

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 11 to 20 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 Conduct Authority (the “FCA”) made under section 73A of FSMA and approved by the FCA 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 FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Application will be made to the FCA 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 28 November 2014.**

The Company and the Directors, whose names appear on page 25 of this Prospectus, accept responsibility 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 pages 26 to 31 of this document and to the Risk Factors section set out on pages 11 to 20 of this document.

No person is authorised to give any information or make any representation in connection with the Issue 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, 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 1985 with company number 05872328)

Acquisition of 21,065,334 Sale Shares in Capital Lease Aviation PLC and allotment of 2,786,061 New Ordinary Shares

55,663,727 Ordinary Shares in issue following Admission

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.

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 Issue 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.

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

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A - Introduction and warnings		
A.1	Warning	<ul style="list-style-type: none"> • This summary should be read as an introduction to the Prospectus. • Any decision to invest in the securities should be based on consideration of the Prospectus as a whole, by the investor. • Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. • Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. Avation PLC has not given its consent to the use of this Prospectus for the subsequent resale of securities or final placement of securities through financial intermediaries.

Section B - Issuer		
B.1	Legal and commercial name	Avation PLC.
B.2	Domicile/legal form/legislation/country of incorporation	The Company was incorporated and registered in England and Wales on 11 July 2006 as a public limited company. Its registered office is situated in England and its registered number is 05872328. The principal legislation under which the Company operates is the Companies Act 2006.
B.3	Current operations and principal activities	The Company’s main activity is the leasing of commercial aircraft. Directly and through its subsidiaries, the Company owns 28 commercial passenger aircraft which are leased to various airlines across Europe, Australia and the Asia-Pacific region. The

		Company's headquarters are in Singapore.																								
B.4a	Significant recent trends of the Company and its industry	<p>The Company is benefiting from the increasing use of operating leases by airlines. Operating leases (rather than airlines owning aircraft outright) are beneficial to airlines because they involve low capital outlay requirements and flexibility in fleet planning and aircraft delivery. In addition, airlines using operational leases do not carry the value of depreciating aircraft on their balance sheets. Operating leases are increasingly used by start-up carriers as they reduce the capital costs for market entry.</p> <p>The aviation industry as a whole has seen world passenger travel in terms of kilometres each paying passenger is carried grow at an annual average of 5.4% in the period from 2010 - 2013, an increase on the annual average of 3.5% on the period 2000-2008. Growth is estimated to be between 4.7% - 5.0% each year from 2013 to 2033. This growth means that demand for aircraft has risen and will continue to rise.</p>																								
B.5	Group Structure	<p>Avation PLC is the parent company of the Group. The principal subsidiaries (being those which are considered by the Company to be most likely to have a significant effect on the assessment of the assets and liabilities, financial position or profits and losses of the Company) are set out below:</p> <table border="1"> <thead> <tr> <th><i>Company</i></th> <th><i>Shareholding</i></th> <th><i>Parent</i></th> <th><i>Country of incorporation</i></th> </tr> </thead> <tbody> <tr> <td>Capital Lease Aviation PLC</td> <td>96.4%</td> <td>The Company</td> <td>England and Wales</td> </tr> <tr> <td>MSN 429 Limited</td> <td>100%</td> <td>MSN 429 Leaseco Limited</td> <td>England and Wales</td> </tr> <tr> <td>Avation Group (S) Pte Ltd</td> <td>100%</td> <td>The Company</td> <td>Singapore</td> </tr> </tbody> </table>	<i>Company</i>	<i>Shareholding</i>	<i>Parent</i>	<i>Country of incorporation</i>	Capital Lease Aviation PLC	96.4%	The Company	England and Wales	MSN 429 Limited	100%	MSN 429 Leaseco Limited	England and Wales	Avation Group (S) Pte Ltd	100%	The Company	Singapore								
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B.6	Notifiable interests, different voting rights and controlling interests	<p>As at 24 November 2014, being the latest practicable date the Company had been notified in accordance with DTR5 of the Disclosure and Transparency Rules of the following interests in its Ordinary Shares:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Number of shares</th> <th>Percentage of Total Voting Rights</th> </tr> </thead> <tbody> <tr> <td>Goldman Sachs Securities (Nominees) Limited</td> <td>12,058,140</td> <td>22.99</td> </tr> <tr> <td>Chase Nominees Limited</td> <td>9,331,140</td> <td>17.79</td> </tr> <tr> <td>Fitel Nominees Limited</td> <td>4,516,171</td> <td>8.61</td> </tr> <tr> <td>HSBC Global Custody Nominee (UK) Limited</td> <td>3,338,227</td> <td>6.36</td> </tr> <tr> <td>Chase Nominees Limited</td> <td>2,870,000</td> <td>5.47</td> </tr> <tr> <td>Vidacos Nominees Limited</td> <td>2,240,295</td> <td>4.27</td> </tr> <tr> <td>HSBC Global Custody Nominee (UK) Limited</td> <td>2,055,000</td> <td>3.92</td> </tr> </tbody> </table>	Shareholder	Number of shares	Percentage of Total Voting Rights	Goldman Sachs Securities (Nominees) Limited	12,058,140	22.99	Chase Nominees Limited	9,331,140	17.79	Fitel Nominees Limited	4,516,171	8.61	HSBC Global Custody Nominee (UK) Limited	3,338,227	6.36	Chase Nominees Limited	2,870,000	5.47	Vidacos Nominees Limited	2,240,295	4.27	HSBC Global Custody Nominee (UK) Limited	2,055,000	3.92
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		<p>Save as disclosed in this Element, the Company is not aware of any person who, as at 24 November 2014, directly or indirectly, has a holding which is notifiable under English law.</p> <p>The Company is not aware of any persons who, as at 24 November 2014, directly or indirectly, jointly or severally, exercise or could exercise control over the Company nor is the Company aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.</p> <p>None of the Company's major shareholders has different voting rights. To the extent known to the Company, the Company is not directly or indirectly owned or controlled by any person or any group of persons.</p>																																
B.7	Historical key financial information for the Company	The selected financial information set out below has been extracted without material adjustment from the audited annual report and accounts of the Group for the years ended 30 June 2012, 30 June 2013 and 30 June 2014, each prepared under IFRS (all figures US\$ with results for 30 June 2012 converted into US\$ using the spot exchange rate on the period end date):																																
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	Narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information	There has been no significant change to the Company's financial condition or operating results during or subsequent to the period covered by the historical key financial information, being the financial years ended 30 June 2012 to 30 June 2014.																																
B.8	Selected key pro forma financial information	Not applicable. The Issue does not represent a significant gross change to the Company.																																

