and commitment fee paid to CaptiveVision Capital is in relation to the guarantee provided by CaptiveVision Capital Limited for AUD 2,089,967 to the vendor of an Airbus.

Robert Jeffries Chatfield is participating in the Placing through Fitel Nominees Limited for 150,000 New Ordinary Shares.

Transactions with related parties are negotiated on arms' length terms with pricing, structures and commercial terms typical of such transactions. They may be considered to be related party transactions due to there being commonality of directors and shareholdings. Such transactions will always be disclosed as such in the annual report and accounts and relevant RIS announcement.

Robert Chatfield always abstains from voting on any matter to be voted on by the Board in which there is, or could be, a conflict where the conflict arises in his position as a director in any non-Group entity.

9. Material Contracts

Save as described below, the Company has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this document; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this document.

9.1 Material contracts relating to existing arrangements

Aircraft sublease Airbus A320-200 – MSN 429 (VH-FNP)

Pursuant to an aircraft sublease agreement dated 31 March 2010 between MSN 429 Limited (“MSN 429”) and Skywest, MSN 429 granted a lease of the aircraft bearing manufacturer’s serial number 429 to Skywest for a period of 36 months (with an extendable term of a further 36 months) from 4 April 2010. A deposit of US\$570,000 was paid and the fixed monthly rent is US\$190,000 each month. Under the agreement Skywest is responsible for all maintenance and actions necessary to repatriate the aircraft to Singapore at the conclusion of the term. The aircraft is leased on an “as is-where is” basis. Skywest may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of MSN 429 (or

the vendor as Head Lessor), the granting of which consent cannot be unreasonably withheld. During the terms of the lease, Skywest shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein. The agreement is governed by the laws of England and is subordinate to an aircraft head lease between a vendor as lessor and the Company as lessee, which head lease contains terms of a lease purchase agreement.

9.2 Material contracts relating to the Australian Regional Air Network

(a) *ARAN Agreement*

Pursuant to an agreement dated 11 January 2011 and amended on 24 January 2011 between (1) Skywest, (2) Virgin Blue Airlines Pty Ltd and (3) the Company (the “ARAN Agreement”), the Company (or a wholly owned subsidiary) has agreed to provide a fleet of up to 20 new aircraft which will operate primarily across the East Coast of Australia with each aircraft subject to 10 year operating leases to be entered into between the Company and Skywest. The leases will contain commercial terms as typically entered into by the Company and its lessee customers. Skywest will provide wet-lease services to Virgin Blue, such that each aircraft will, in turn, be operated under wet lease arrangements by Skywest on behalf of Virgin Blue for a fixed period of 10 years. It is anticipated that the first 8 such aircraft will commence service during the 2011-2012 financial year. The Company is also obliged to seek purchase rights for the delivery of an additional 12 aircraft. The ARAN Agreement will terminate in the event that the key agreements governing the ARAN arrangements are not entered into by the expiry of the negotiation period (such period being three months from the date of the agreement).

(b) *Aircraft operating lease for ATR-72-500s and ATR-72-600s*

Further to the entry into the ARAN Agreement, a wholly owned subsidiary of the Company (the “AVAP Singapore Subsidiary”) and Skywest shall enter into a number of operating lease agreements relating to each of the aircraft to be leased from the AVAP Singapore Subsidiary to Skywest in accordance with the ARAN Agreement. Pursuant to the agreed form of the first of such aircraft operating lease agreements to be entered into, the AVAP Singapore Subsidiary shall agree to lease aircraft to Skywest for a total period of 10 years after the delivery date, which, in respect of the first aircraft to be purchased from ATR is scheduled to occur on or about 31 May 2011. Skywest shall pay to AVAP Singapore Subsidiary a deposit equivalent to three months’ rent and a monthly rent calculated as 0.96 per cent. of the net purchase price of each aircraft. Under the agreement, Skywest shall be responsible for all maintenance and the aircraft shall be leased on an “as-is-where-is” basis. During the term of the lease, Skywest shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein.

Skywest shall not be entitled to sublease (drylease involving a parting with possession and operational control), hire or otherwise part with possession or operation control of the aircraft without the prior written consent of the lessor at the lessor’s absolute discretion, except that Skywest may lease the aircraft to Virgin Blue on the terms set out in the wet lease agreements to be entered into between Virgin Blue and Skywest (the entry into each such wet lease agreement being a condition to the effectiveness of each aircraft operating lease agreement and the terms of the wet lease agreements to be agreed between Skywest and Virgin Blue). The agreement shall be governed by the laws of England.