B.9	Profit forecast or estimate	Not applicable. The Company has not made a profit forecast or estimate.
B.10	Qualifications in the audit reports	Not applicable. The Group has not had any qualifications in the audit report within its audited accounts in the period for which historical information is shown.
B.11	Insufficiency of working capital for present requirements	<p>The Company is of the opinion that the Group does not have sufficient working capital for its presents requirements that is, for the next twelve months from the date of this document.</p> <p>The shortfall is in the ordinary course of business and relates to (i) the amount of working capital required to fund five new ATR aircraft which are scheduled to be delivered between March and December 2015 and (ii) the amount of working capital required to fund certain Pre-Delivery Payments for four ATR Aircraft due to be paid between June and December 2015. There are also shortfalls in the provision of PDP financing to Thomas Cook and repayment of the Epsom Loans.</p> <p>The funding for the new ATR aircraft is intended to be covered by debt finance and the Company has already had offers of finance for three of the five aircraft. The working capital for the funding of the Pre-Delivery Payments will be available once the New Facilities are completed.</p> <p>In the event that the Group is unable to secure debt finance on acceptable terms to finance any of the five ATR aircraft, the Group will look to either seek a deferment of the relevant delivery date or sell the aircraft to a proposed lessee or lessor. In the event that neither of those options are viable, ATR may terminate the supply agreement in relation to that aircraft and so the Group would lose the right to acquire it and would also lose any Pre-Delivery Payments previously made, although the Directors consider such an outcome to be unlikely. The Group's income will not be affected although the Group's growth would be adversely affected.</p> <p>The Directors are, however, confident that relevant financing on acceptable terms will be secured in order to acquire the ATR aircraft on the original scheduled delivery dates and make the Pre-Delivery Payments.</p> <p>The Company anticipates that it will enter into a financing agreement with a major European bank in relation to a proportion of the Thomas Cook PDP financing and will finance the balance from existing cash.</p> <p>The Directors anticipate that the New Facilities will enable the Company to repay the Epsom Loans.</p>

Section C- Securities		
C.1	Type and the class of new securities	Avation PLC will issue up to 2,786,061 New Ordinary Shares of one pence each. The ISIN of the New Ordinary Shares is

		GB00B196F554.
C.2	Currency	The New Ordinary Shares will be denominated in Pounds Sterling.
C.3	Shares issued/value per share	As at 24 November 2014, the Company has in issue 52,877,666 fully paid Ordinary Shares of £0.01 each.
C.4	Descriptions of the rights attaching to the securities	The New Ordinary Shares will be issued credited as fully paid and will rank <i>pari passu</i> in all respects with the Existing Ordinary Shares in issue at the time they are issued, including in relation to any dividends or other distribution.
C.5	Restrictions on free transferability of the securities	Not applicable; there are no restrictions on the free transferability of the Ordinary Shares.
C.6	Admission/regulated markets where the securities are traded	Applications will be made to the UK Listing Authority for the New Ordinary Shares to be listed on the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the standard segment of its Main Market on or around 28 November 2014.
C.7	Dividend Policy	The Company has paid dividends in each of the last five years. For the year ended 30 June 2014, the Company is proposing to pay a final dividend of 2.01 US cents pence per share, an increase of 13% on the dividend for the year ended 30 June 2013 (1.78 US cents per share).

Section D- Risks		
D.1	Key information on the key risks that are specific to the issuer or its industry	<ul style="list-style-type: none"> • The Company currently has a concentrated customer base and would therefore be exposed in the event of the unexpected failure of the business of any of its customers, in particular Virgin Australia Holdings. • The Company does not currently have sufficient working capital to secure the completion of five ATR aircraft. If the Company is unable to arrange senior debt finance finalise the acquisition of these five aircraft, the Company's projected growth strategy will be adversely affected. • The Company does not currently have sufficient working capital to fund Pre-Delivery Payments on four ATR Aircraft. If these payments are not made, the Company may forfeit its right to purchase these ATR Aircraft and any associated Pre-Delivery Payments already made may be forfeited. • The growth strategy of the Company and its subsidiaries will involve future acquisitions and leasing of aircraft. The Company may experience difficulties in acquiring aircraft on favourable terms, or at all. Increased competition for aircraft could decline the Company's

		<p>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.</p> <ul style="list-style-type: none"> • 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 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. • Any decrease in the values of and achievable lease rates for the Company's portfolio of aircraft following expiry of the current leases could have a material adverse effect on the Company's financial condition and business prospects.
D.3	Key risks that are specific to the securities	<ul style="list-style-type: none"> • The Company's Ordinary Shares have a Standard Listing on the Official List and therefore a number of protections afforded to investors in companies with Premium Listed shares do not apply to the Company. The Company is not required to comply with provisions of the Listing Rules which concern significant transactions, related party transactions and dealing in its own shares. Although the Company voluntarily complies with certain of the Listing Rules which do not apply to companies with a Standard Listing, neither the UK Listing Authority nor FCA will monitor such compliance or impose sanctions on the Company for any non-compliance. • The value of an investment in Ordinary Shares may be subject key risks that are to significant fluctuations due to a change in sentiment in the specific to the securities market regarding these securities, resulting in a decline in the market price of the New Ordinary Shares.

Section E- Offer		
E.1	Net proceeds	Not applicable - the New Ordinary Shares are being issued for non-cash consideration. The total costs, charges and expenses payable by the Company in the Issue are estimated to be approximately £200,000. The Company intends to pay for all expenses arising from, or in connection with, the Issue.
E.2a	Reasons for the Issue/use of proceeds	<p>It is intended that New Ordinary Shares will be used as non-cash consideration to acquire the Sale Shares from Jabre Capital.</p> <p>There will be no net proceeds.</p>

E.3	Terms and Conditions of the Offer	Not applicable; there is no Offer
E.4	Interest that are material to the issue/conflicting interests	Not applicable; there is no interest that is material to the Issue and no conflicting interests.
E.5	Name of the offeror/lock-up agreements	There are no lock-up agreements being entered into in relation to the Issue.
E.6	Dilution	Shareholders will experience a 5.0 per cent. dilution in their holding due to the allotment of the New Ordinary Shares.
E.7	Estimated expenses charged to the investor	Not applicable.

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.

Prospective investors should note that the risks relating to the Company, its industry and the New Ordinary Shares summarised in the section of this document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

RISK FACTORS RELATING TO THE BUSINESS OF AVATION AND THE INDUSTRY IN WHICH IT OPERATES

Working Capital

The completion of the purchase of ATR Aircraft 23 (March 2015), ATR Aircraft 24 (June 2015), ATR Aircraft 25 (August 2015), ATR Aircraft 26 (November 2015), and ATR Aircraft 27 (December 2015) (together, the **Unfinanced ATRs**) will be dependent on the Company securing senior debt finance. Accordingly, it should be noted that in the Company's opinion it does not, as at the date of this document, have the working capital available to it to complete the purchase of those aircraft scheduled for delivery during the working capital period (i.e. 12 months from the date of this document). If the Company is unable to arrange suitable senior debt finance for the Unfinanced ATRs, the Company would not complete the purchase of these Aircraft and lose the firm delivery slot of such firm Aircraft. Failure to complete the scheduled Aircraft acquisitions would adversely affect the Company's growth.

In its opinion, the Company also requires further funding for certain Pre-Delivery Payments for ATR Aircraft 24 (June 2015), ATR Aircraft 25 (August 2015) ATR Aircraft 26 (November 2015), and ATR Aircraft 27 (December 2015) which fall due during the working capital period. Should the Company be unable to fund any Pre-Delivery Payment when it falls due, ATR would have the right to terminate the ATR Supply Agreement in respect of that ATR Aircraft. Termination of the ATR Supply Agreement in respect of any ATR Aircraft would adversely affect the ability of the Company to grow its fleet of ATR Aircraft and therefore its ability to grow its revenue. ATR may also retain the Pre-Delivery Payments paid by the Company in respect of any ATR Aircraft in respect of which the ATR Supply Agreement is cancelled, although the Directors believe this to be unlikely. If there is a delay in paying a Pre-Delivery Payment, this might cause the Company to lose a firm delivery slot which would in turn delay the Company's pipeline of deliveries and would delay the growth in the Company's fleet and its revenue.

In addition, the Company does not currently have sufficient working capital to enable it to finance certain PDP instalments due to Thomas Cook in respect of respect of the sale and lease back of two Airbus A321-200. Although the Company has signed a term sheet with a major European bank in relation to the financing of a proportion of the PDPs, in the event that the Company and that bank does not enter into definitive documentation in relation to such financing and cannot source any funding alternatives, Thomas Cook may terminate the arrangements.

There is also a shortfall of working capital required in relation to the repayment of the Epsom Loans.

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 ATR 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 the 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 has a limited number of aircraft types and may be adversely affected by “type” faults in a particular type of aircraft

18 of the 29 aircraft currently owned by the Group are of one type of aircraft, the ATR 72 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 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 concentrated customer base

21 of the 29 aircraft currently owned by the Group are leased to Virgin Australia. Although the Group’s on-going strategy is to expand its customer base by contracting with airline customers other than Virgin in respect of the New Portfolio Aircraft, in the event that Virgin Australia faces 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 because of the relatively large proportion of Group aircraft leased to Virgin Australia.

Should any leases be terminated following an unexpected failure of Virgin Australia’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 longer-term growth strategy of the Company beyond that envisaged pursuant to the implementation of the ATR Supply 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 longer-term growth, and it may not be able to obtain it on suitable terms or at all

In the longer-term, the Company will require additional financing to grow its fleet beyond the Firm Aircraft (for example should the Company exercise its Aircraft Options or Purchase Rights under the ATR Supply Agreement) and the New Portfolio Aircraft. 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 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. 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 decline 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 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 current reason to believe the lessees' financial condition will impact their ability to meet their obligations to the Company.

The Company could be exposed to 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, Europe, Australia and the Asia-Pacific region). 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 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 expire 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 its executive directors as its key personnel. 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, the Directors have significant experience in the airline and aircraft leasing industry and the loss or departure of any of them 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 and profitability.

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 is subject to income and 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. When such taxes are levied on the Company, they 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.

Future high fuel prices may affect the profitability of the airline industry and so 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. Whilst fuel prices are currently at low 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 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, evidenced by a sharp reduction in passenger bookings, the cancellation of many flights and employee layoffs..

The 2014 outbreak of Ebola, which began in Guinea and then spread to other West African countries, including Liberia, Nigeria and Sierra Leone, has recently been diagnosed in a small number of people from and resident in Spain, the United Kingdom and the United States who either travelled to affected areas in Africa or were involved in the treatment of patients with Ebola.

If the Ebola outbreak further spreads, the aviation industry could suffer a severe adverse impact. The fear of such events could provoke responses, including government imposed travel restrictions on airlines (whether or not flying into affected countries), 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 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 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 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. 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. The Company's growth is reliant on the ability of ATR to deliver under the ATR Supply Agreement in the unlikely event that ATR encounter difficulties in continuing its production of the Aircraft, this would adversely affect the Company's growth plans, as the Company does not have any alternative source for the provision of Aircraft under the ARAN Agreement and such a failure may give rise to the termination of the ARAN Agreement.

Currency Risk

Any future income from the leases may be subject to exchange rate fluctuations and become subject to exchange control or similar restrictions.

RISKS RELATING TO THE ISSUE AND AN INVESTMENT IN NEW ORDINARY SHARES

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 FCA 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 FCA 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 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 the 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. As an issuer with shares on the Standard List, the Company is currently subject only to Listing Principles 2 (*establishment and maintenance of adequate controls in order to comply with obligations*) and 6 (*dealing with the FCA in an open and co-operative manner*).

In any case, 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 with 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.

The value of an investment in New Ordinary Shares may be subject to material fluctuations and may not reflect the underlying asset

The market price of the New Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding these securities, the Company and its Group. The fluctuations could result from national and global economic and financial conditions, and market perceptions of Avation and the industry in which it operates. Additionally, the financial results and prospects of Avation from time to time may fall to be below the expectations of analysts and investors. Any of these events could result in a decline in the market price of the New Ordinary Shares.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	26 November 2014
Admission of the New Ordinary Shares to the Official List and to trading on the main market of the London Stock Exchange	28 November 2014

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.

STATISTICS

Mid-market price of an Ordinary Share on 24 November 2014	171 pence
Number of New Ordinary Shares being issued	2,786,061
Total number of Shares in issue following Admission	55,663,727

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, or any other person. Without prejudice to the Company's obligations under 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.

This document is being furnished by the Company in connection with an offering exempt from registration under the Securities Act. 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 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 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 does 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 judgment 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.

The offer or invitation which is the subject of this document is only allowed to be made to the persons set out herein. Moreover, this document is not a prospectus as defined in the Securities and Futures Act (Chapter 289) of Singapore (SFA) and accordingly, statutory liability under the SFA in relation to the content of the document will not apply.

As this document has not been and will not be lodged with or registered as a document by the Monetary Authority of Singapore, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore

By accepting this document, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth above and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

Investment Considerations

Prospective investors should not treat the contents of this document or any subsequent communications from the Company 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 FSMA, the Listing Rules, the

Prospectus Rules and the Disclosure and Transparency Rules.

For the avoidance of doubt, the above does not seek to qualify the working capital statement made in paragraph 15 of Part VI of this document. Investors should read the whole of this document and not rely only on summarised information.

Presentation of information

Avation Accounts

For the year ended 30 June 2013 Avation reported its results in US\$ for the first time, as the majority of its revenue from operations is US\$. The report and accounts ended 30 June 2013 gave comparative figures for the year ended 30 June 2012 restated in US\$ using the spot rate of exchange on 30 June 2012. Figures extracted from accounts for the period ended 30 June 2012 stated in this Prospectus have been converted into US\$ using the relevant period end exchange rate. The report and accounts for the period ended 30 June 2012, which are incorporated by reference into this Prospectus (as more detailed in Part V), are stated in £.

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 pounds sterling", "Sterling", "£" or "pounds" are to the lawful currency of the United Kingdom. All references to "\$", "US\$" or "USD" are to the lawful currency of the United States. All references to "SG\$" are references to the lawful currency of Singapore.

The currency exchange rate used for conversion of Sterling amounts to USD as at the latest practicable date is £1.00 to US\$1.57. Other exchange rates used in this document are noted in the relevant sections.