(c) *Put and call option agreement*

In connection with the agreed form of aircraft operating lease described at paragraph 9.2(b) above, the AVAP Singapore Subsidiary and Virgin Blue shall enter into an agreed form of put and call option agreement (the “Option Agreement”). Pursuant to the Option Agreement, Virgin Blue shall be entitled to exercise a call option with the effect that the AVAP Singapore Subsidiary shall be required to lease the aircraft to Virgin Blue in exchange for the payment of a call option fee of A\$1. Pursuant to the Option Agreement, the AVAP Singapore Subsidiary shall be entitled to exercise a put option with the effect that Virgin Blue shall be required to lease the aircraft from

the AVAP Singapore Subsidiary in exchange for the payment of a put option fee of A\$1. The AVAP Singapore Subsidiary and Virgin Blue shall only be entitled to exercise their put and call option rights, respectively, during the period of 30 days after the occurrence of certain events, including if an aircraft operating lease to be entered into between the AVAP Singapore Subsidiary and Skywest is terminated prior to its agreed expiry date because Skywest commits an event of default. Virgin Blue shall agree to comply with the obligations under the aircraft operating lease agreement. The Option Agreement shall be governed by the laws of England.

(d) *Letter from Virgin Blue to the Company and Skywest agreeing to the form of documents*

Pursuant to a letter from Virgin Blue to the Company and Skywest dated 25 February 2011, Virgin Blue has confirmed that the form of aircraft operating lease agreement referred to in paragraph 9.2(b) above and the form of put and call option agreement referred to in paragraph 9.2(c) above are acceptable to it as templates for each aircraft operating lease agreement and put and call option agreement to be entered into as contemplated by the ARAN Agreement and the Structuring Discussion Paper dated 10 February 2011 relating to the ARAN Agreement, respectively, subject to the following conditions:

In respect of the aircraft operating lease agreement:

- (i) agreement being reached as to the initial value of each aircraft for the purposes of rent;
- (ii) agreement as to the definition of Maintenance Programme (as defined therein) and the regime for amendments to it;
- (iii) agreement as to flexibility to provide an alternate form of insurance broker's letter of undertaking;
- (iv) finalisation of the aircraft specification;
- (v) finalisation of the mechanics allowing Virgin Blue to swap out certain rear loading aircraft with equivalent front loading models;
- (vi) provision for the equal sharing of compensation received by the Company from the aircraft manufacturer with Skywest and Virgin Blue in the event of delayed delivery from the manufacturer;
- (vii) agreement as to clearance periods in the return conditions of the agreement; and
- (viii) completion of all schedules, blanks and outstanding items to the mutual satisfaction of Virgin Blue and other parties.

In respect of the put and call option agreement:

- (i) the finalisation of each matter referred to in (i) to (viii) (inclusive) above in relation to the aircraft operating lease agreement; and
- (ii) the inclusion of mutually acceptable forms of contract to the option. In this regard, Virgin Blue notes that the form of the aircraft operating lease agreement is an acceptable base document subject to amendments acceptable to Virgin Blue reflecting Virgin Blue (or its affiliates) as direct lessee, including with respect to certain specified matters.

9.3 ATR aircraft supply

In contemplation of the arrangements to be implemented to establish the Australian Regional Airline Network under the ARAN Agreement, the Company has also agreed to a supply proposal dated 2 February 2011 (the "Supply Proposal") from ATR, which was subject to the agreement of a definitive sale and purchase agreement. On 4 March 2011 the Company entered into such a sale and purchase agreement (the "Supply Agreement") with ATR.

(a) *Supply Agreement*

Pursuant to the Supply Agreement, ATR has agreed to sell and deliver to the Company four ATR

72-500 aircraft and four ATR 72-600 aircraft on a firm basis (the "Firm Aircraft"), five ATR 72-600 aircraft on an optional basis (the "Option Aircraft") and a further 17 aircraft under purchase rights (the "Additional Aircraft") (together, the "Aircraft").

The base purchase price for each ATR 72-500 Firm Aircraft will be US\$18,316,000 (valid for deliveries in 2011) and the base purchase price for each ATR 72-600 Firm Aircraft will be US\$18,750,000 (valid for a theoretical delivery in December 2011), subject to adjustments to:

- include the price of any changes to the aircraft specifications agreed at the date of the Supply Agreement, which will be calculated at the time of delivery in accordance with a formula set out in the Supply Agreement;
- reflect changes in economic conditions between a theoretical delivery date of December 2011 and the actual delivery date of each aircraft to the Company, which will be calculated in accordance with a formula set out in the Supply Agreement;
- include any other amounts that may form part of the purchase price in respect of each aircraft in accordance with the Supply Agreement; and
- include any increase or deduction provided for or resulting from any written agreement that may be entered into between ATR and the Company and which is to be applied against the purchase price in respect of each aircraft.

In addition, the Company will be obliged to pay interest on any amount not paid when due under the Supply Agreement until the date of receipt of the outstanding payment by ATR, such interest being calculated on a daily basis.