Latest Practicable Date

Unless otherwise indicated, the latest practicable date for the inclusion of information in this Prospectus is at close of business on 24 November 2014.

Definitions

A list of defined terms used in this Prospectus is set out at Part VIII, pages 101 to 106.

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>Executive Chairman</i>) Roderick Douglas Mahoney Dr Stephen Fisher
all of	510 Thomson Road #12-04 SLF Building Singapore 298135
Registered Office	Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX United Kingdom
Principal Place of Business:	510 Thomson Road #12-04 SLF Building Singapore 298135
Company Secretaries	Siobhán Mary Macgroarty Cool Jason Francis Gollogly Duncan Gerard Stephen Scott
all of	510 Thomson Road #12-04 SLF Building Singapore 298135
Legal Advisers to the Company as to English Law	Charles Russell Speechlys LLP 6 New Street Square London EC4A 3LX 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 BS13 8AE United Kingdom

PART I
CHAIRMAN'S LETTER

AVATION PLC

(Incorporated in England and Wales with company number 5872328)

Directors:

Robert Jeffries Chatfield (*Executive Chairman*)
Roderick Douglas Mahoney
Dr Stephen Fisher

510 Thomson Road
#12-04 SLF Building
Singapore
298135

24 November 2014

Dear Shareholders and Investors,

Issue of New Ordinary Shares of Avation PLC on the Official List

Introduction

The Company is proposing to allot 2,786,061 New Ordinary Shares as consideration for the purchase of 21,065,334 Sale Shares in Capital Lease Aviation PLC (CLA). CLA was established by the Company in 2007 and its shares were admitted to trading on AIM at the end of 2007, having raised initial capital of approximately \$25 million.

Since CLA's establishment, the Company has owned more than 50% of its issued share capital. It had been hoped by the Board that CLA would have developed into an independent and substantial aircraft lessor with its own shareholder base and a different proposition to the Company's business. However, due in part to the impact of the global financial crises in 2007 and 2008, CLA was unable to scale up fast enough to give it the critical mass to grow as had been originally hoped. Nonetheless, CLA continued to pursue transactions and aircraft acquisitions which might re-ignite its growth.

In the last few years the Company has considered CLA's share price to be at a significant undervalue and has therefore sought to acquire smaller parcels of shares in CLA where pricing and opportunities permitted.

In addition to the value which the Board believes there to be in CLA shares due to their significant discount to NAV, the Company also believes that there may be significant synergies in combining the operations of CLA and the Company and therefore eliminate the overhead of CLA's separate stock market quotation.

The Sale Shares represent approximately 22 per cent. of the issued share capital of CLA and were held by Jabre Capital. The acquisition of the Sale Shares therefore represents a significant increase in the Company's ownership of CLA. The Company has agreed with Jabre Capital that the New Ordinary Shares will be directed by Jabre to be placed by the Company with certain places procured by the Company's brokers, WH Ireland Limited and Cenkos Securities PLC, at 155 pence per New Ordinary Share pursuant to the terms of the Placing Agreement and that Jabre will receive the gross consideration from the issue of the New Ordinary Shares, being £4,318,394.55. This was announced to the market on 20 November 2014.

The Company has also recently acquired additional shares in CLA which, together with the acquisition of the Sale Shares, take the Company's holding in CLA to approximately 96 per cent. of the issued share capital.

Shareholders will experience a 5.0 per cent. dilution in their holding due to the New Ordinary Shares to be issued in conjunction with the Acquisition.

The Company is required to issue a Prospectus in connection with the allotment of the New Ordinary Shares under the Prospectus Rules because the New Ordinary Shares will, when taken with Ordinary Shares which the Company has allotted in the past 12 months, represent more than 10 per cent. of the total Ordinary Shares already admitted to trading.

Purpose of the Issue

The purpose of the Issue is to allot the New Ordinary Shares in satisfaction of the Company's obligations under the Sale and Purchase Agreement.

The New Ordinary Shares are being issued for non-cash consideration and accordingly there will be no cash proceeds as a result of the Issue.

Under the Companies Act 2006, a public limited company can only allot shares for non-cash consideration if a valuation is undertaken of those shares which confirms that the valuation is reasonable. The value of the Sale Shares has been confirmed by an independent valuer whose report is set out in Part VII of this document.

Background

The Company remains confident in the aircraft leasing market's prospects, supported by growing trends in global air traffic. Air traffic has doubled every fifteen years since the 1970s and is expected to double again over the next fifteen years. As a result of this track record in air traffic the demand for passenger aircraft is set to increase both to satisfy increased demand and to replace older aircraft with newer, more fuel-efficient and technologically enhanced aircraft.

The provision of leased passenger aircraft to airlines by dedicated aircraft leasing companies has shown a steady growth over the past thirty years and today approximately 35 per cent. of the global passenger aircraft fleet are operated by airlines under lease from aircraft leasing companies. This percentage is expected to grow over the next five to ten years.

Within the aircraft leasing industry the Company has focussed on narrow-body and regional passenger aircraft, including the ATR 72 turbo-prop aircraft, which is a popular fuel efficient and environmentally friendly aircraft over short flight segments.

The Company has a significant number of scheduled future ATR 72 additions to the fleet, which the Company has typically funded the equity portion of through operating cashflow.

However, ATR aircraft now represent a significant proportion of the Group's aircraft portfolio and the Board considers it appropriate to seek to add jet aircraft in order to diversify the Company's assets and customer base, in addition to continuing to roll out its ATR programme. Increasing the Company's exposure to the jet aircraft in CLA's portfolio by way of the Acquisition is a means of implementing this diversification strategy in relation to assets which the Company already knows well.

Portfolio update

Since the end of the Company's last financial year (30 June 2014), the Company has increased and refreshed its portfolio of aircraft. Since 30 June 2014, the Company's total aircraft assets have increased from approximately US\$430.6 million to US\$502.8 million and details of aircraft under lease are set out below:

<i>Aircraft Type</i>	<i>No. of Aircraft</i>	<i>Year of Manufacture</i>	<i>Lessee</i>	<i>Country</i>
Fokker F100	2	1992	VARA	Australia
	3	1994	VARA	Australia
ATR 72-500	6	2011	VARA	Australia
ATR 72-600	4	2012	VARA	Australia

	3	2013	VARA	Australia
	1	2014	VARA	Australia
	1	2014	Fiji Airways	Fiji
	2	2014	UNI Airways	Taiwan
	1	2014	Quick Duck S.R.O.	Slovakia
A320-200	1	1993	VARA	Australia
	1	2002	VARA	Australia
A321-200	1	2002	Thomas Cook Scandinavia	Scandinavia
	1	2003	Thomas Cook Scandinavia	Scandinavia
	1	2001	Condor	Germany
Total	29			

The Company also has a 39 per cent. share in a Fokker F100 aircraft with MSN11305. This aircraft is on lease to VARA.