Firm Aircraft

Pursuant to the Supply Proposal, the Company caused to be paid to ATR on 10 February 2011 a deposit of US\$1,000,000 (the "Commitment Fee"), comprising US\$200,000 in respect of each of the first two Firm Aircraft to be supplied and a further US\$100,000 in respect of each of the subsequent six Firm Aircraft to be supplied, such Commitment Fee to be credited against the first Pre-Delivery Payment due for each aircraft. Furthermore, the Company will be required to make a first pre-payment equal to 1.5 per cent. of the base price of each aircraft (less the Commitment Fee) on completion of the Placing. The Company will then be required to make a second pre-payment equal to three per cent. of the base price of each aircraft twelve months prior to the delivery of each individual aircraft and a third pre-payment equal to three per cent. of the base price of each aircraft six months prior to the delivery of each individual aircraft. All pre-payments will need to be made on completion of the Placing for each of Aircraft 1, Aircraft 2 and Aircraft 3, and the first and second pre-payment will need to be made on completion of the Placing in respect of Aircraft 4.

The proposed delivery schedule for the first eight Firm Aircraft is set out below:

<i>Aircraft</i>	<i>Type</i>	<i>Scheduled Delivery Date</i>
Aircraft 1	ATR 72-500	May 2011
Aircraft 2	ATR 72-500	June 2011
Aircraft 3	ATR 72-500	September 2011
Aircraft 4	ATR 72-500	November 2011
Aircraft 5	ATR 72-600	May 2012
Aircraft 6	ATR 72-600	July 2012
Aircraft 7	ATR 72-600	October 2012
Aircraft 8	ATR 72-600	November 2012

Option Aircraft

In addition to the eight Firm Aircraft, pursuant to the Supply Agreement the Company will have the option to purchase the Option Aircraft upon written notification of at least 18 months prior to the proposed delivery of the Option Aircraft and provided that it pays a non-refundable option fee (the "Option Fee") of US\$50,000 per Option Aircraft on completion of the Placing.

The proposed delivery schedule for the five Option Aircraft is set out below:

<i>Option Aircraft</i>	<i>Type</i>	<i>Scheduled Delivery Date</i>
Option Aircraft 1	ATR 72-600	January 2013
Option Aircraft 2	ATR 72-600	April 2013
Option Aircraft 3	ATR 72-600	July 2013
Option Aircraft 4	ATR 72-600	October 2013
Option Aircraft 5	ATR 72-600	January 2014

The Company will be entitled to convert the Option Aircraft into ATR 42-600 aircraft, subject to the Company giving eighteen months' prior notice to ATR of its intention to do so and the availability of ATR 42-600 aircraft at the date requested.

Additional Aircraft

Pursuant to the Supply Agreement, the Company will also be entitled to purchase up to 17 Additional Aircraft for delivery before the end of 2017 subject to, among other things, the availability of aircraft and no material adverse change in the financial condition of the Company that would jeopardise the availability of financing for such Additional Aircraft.

Delivery of Aircraft

All of the aircraft are to be delivered to the Company in Toulouse, France with an Export Certificate of Airworthiness issued by Direction Générale de l'Aviation Civile of the Transport Ministry of France and in a condition allowing its inclusion on the Australian aeronautic register and qualifying for the issuance of a certificate of airworthiness issued by the Civil Aviation Safety Authority of Australia.

No party to the Supply Agreement shall be liable to the other party for any failure or delay in fulfilling its obligations, including but not limited to delivering an aircraft under the Supply Agreement, in circumstances which constitute an Excusable Delay. In such circumstances, the affected party's obligations shall be deferred and, with respect to any undelivered aircraft, the scheduled delivery date for the relevant aircraft shall be adjusted. If an aircraft is undelivered for a period of more than six months as a result of an Excusable Delay, the Company will be entitled to terminate the Supply Agreement with respect to the undelivered aircraft upon written notice to ATR following which ATR will be required to repay to the Company any amount pre-paid by the Company in relation to the undelivered aircraft.

If any aircraft due to be delivered under the Supply Agreement is not offered for delivery as the result of an Inexcusable Delay, the Company shall be entitled to claim liquidated damages in respect of the undelivered aircraft. Pursuant to the Supply Agreement, liquidated damages are estimated to be an amount equal to US\$5,000 per day of delay commencing on the sixteenth day after the last day of the month in which delivery is due (any liquidated damages that may become due in respect of the first two aircraft due to be delivered not to exceed US\$700,000). If an aircraft (except the first two aircraft) remains undelivered for a period of more than four months as a result of an Inexcusable Delay, the Company is entitled to re-negotiate the delivery date of such aircraft or terminate the Supply Agreement with respect to such undelivered aircraft. If terminated, ATR will be required to repay to the Company any amount pre-paid by the Company in relation to the undelivered aircraft.

Refund of the Pre-Delivery Payments

The Pre-Delivery Payment in respect of any individual Aircraft will be refundable by ATR to the Company subject to the terms of the agreement in the event that a promise of guarantee from COFACE and SACE with respect to the ECA supported financing is not available for such Aircraft for reasons not related to a material adverse change in the financial condition of the Company.

In the event that, for reasons not related to a material adverse change in the financial condition of the Company, the ECA supported financing is not available to the Company to pay the balance of the Purchase Price of an Aircraft on the Schedule Delivery Date of such Aircraft, the Company and ATR shall work closely together, and act in good faith, to find a permanent alternative financing so as to enable the Company to take delivery of such Aircraft as soon as possible thereafter.

However, if no ECA Financing or alternative financing acceptable to the Company has been made available to the Company within three months after the Scheduled Delivery Date, or any other period mutually agreed in writing, for reasons not related to a material adverse change in the financial condition of the Company, ATR shall:

- (i) refund without deduction nor withholding to the Company an amount equivalent to the Pre-Delivery Payment actually received by ATR with respect to such Aircraft, without any interest, less the amount corresponding to the Commitment Fee for such Aircraft;
- (ii) no longer have any obligations under the Contract in respect of such Aircraft; and
- (iii) be entitled to partially or entirely terminate the Contract with respect to such Aircraft.

Termination

On the occurrence of certain insolvency related events of the Company or ATR, including the inability of such entity to pay its debts as and when they become due, the other party to the Supply Agreement may terminate all or part of the Supply Agreement.

Furthermore:

- ATR will be entitled to terminate the Supply Agreement on the occurrence of certain events in relation to the Company (and the continuation of such event for a period of more than 15 days after notification), including if the Company fails to pay any of the Pre-Delivery Payments or purchase price amounts to ATR as such payments become due or fails to take delivery of any aircraft; and
- the Company will be entitled to terminate the Supply Agreement on the occurrence of certain events in relation to ATR (and the continuation of such event for a period of more than 15 days after notification), including if ATR fails to refund any of the Pre-Delivery Payments or other amounts to the Company as such payments may become due.

(b) *Side letter relating to the Supply Agreement*

Further to the Supply Agreement, the Company and ATR entered into a side letter on 4 March 2011 (“Side Letter”), agreeing that for a period of 48 months from execution of Side Letter, if ATR airline customers from Europe or Australasia seek operating leases of ATR aircraft, then ATR will consider the Company as one of the lessors that will be, in the first instance, introduced to such customers.

9.4 Financing Term Sheet concerning the supply of new ATR 72 Aircraft

Pursuant to a financing term sheet (the “Term Sheet”) dated 11 February 2011 between Crédit Agricole CIB (“CA”), and the Company, CA offered a 10-year underwritten Export Credit Agency loan for the financing of four new ATR72-500 aircraft and four new ATR72-600 (the “Aircraft”) scheduled for delivery between May 2011 and November 2012. The facility is for an aggregate amount of up to 85 per cent. of US\$18,500,000 for each ATR72-500 aircraft and of US\$19,300,000 for each ATR72-600 aircraft, plus to 100 per cent. of the COFACE and SACE

Premiums (the “Facility”). The Company may elect a fixed rate of interest, being either (i) the aggregate of USD Three Month LIBOR and a margin of 1.45 per cent. per annum, or (ii) the aggregate of the CIR-2 rate and an additional bank margin of 0.70 per cent. per annum. The Facility is subject to an arrangement fee of 0.80 per cent. payable on each drawdown date and a US\$8,000 agency fee per aircraft per annum. The facility will be secured by a security package in a form and substance satisfactory to the export credit agencies and the lenders, including (but not limited to) a first priority mortgage over the Aircraft, a first priority security assignment of the rights of the lessor under the lease and plaques naming the security trustee as mortgagee being affixed on the airframe. However, the financing structure and security package relating to the Senior Debt facility will be not be finalised until the Company has agreed definitive documentation in relation to the Senior Debt facility.

In addition to the Term Sheet with CA, the Company has agreed a term sheet with ATR under which ATR has agreed to cause to be provided junior loan financing (the “Junior Debt”) to the Company. The facility will be for an amount not exceeding 7.5 per cent. of the final price of each aircraft, for a term of ten or twelve years, and in any case, no longer than the term of the ECA Financing (as defined therein). Under the Junior Debt term sheet, the interest rate applicable will be one month US Libor or USD Interest Rate Swap (at 7 years) plus a credit margin of 480 basis points (bps) per annum. The Junior Debt term sheet is subject to definitive documentation being entered into by the parties.

9.5 Placing Agreement

The terms of the Placing Agreement, including the fees payable thereunder, are summarised in paragraph 3 of Part III of this Prospectus.

10. UK Taxation

The following tax section does not reflect changes to tax legislation announced by the Government on 23 March 2011. Shareholders are advised to consult their independent professional tax advisers in relation to the implications of such changes which are expected to be implemented later in the year. The impact of the changes cannot be known until they are implemented at the end of the year.