Aircraft Pipeline

The Company's initial pipeline of ATRs was secured for the purposes of supporting the Australian Regional Airline Network (**ARAN**) Agreement which the Company signed in January 2011 with VARA and Virgin Australia. Under the ARAN, six ATR 72-500s and eight ATR 72-600s have entered service for Virgin Australia and are operated by VARA.

The Company is, however, actively seeking to diversify its customer base and has recently delivered new ATR 72-600 aircraft to Fiji Airways, UNI Airways (a subsidiary of EVA Air), Quick Duck Airways (based in Slovakia) and Air India AASL.

In addition to these new airline customers, the Company has entered into leases for two new Airbus A321-200 aircraft with Thomas Cook UK. The Company continues to build its customer base with other airlines as noted on the delivery schedule below.

The Company currently has a number of Aircraft Options under the ATR Sale and Purchase Agreement. The Company currently has no plans to exercise these Aircraft Options.

Schedule of Deliveries

<i>Aircraft</i>	<i>Type</i>	<i>Lessee</i>	<i>Delivery Date</i>
ATR Aircraft 21	ATR 72-600	Air India AASL	December 2014
ATR Aircraft 22	ATR 72-600	Air India AASL	January 2015
ATR Aircraft 23	ATR 72-600	Unplaced – aircraft being marketed to various airlines	March 2015
ATR Aircraft 24	ATR 72-600	Term sheet signed for lease with European Airline	June 2015
ATR Aircraft 25	ATR 72-600	Term sheet signed for lease with European Airline	August 2015
ATR Aircraft 26	ATR 72-600	Term sheet signed for lease with European Airline	November 2015

ATR Aircraft 27	ATR 72-600	Term sheet signed for lease with European Airline	December 2015
Airbus Aircraft 1	Airbus A321-200	Thomas Cook UK	February 2016
Airbus Aircraft 2	Airbus A321-200	Thomas Cook UK	March 2016

Other portfolio aircraft

The Company continues to operate its other portfolio aircraft which are leased to airlines in Europe and Australia. The Company is continuously evaluating potential opportunities for growth in line with its Aircraft Acquisition Strategy.

Financing

The successful implementation of the Company's strategies is critical for the growth of its business. In addition to equity finance raised from its shareholders, the Company has sourced debt finance from a number of lenders. As the Company grows, it intends to diversify the sources of finance to enable it to maximise its growth opportunities.

ECA Senior Debt

In conjunction with the Company's acquisition of its first eight ATR 72s, the Company was able to secure financing from CA-CIB, with ECA guaranteed backing from COFACE and SACE, for the Initial Aircraft. Subsequently the Company has secured financing from Export Development Canada which is the export credit agency for Canada.

In relation to ATR Aircraft 21 and 22, the Company has received a binding letter of offer from Export Development Canada.

Junior Debt

Where appropriate, the Company has secured Junior Debt to part finance aircraft acquisitions.

Senior bank debt

The Company has loans from a number of other banks and commercial lenders, such loans being secured on the underlying aircraft.

Further details of the above financing are set out in Part II of this document. The Directors are confident that with these diverse funding sources available to the Company the on-going growth of the Company can be funded in line with its strategy. However, attention is drawn to the working capital statement at paragraph 15 (*Working Capital*) of Part VI of this document.

New Facilities

The Company has entered into heads of agreement with a major European Bank in relation to a term loan to re-finance two Airbus A321-200 aircraft currently on lease to Thomas Cook Scandinavia. It is anticipated that this transaction is expected to complete in December 2014 and on completion is expected to release approximately \$15.5 million in cash available for the Group's working capital purposes.

The Company has entered into heads of terms with a major European bank in relation to the provision of junior finance in respect of a number of the Company's ATR aircraft. This transaction is expected to complete before 31 December 2014 and is expected to release approximately \$8.1 million in cash available for the Group's working capital purposes.

The Directors are confident of completing these transactions and securing this additional finance for the Company.

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 28 November 2014.

Taxation

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in paragraph 10 of Part VI 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 £200,000. These expenses will be borne by the Company.

Recommendation

The Board considers that the Issue and the Acquisition are in the best interests of the Company and the Shareholders as a whole.

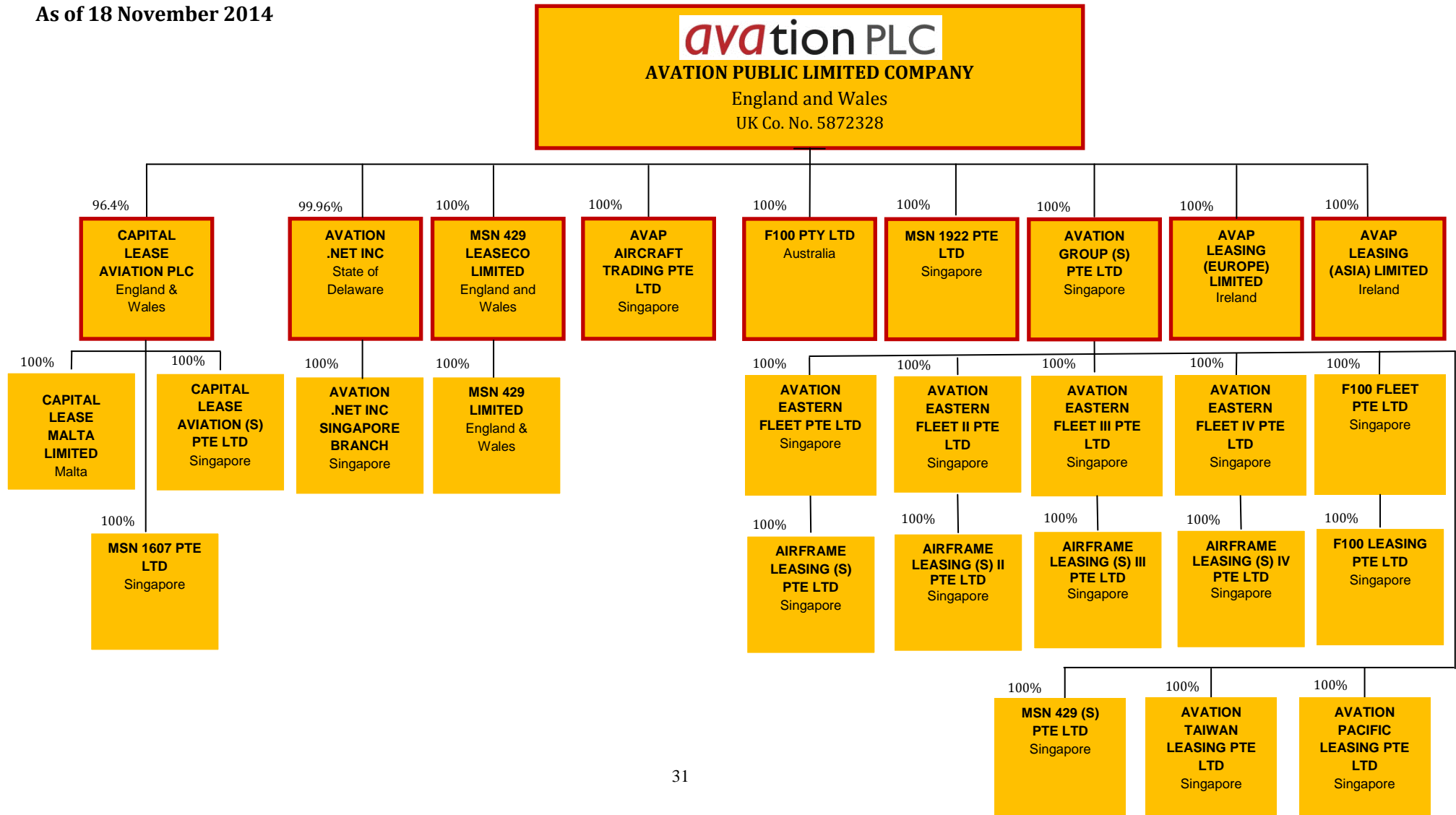
Yours faithfully,

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

Robert Jeffries Chatfield
(Executive Chairman)

Avation PLC Group Structure

As of 18 November 2014



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.

As at 30 June 2014, the Company had total gross assets of US\$415,628,315.

Principal Activities

The Company's main activity is the leasing of commercial aircraft. Directly and through its subsidiaries, the Company owns or leases twenty-eight commercial passenger aircraft which are on operating leases to various airlines across Europe, Australia and the Asia-Pacific region.

The ATR aircraft are leased on terms of ten years and the Group's other 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 leasing, rather than purchasing, aircraft.

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

Group Structure and History

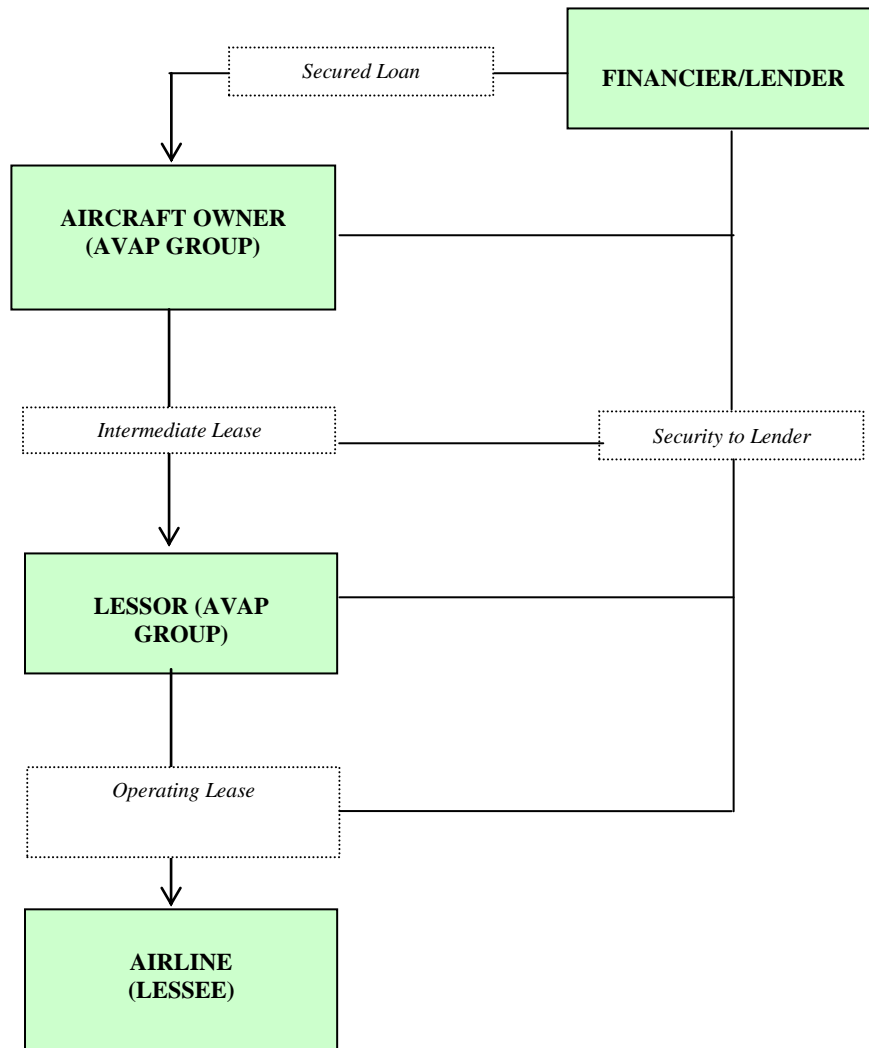
The Company was incorporated on 11 July 2006 with the object of supporting Skywest Airlines (now part of Virgin Australia Airlines and known as VARA) by providing aircraft leasing facilities, and continues to do so. The Company's shares were originally admitted to trading on the PLUS-quoted market on 7 November 2006 and remained on PLUS until 5 October 2010. On admission to the PLUS-quoted market, the market price of the Ordinary Shares was 4 pence. 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.

As at 30 June 2014 the Company had 25 direct and 4 indirect wholly owned subsidiaries, further details of which are set out on pages 60-61.

Additionally, the Company has an approximate 96 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. As a separately quoted company, the board of CLA operates independently from the Company. CLA is an aircraft leasing company which itself has two wholly owned aircraft leasing subsidiaries, MSN 1607 Pte Ltd and Capital Lease Malta Limited. It is anticipated that should the Company's holding in CLA increase significantly, CLA would ultimately be de-listed from AIM.

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

Typical Leasing Structure



The majority of the Group's aircraft are leased to Airlines under an operating lease through the structure set out above. Differences in the structure are usually driven by international taxation and the Group obtains tax advice in respect of each new leasing transaction and structure it establishes.

A typical operating lease will contain the following key provisions:

- the amount of rent payable for the lease of the aircraft and the manner in which it will be paid, including provisions regarding security deposits and maintenance rent or reserves;
- the term of the lease (including any early termination or extension rights or the lessee's right to purchase the aircraft);
- the lessee's obligation to maintain and insure the aircraft; and
- provisions as to the return of the aircraft and its condition at that time (including any financial or other adjustments necessary).

In certain of the leasing structures and as a condition to the financing for that transaction, the legal title to the aircraft sits above the structure set out above in a 'bankruptcy remote structure', as part of the security granted to the financiers. Where this is the case, legal title is held in a structure with no ultimate

beneficial owner but which on repayment of the financing is collapsed and the legal title returned to the relevant Group entity which is the borrower as per the structure above.

Growth 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. Where possible, 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.