10.1 Introduction

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares.

The information contained in this Prospectus relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of Shareholders and is based upon the law and practice currently in force and is subject to changes therein. All Shareholders, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of holding, transferring or otherwise disposing of Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

10.2 Taxation of capital gains

With effect from 23 June 2010, individual Shareholders who are resident or ordinarily resident in the UK for tax purposes will generally be subject to capital gains tax at the flat rates of 18 per cent. or 28 per cent., depending on the amount of their total taxable income, in respect of any gain arising on a disposal or deemed disposal of their Ordinary Shares. No indexation allowance will

be available to such Shareholders. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,100 for the tax year 2010-2011.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief). Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their Shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Capital losses realised on a disposal of Ordinary Shares must be set as far as possible against chargeable gains for the same tax year (or accounting period in the case of a Corporate Shareholder), even if this reduces an individual Shareholder's total gain below the annual exemption. Any balance of losses is carried forward without time limit and set off against net chargeable gains (that is, after deducting the annual exemption) in the earliest later tax year. Losses cannot generally be carried back, with the exception of losses accruing to an individual Shareholder in the year of his death.

10.3 *Taxation of dividends*

Under current tax law, the Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Shareholder's total income tax liability on the dividend. An individual UK resident Shareholder will be liable to income tax on the sum of the tax credit and the dividend (the "gross dividend") which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10 per cent. of the gross dividend. The tax credit therefore also equals one-ninth of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full such a Shareholder's liability to income tax on the dividend.

The rate of income tax applied to dividends received by a UK resident individual Shareholder liable to income tax at the higher rate will be 32.5 per cent. to the extent that such dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for higher rate income tax. In the case of such Shareholder's liability, the tax credit will be set against, but will not fully match, his tax liability on the gross dividend. After taking account of the 10 per cent. tax credit, such Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which equals 25 per cent. of the cash dividend received) to the extent that it falls above the threshold for higher rate income tax.

With effect from 6 April 2010, an additional rate of 50 per cent. applies to taxable non-savings and savings income above £150,000. If and to the extent that the gross dividend received by a UK resident individual falls above the threshold for income tax at the new 50 per cent. rate, that individual will be subject to tax on the gross dividend at the rate of 42.5 per cent.. The effect of the tax credit will, if available, be that individuals subject to this higher rate will have to account for additional tax at the rate of 32.5 per cent. of the gross dividend (36.1 per cent. of the dividend payment).

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit. This will include a Shareholder who holds the Ordinary Shares through an ISA.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim a repayment of the tax credit attaching to dividends paid by the Company.

UK resident corporate Shareholders will generally not be subject to corporation tax on dividends

paid by the Company but will not be able to claim a repayment of the tax credit attaching to the dividends.

Following the Finance Act 2009, most UK and overseas dividends received by UK corporate shareholders (subject to specific anti avoidance rules) will be exempt from UK corporation tax. Shareholders within the charge to UK corporation tax are however advised to consult their independent professional tax advisers in relation to the implications of the legislation.

Non-UK resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. It is particularly important that Shareholders who are not resident in the UK for tax purposes obtain their own tax advice concerning tax liabilities on dividends received from the Company.

10.4 Stamp duty and stamp duty reserve tax

Transfers on the sale of Ordinary Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares will normally give rise to a charge to stamp duty reserve tax (“SDRT”) at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

10.5 ISAs

The Ordinary Shares should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits for the 2010-2011 tax year. Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over.

10.6 Self-Invested Personal Pensions (SIPPs)

The Ordinary Shares in the Company will constitute permitted investments for SIPPs.

10.7 Small self-administered pension schemes (SSASs)

The Ordinary Shares in the Company will constitute permitted investments for SSASs.

11. Corporate Governance

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable and which enables the Company to comply with the UK Corporate Governance Code. Although as a company with a Standard Listing, the UK Corporate Governance Code does not automatically apply to the Company, the Company will make a statement in each Annual Report in relation to corporate governance in accordance with the DTRs. Save as disclosed below, the Company complies the UK Corporate Governance Code as at the date of this document.

The UK Corporate Governance Code includes provisions relating to the role of the chief executive and the Board considers that these provisions are not relevant to the Company.

The Board, currently chaired by Mr Chatfield, consists of three non-executive Directors,

including the Chairman. There is no overall chief executive; the operations of the business are managed by the relevant managers of the particular subsidiaries. These managers report to the Board. The manager of the subsidiaries incorporated in Australia, (Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd) is Ronald Lewis Aitkenhead. The manager of the subsidiaries Capital Lease Aviation PLC and Capital Lease Malta Limited is Richard Headon Sinclair. The manager of Avation.net Inc is Andrew Baudinette. MSN 429 Limited and Avation Eastern Fleet Pte Ltd are managed by Charmway Consultants Pte Limited, an independent Singapore-based service provider.