Aircraft Acquisition Strategy

The Group follows a balanced strategy when considering potential aircraft investment proposals. Transactions may include the acquisition of new aircraft from manufacturers, the sale and leaseback of aircraft from airlines or the acquisition of aircraft from other operating lessors. The principal criteria against which any potential acquisition transaction is assessed are as follows:

- *Internal rate of return:* all proposed transactions are analysed to determine their internal rate of return and this metric is used in the context of the other items below.
- *Terms of operating lease:* the terms of the operating lease are considered with regard to various matters including maintenance obligations and compensation, end of lease condition and any termination rights.
- *Lease rate:* this is the key metric which determines the financial performance of any aircraft to be acquired by the Group.
- *Availability of debt finance:* there are a range of factors which determine this including the lessee airline's credit rating.
- *Type and age of aircraft:* popular and liquid aircraft types such as Airbus A320s and Boeing 737s are targeted, as well as younger assets.
- *Geographical location:* the operation of aircraft in certain countries is more risky than others, so the Group targets those jurisdictions which have lower levels of geo-political risk as well as robust legal systems.
- *Lessee credit risk:* the Group performs an analysis of a lessee airline's credit risk either internally or through external rating agencies.
- *Cost of debt finance:* this metric is also key in that it determines the gross profit margin for each aircraft to be acquired as against the rental income. Typically, the Group will seek to fix the finance costs (principally the interest rates) for each transaction so that these are matched against

the level of rental income so as to generate a fixed monthly return over the course of the operating lease.

- **Length of the lease:** operating lease are typically for lease terms of between 8 and 12 years and the Group seeks to maximise the length of its operating lease whether on new or aircraft acquired with an operating lease attached.

All proposed transactions are analysed in detail and considered by the Directors before any commitment to purchase is entered into. Once a proposed transaction is approved in principle, the Group will carry out detailed due diligence on the aircraft and its supporting technical documentation, including a physical inspection of the asset attached.

Principal Markets

The Group's principal markets are Europe, Australia and Oceania and the Asia-Pacific region. 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 2012, 2013 and 2014:

Region	Net Book Value US\$		
	2012	2013	2014
Europe	65,092,000	83,055,817	79,215,923
North America	8,841,000	8,197,125	6,841,366
Australia and Oceania	139,921,910	255,939,738	281,207,642
Total	213,854,910	347,192,680	367,264,931

US\$ amounts are calculated by reference to the exchange rate on last the day of the relevant financial period

Aircraft Leases

Information on the leases entered into by the Group is set out below. The total monthly fixed rent generated from these aircraft is US\$4.8 million

	MSN and Registration Number	Aircraft Type	Lessor Company	Airline Lessee	Commencement Date (Original Date)	Lease Term (Months)	Areas of Operation
1	0429 VH-FNP	Airbus A320	MSN 429 Limited	Virgin Australia Regional Airlines Pty Ltd	2 April 2010	84*	Western Australia, Bali, Victoria
2	1922 VH-YUD	Airbus A320	MSN 1922 Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	18 April 2013	61	Western Australia
3	1881 OY-VKA	Airbus A321	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	1 April 2003	216	Europe, Scandinavia
4	1921 OY-VKB	Airbus A321	Capital Lease Malta Limited	Thomas Cook Airlines Scandinavia A/S	28 February 2003	216	Europe, Scandinavia
5	1607 D-AIAA	Airbus A321	MSN 1607 Pte Ltd	Condor Flugdienst GmbH	30 April 2012	72	Germany
6	0954 VH-FVH	ATR 72-500	Airframe Leasing (S) Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	11 August 2011	120	Eastern Australia
7	0955 VH-FVI	ATR 72-500	Airframe Leasing (S) Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	18 August 2011	120	Eastern Australia
8	0974 VH-FVL	ATR 72-500	Airframe Leasing (S) Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	13 October 2011	120	Eastern Australia

9	0978 VH-FVU	ATR 72-500	Airframe Leasing (S) II Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	26 January 2012	120	Eastern Australia
10	0979 VH-FVM	ATR 72-500	Airframe Leasing (S) Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	29 November 2011	120	Eastern Australia
11	0986 VH-FVX	ATR 72-500	Airframe Leasing (S) II Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	1 February 2012	120	Eastern Australia
12	1025 VH-FVP	ATR 72-600	Airframe Leasing (S) Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	3 August 2012	120	Eastern Australia
13	1039 VH-FVN	ATR 72-600	Airframe Leasing (S) Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	6 September 2012	120	Eastern Australia
14	1053 VH-FVQ	ATR 72-600	Airframe Leasing (S) Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	26 November 2012	120	Eastern Australia
15	1058 VH-FVR	ATR 72-600	Airframe Leasing (S) Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	19 December 2012	120	Eastern Australia
16	1073 VH-FVY	ATR 72-600	Airframe Leasing (S) III Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	28 February 2013	120	Eastern Australia
17	1087 VH-FVZ	ATR 72-600	Airframe Leasing (S) IV Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	31 May 2013	120	Eastern Australia
18	1107 VH-VPI	ATR 72-600	Airframe Leasing (S) IV Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	13 September 2013	120	Eastern Australia
19	1146 DQ-FJZ	ATR 72-600	Avation Pacific Leasing Pte Ltd	Air Pacific Limited	30 May 2014	144	Fiji
20	1169 VH-VPJ	ATR 72-600	Airframe Leasing (S) IV Pte Ltd	Virgin Australia Regional Airlines Pty Ltd	25 August 2014	120	Eastern Australia
21	1175 B-17012	ATR 72-600	Avation Taiwan Leasing Pte Ltd	Uni Airways Corporation	5 September 2014	36	Taipei, Republic of China
22	1162 OM-AQD	ATR 72-600	AVAP Leasing (Europe) Limited	Quick Duck, S.R.O.	18 September 2014	120	Slovakia
23	1183	ATR 72-600	Avation Taiwan Leasing Pte Ltd	Uni Airways Corporation	23 October 2014	36	Taipei, Republic of China
24	11373 VH-FNU	Fokker 100	F100 Leasing Pte. Ltd.	VA Regional Leaseco Pty Ltd	8 August 2008	108	Western Australia, Northern Territory, Bali (Indonesia)
25	11391 VH-FSW	Fokker 100	F100 Leasing Pte. Ltd.	VA Regional Leaseco Pty Ltd	19 August 2008	100	Western Australia, Victoria
26	11484 VH-FNY	Fokker 100	F100 Leasing Pte. Ltd.	VA Regional Leaseco Pty Ltd	3 April 2007	114	Western Australia, Northern Territory, Bali (Indonesia)
27	11488 VH-FNR	Fokker 100	F100 Leasing Pte. Ltd.	VA Regional Leaseco Pty Ltd	3 August 2004	153	Western Australia, Northern Territory, Bali (Indonesia)
28	11489 VH-FNJ	Fokker 100	F100 Leasing Pte. Ltd.	VA Regional Leaseco Pty Ltd	24 April 2004	153	Western Australia, Northern Territory, Bali (Indonesia)

29	11305 VH-FZO**	Fokker 100	Avation PLC	F11305 Pte Ltd / Virgin Australia Regional Airlines Pty Lrd	15 July 2011	48	Australia
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* With an option to extend for a further period of 36 months.

** The Company has a 39 per cent. share in this aircraft via F11305 Pte Ltd

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 in accordance with the return conditions under each lease.

On expiry of each of the leases, the Group seeks to re-lease these aircraft either to the incumbent lessee or to another airline or aircraft operator. The Group also considers the sale of its aircraft assets. The Group commences discussions with the incumbent lessees and potential third party lessees or purchasers around twelve months ahead of the scheduled lease expiry.