This structure has served the Company well since its incorporation and the Board does not believe that there is any requirement at this time to bring an overall chief executive officer into the Company. However, the Board continually monitors the position and if it considers the appointment of an overall chief executive office to be beneficial to the Company or its shareholders, it will take appropriate steps at that time.

In respect to Remuneration, the Board acts collectively as a full board. Discussions on Remuneration take place in accordance with the Companies Acts and the Company's Articles of Association.

11.1 The Audit Committee

The Company has established an audit committee whose purpose is to provide arrangements for considering how to apply suitable financial reporting and integrity control principles, having regard to good corporate governance and maintaining an appropriate relationship with the Company's auditors.

- Reviewing the external Auditor's terms of engagement including the appointment, re-appointment or removal of the Auditor as appropriate.
- Reviewing the external Auditor's plan for the audit of the Company's financial statements.
- Reviewing the external Auditor's quality control procedures.
- Reviewing and monitoring the effectiveness of the external audit process and the external Auditor's independence and objectivity.
- Considering the scope of work undertaken by the Company's internal audit department.
- Reviewing reports on internal controls and reporting to the Board.
- Recommending the re-appointment of the external Auditor.

11.2 The Nomination Committee

All appointments to the Board and replacements of Directors take place in accordance with the Companies Acts and the Company's Articles of Association.

12 Litigation

There are no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous twelve months which may have, or have had in the recent past, significant effects on the Company's and/or Group's financial position or profitability.

13 Employees

The Company itself has no employees (2010: 0). Capital Lease Aviation PLC has no employees. The members of the Company Secretariat and Accounting Department contract with the Group through limited companies registered businesses and private firms and have no employment relationship with the Company or any member of the Group.

The Group philosophy is to outsource wherever possible support functions for its operations. The Group outsources and/or contracts out, *inter alia*, the technical management of its aircraft, the legal administration of the leases, and its day to day executive supervision and accounting

systems to independent contractors and professional service providers. In this way, the Directors believe that they may keep the Company's administrative costs down.

14. Significant Change

There has been no significant change in the financial or trading position of the Group which has occurred since 31 December 2010, the end of the last financial period for which interim financial information has been published.

15. Working Capital

The Company does not have sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this document.

However, the shortfall in working capital relates exclusively to working capital required to finance the acquisition of aircraft pursuant to the ARAN Agreement because such financing is subject to the completion of the Placing and the Company entering into definitive contracts in respect of the Senior Debt facility and, to the extent required, the Junior Debt facility.

Relative timing

Pursuant to the Supply Agreement the obligation to proceed with the acquisition of aircraft and, accordingly, the obligation to pay the purchase price of the aircraft to be acquired is conditional on the Senior Debt facility (or similar finance) being available to the Company for this purpose. The liabilities to fund the balance of the purchase price, which will arise on delivery of each aircraft by ATR (the scheduled delivery dates are set out on page 26 of this document with the first delivery date scheduled for May 2011), only fall due once the Senior Debt facility has been entered into.

Shortfall

Assuming completion of the Placing, the shortfall in working capital equates to the balance of the purchase price of the Firm Aircraft not funded out of the Net Proceeds of the Placing, which is expected to be between 85% and 92.5% of the purchase price of each aircraft depending on the extent to which the Company requires the use of the Junior Debt facility. Using the illustrative figures as set out on page 32, the shortfall required to be funded from the debt facilities in respect of each ATR-500 would be between US\$15.56m and US\$17.53m.

In the Directors' opinion, there is no shortfall in respect of the working capital required for the Company's existing operations other than the purchase of aircraft under the ARAN Agreement as set out above and, accordingly, there is no requirement for additional funding for such existing operations.

Action plan

Pursuant to the Placing Letters, the Placees have given irrevocable undertakings to subscribe for the New Ordinary Shares in respect of which the Net Proceeds are expected to be £9,369,204, conditional on Admission becoming effective (provided that Admission occurs no later than 8.00 am on 28 April 2011 or such later date as WH Ireland and the Company may agree). As noted on page 27, pursuant to the Senior Debt term sheet, the Senior Debt Facility will provide up to 85 per cent. of the final purchase price of each of the Firm Aircraft and the Junior Debt Facility will provide up to 7.5 per cent. of the final purchase price of each of the Firm Aircraft, which together equate to the shortfall identified above.

As described at paragraph 9.4 of this Part V, the Company has entered into a term sheet with CA in respect of the Senior Debt facility and with ATR in respect of the Junior Debt facility (to the extent that this is required) and it is envisaged that final documentation in respect of each of these facilities will be entered into prior to the delivery of the first of the Firm Aircraft scheduled to be delivered in May 2011. The Senior Debt facility will be subject to CA obtaining the ECA Guarantee.

The directors have no reason to believe the Placing and the debt facilities described above cannot

be completed as envisaged.

Implications

If definitive documentation in respect of the Senior Debt facility is not agreed with CA or the ECA Guarantee is not provided to CA, the Company would need to arrange alternative senior debt finance to fund the ATR aircraft acquisitions. If such funding is ultimately not available then the aircraft vendor, ATR, would be obliged to repay the Pre-Delivery Payments made from the Net Proceeds of the Placing (excluding an amount equal to the initial and already paid Commitment Fee) and may therefore then terminate the Supply Agreement either in whole or in part.

Should the proposals envisaged under the ARAN Agreement not proceed at all, the Net Proceeds of the Placing would be available for the Company's purchase of alternative aircraft in line with its business strategy. The financing of such other purchases would be assessed in the context of the acquisition opportunities available at the time.

16 Auditor

The Auditor of the Company for the financial years ended 30 June 2008, 2009 and 2010 was Kingston Smith LLP of Devonshire House, 60 Goswell Road, London EC1M 7AD. Kingston Smith LLP is a member of the Institute of Chartered Accountants in England and Wales.

17 Documents on Display

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at Georgian House, 63 Coleman Street, London EC2R 5BB for so long as this document remains valid:

- 17.1 this Prospectus;
- 17.2 the Articles of Association of the Company;
- 17.3 the audited financial statements of the Company for the financial years ended 30 June 2008, 2009 and 2010 respectively;
- 17.4 the unaudited interim financial statements for the six-month period ended 31 December 2010; and
- 17.5 the letters of appointment referred to in paragraph 8.3 above.

Dated: 25 March 2011

PART VI

DEFINITIONS

2006 Act	the Companies Act 2006
Admission	the listing of the New Ordinary Shares (i) on the Official List with a Standard Listing and (ii) admission of the New Ordinary Shares to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Listing Rules and the Admission and Disclosure Standards
Admission and Disclosure Standards	the admission and disclosure standards of the London Stock Exchange for securities admitted or seeking to be admitted to trading, as amended from time to time
AGM	annual general meeting of the Company
Air Operator's Certificate	the approval granted from a national aviation authority to an aircraft operator to allow it to use aircraft for commercial purposes
AIM	AIM, a market operated by the London Stock Exchange
ARAN	the Australian Regional Airline Network
ARAN Agreement	the agreement dated 11 January 2011 between the Company, Skywest Airlines (Australia) Pty Ltd and Virgin Blue for the establishment of the ARAN, including the provision of a fleet of up to 20 new aircraft which will operate primarily along the length of the Eastern Coast of Australia
Articles	the Articles of Association of the Company, as amended from time to time
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AUD	Australian Dollar
ATR	Avions de Transport Regional (ID No. 323 932 236) of 1 Allée Pierre Nadot, 31712, Blagnac Cedex, France
Auditor	Kingston Smith LLP
Avation Eastern	Avation Eastern Fleet Pte Ltd, a wholly owned subsidiary of the Company
Board or Directors	the board of Directors of the Company or any duly constituted committee thereof
Business Day	any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays)
CA	Crédit Agricole CIB
CASA	Australian Government's Civil Aviation Safety Authority

Chairman	chairman of the Company
City Code	the City Code on Takeovers and Mergers published by the Takeover Panel as amended from time to time
CLA	Capital Lease Aviation PLC
Commitment Fee	the commitment fee of US\$1,000,000 paid to ATR in respect of the Supply Agreement
Companies Acts	every statute (including any orders regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the Company
Company	Avation PLC
Computershare Registrars	a trading name of Computershare Investor Services PLC
COFACE	The Export Credit Agencies of the Republic of France
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations
Disclosure and Transparency Rules	the disclosure rules and transparency rules made by the FSA under Part VI of the FSMA
ECAs or ECA	COFACE and SACE or such other export credit agencies as may be applicable
ECA Guarantee	the guarantee for the Senior Debt facility to be provided by the ECAs
EEA	the European Economic Area
EEA State	member state of the EEA
Euroclear	Euroclear UK & Ireland Limited, being the operator of CREST
Excusable Delay	when a party to the Supply Agreement fails or delays to carry out its obligations under the Supply Agreement, including the delivery of each aircraft on its scheduled delivery date, due to causes not within a party to that agreement's reasonable control including, but not limited to, acts of God, war, natural disasters, inability after due and timely diligence to procure materials or parts in certain limited circumstances, or any other cause beyond a party's reasonable control or not occasioned by such party's fault or negligence
Existing Ordinary Shares	the Ordinary Shares in issue as at 23 March 2011
Financial Services Authority or FSA	the single regulatory authority for the UK financial services industry
Firm Aircraft	the four ATR 72-500 aircraft and four ATR 72-600 aircraft which the Company has agreed to acquire from ATR on a firm basis pursuant to the

	terms of the Supply Agreement
FSMA	the Financial Services and Markets Act 2000
Gross Proceeds	the gross proceeds of the Placing
Group	the Company and its subsidiaries from time to time
HMRC	HM Revenue & Customs
IFRS	International Financial Reporting Standards adopted by the International Accounting Standards Board
Inexcusable Delay	when any aircraft due to be delivered under the Supply Agreement is not tendered for delivery within 15 days after the last day of the month of the scheduled delivery date of the aircraft for any reason other than an Excusable Delay and attributable to ATR or any of its affiliates
ISA	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
Junior Debt	the junior subordinated and unsecured debt which ATR has agreed to cause to be provided in connection with the acquisition of aircraft from it by the Company
Listing Rules	the listing rules issued by the UK Listing Authority
London Stock Exchange	London Stock Exchange PLC
Memorandum of Association	the Memorandum of Association of the Company
Model Code	the Model Code on directors' dealings in securities as set out in Annex 1 to Chapter 9 of the Listing Rules
Net Proceeds	the proceeds of the Placing, after deduction of the Placing Costs payable by the Company
Net Tangible Assets	Total assets, less intangible assets and all liabilities
New Ordinary Shares	the new Ordinary Shares issued pursuant to the Placing on the terms and subject to the conditions in this document
Official List	the Official List maintained by the UK Listing Authority
Ordinary Share or Shares	an ordinary share of one pence (£0.01) each in the capital of the Company with ticker: AVAP and ISIN: GB00B196F554
Option Fee	the option fee of US\$ per aircraft payable under the terms of the Supply Agreement
Placees	the placees who have agreed to subscribe in aggregate for 10,000,000 New Ordinary Shares pursuant to the Placing

Placing	the placing of New Ordinary Shares by WH Ireland with certain institutional investors pursuant to the Placing Agreement
Placing Agent	WH Ireland
Placing Agreement	the agreement between the Company and WH Ireland relating to the placing
Placing Costs	the fees and expenses in connection with the Placing as detailed in Part III of this Prospectus
Placing Letters	the letters dated 6 March 2011 sent by WHI to the Placees
Placing Price	100 pence per New Ordinary Share
Pre-Delivery Payment	the pre-delivery payments due to ATR pursuant to the Supply Agreement in respect of the Firm Aircraft
Prospectus	this document
Prospectus Rules	the rules and regulations made by the FSA under Part V of the FSMA (as amended from time to time)
Register	the register of members of the Company
Registrars	Computershare Investor Services PLC
Regulatory Information Service or RIS	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
Regulation S	Regulation S under the Securities Act
Resolutions	the resolutions proposed to be passed at the general meeting of the Shareholders convened for 18 March 2011
SACE	The Export Credit Agency of the Republic of Italy
SEC	the US Securities and Exchange Commission
Securities Act	the US Securities Act 1933, as amended
Senior Debt	the senior secured ECA backed debt proposed to be made available by CA in connection with the acquisition of aircraft from ATR by the Company
Shareholder	a holder of Ordinary Shares
Skywest	Skywest Airlines (Australia) Pty Ltd (ACN 008 997 662) of Perth Domestic Airport, Perth, Western Australia 6105, Australia
Skywest Singapore	Skywest Airlines Ltd (Singapore Company No. 199708548K) of 510 Thomson Road #12-04, SLF Building, Singapore 298135
SIPP	self invested personal pension
Supply Agreement	the sale and purchase agreement between the Company and ATR dated 4

	March 2011 for the supply of new aircraft
SSAS	small self-administered pension scheme
Supply Proposal	the supply proposal agreed between the Company and ATR for the supply of new aircraft on 2 February 2011
Standard Listing	a listing on the Official List under Chapter 14 of the Listing Rules
Sterling	lawful currency of the United Kingdom
Subsidiary	has the meaning as defined by the 2006 Act
Taxes Act	the Income and Corporation Taxes Act 1988
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK Corporate Governance Code	the Financial Reporting Council's UK Corporate Governance Code
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of listings on the Official List
Uncertificated Securities Regulations	the Uncertificated Securities Regulations 2001
United States or US	has the meaning given to the term "United States" in Regulation S
USD or US\$	United States Dollar
US Person	has the meaning given in Regulation S
VAT	UK value added tax
Virgin Blue	Virgin Blue Airlines Pty Ltd (ACN 080 670 965) of 56 Edmondstone Road, Bowen Hills, Queensland 4006, Australia
wet lease	a leasing arrangement whereby a lessor airline provided an aircraft, full crew, maintenance and insurance to a lessee airline which pays the lessor airline by hours operated. The lessee pays for fuel and covers airport fees, and all other duties and taxes.
WH Ireland or WHI	WH Ireland Limited

PROSPECTUS 2011

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Index:	Reuters/BBG	AVAPLN
FTSE Sector:	LSE	AVAP
FTSE Sub Sector:	Industrial Transportation	
	Transportation Services	