Capital Lease Aviation has recently taken re-delivery from US Airways of an Airbus A320-200. Due to its age, this aircraft has been taken out of service and will be sold for scrap and/or spare parts.

Information on the Group's Lessees

Information contained in the following paragraphs is obtained from publically available sources. This information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by the relevant third party from which the information is sourced, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Alliance Air also known as Air India Regional:

Founded in 1996 as a wholly-owned subsidiary of Air India (100%), Alliance Air is the regional division of Air India operating low-cost domestic passenger services from its primary hub at Delhi's Indira Gandhi International Airport.

More information on Alliance Air can be seen at www.airindia.in/alliance-air.htm

Condor:

Established at Frankfurt am Main in December 1955 as Deutsche Flugdienst GmbH, Condor is Germany's largest holiday airline, part of Thomas Cook AG, operating services from German cities to destinations in the Mediterranean Basin and long-haul to Asia, Africa, North America and the Caribbean. Condor is owned by Thomas Cook (United Kingdom) (100 %).

More information on Condor can be seen at www.condor.de

Fiji Airways:

Founded as Katakaga Estates by Australian aviator Harold Gatty in 1947, Fiji Airways is the Nadi-based national flag-carrier of Fiji, operating international services linking Fiji with other South Pacific Islands and destinations in Australasia, Hong Kong, Japan and North America. Domestic services are flown by its subsidiary Fiji Link. Fiji Airways is owned by the Fijian Government (51.00%), Qantas (46.30%), Air New Zealand (1.94%), the Government of Kiribati (0.27%), the Government of Tonga (0.27%), the Government of Samoa (0.12%), the Government of Nauru (0.08%), and other minority shareholders (0.02%).

More information on Fiji Airways can be seen at www.fijiairways.com

Quick Duck Airlines:

Founded in 2013, Quick Duck Airlines is a privately-owned carrier planning to offer wet-leasing

(Aircraft, Crew, Maintenance and Insurance, or ‘ACMI’) services with ATR72 aircraft from its base in Bratislava, Slovakia.

More information on Quick Duck Airlines can be seen at www.quickduck.eu

Thomas Cook Airlines Scandinavia:

Founded in 2007 through the merger of Conair of Denmark and Scanair of Sweden, Thomas Cook Scandinavia is the Scandinavian arm of the European leisure group operating inclusive tour flights from cities in Denmark, Finland, Norway and Sweden to holiday resorts in Mediterranean Europe, the Middle East, North Africa and Cape Verde, as well as long-haul flights to the Caribbean, Mexico and Thailand.

More information on Thomas Cook Airlines Scandinavia can be seen at www.thomascookairlines.se

UNI Air:

Founded in 1988 as Makung Airlines and acquired by EVA Air in 1995, UNI Air Operates scheduled and charter flights both within Taiwan and to regional destinations in China, Japan, South Korea, Taiwan and Vietnam. UNI Air is owned by EVA Air (18.00%) and other minority shareholders (82.00%).

More information on UNI Air can be seen at: www.uniair.com.tw

Virgin Australia:

Established by the UK-based Virgin Group in November 1999, Virgin Australia is an Australian low-cost carrier operating scheduled domestic trunk routes between Australia's capital and many regional cities. Long-haul international services are operated under its own branding while sister carriers Virgin Australia (NZ) and Virgin Samoa operate short-haul international services. The airline is listed on the ASX and is part-owned by Singapore Airlines, Air New Zealand and Etihad Airways with whom it has strategic alliances, and it also has an alliance with Delta Airlines of the USA.

More information on Virgin Australia can be seen at www.virginaustralia.com

Sources

- *Flight Global Pro*
- *Airlines websites*

Financing

The Group has the following aircraft finance facilities in place as at 24 November 2014, 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:

<i>Borrower</i>	<i>Facility</i>	<i>Lender</i>	<i>Principal Amount (US\$)</i>	<i>Debt Outstanding</i>	<i>Final Maturity Date</i>
F100 Fleet	Senior Secured Loan	Deutsche Bank AG, Sydney BRanch	22,116,000	6,684,085	16 Jan 2017
CLA/CLM	Senior Secured Loan	DVB Bank SE	60,000,000	20,815,587	31 Mar 2015
AEF	Senior Secured Export Credit Loan	Crédit Agricole CIB	133,499,069	104,762,728	19 Dec 2022
AEF	Junior Loan	Junior Lender	10,654,977	11,940,658	19 Dec 2022
MSN 429 Leaseco Limited	Senior Secured Loan	Barendina S.A.	6,000,000	6,000,000	19 Jun 2017

AEF III	Senior Secured Loan	CIC	15,000,000	13,253,707	28 Feb 2023
AEF III	Junior Loan	Junior Lender	1,311,076	1,311,076	28 Feb 2023
Avation PLC	Senior secured loan	Investec Bank PLC	11,568,697	11,446,028	18 Apr 2018
AEF IV	Senior Secured Loan ¹	Export Development Canada	60,000,000	43,073,950	21 Aug 2024
AEF IV	Junior Loan	Junior Lender	5,000,000	3,823,899	21 Aug 2024
AEF II	Senior Secured Loan	DVB Bank	23,850,000	21,772,000	1 Feb 2022
AEF II	Junior Lender	Junior Lender	5,300,000	5,277,730	5 May 2020
ATL	Senior Secured Loan	Cathay United Bank	33,000,000	33,000,000	23 Oct 2017
APL	Senior Secured Loan	BRED Banque Populaire	16,000,000	15,764,515	30 May 2026
MSN 1607 Pte Ltd	Senior Secured Loan	GE Japan Corporation	17,000,000	13,799,636	29 Apr 2018
ALE	Senior Secured Loan	CIC Bank	20,000,000	12,870,000	18 Sept 2016

The aircraft finance facilities are structured, generally, in a similar fashion. Each borrower is granted a loan from a senior and/or a junior financier in relation to the financing of an aircraft or a batch of aircraft. Security for each of those facilities is then given by the relevant Group company in favour of a security trustee for the benefit of each of the financiers, if applicable. Typically, the term of each loan pursuant to a facility will match the term of the lease of the aircraft over which security is given in relation to that facility.

The Group also has the following unsecured corporate loan facilities in place as at 24 November 2014, 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:

<i>Borrower</i>	<i>Facility</i>	<i>Lender</i>	<i>Principal Amount (US\$)</i>	<i>Debt Outstanding (US\$)</i>
Avation PLC	Unsecured Loan	Fleet Solution Consulting	3,000,000	2,000,000
Capital Lease Aviation PLC	Unsecured Loan	Epsom Assets Limited	4,500,000	4,500,000

The Board

The Directors have overall responsibility for the Company's activities. The Board consists of three Directors but in line with the Company's growth strategy, a Board comprising an additional independent director and an additional executive director is envisaged over the next year, bringing the target Board size to five directors. The current Directors' 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 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, and holds a diploma in corporate governance from the Australian Institute of Company Directors. He is a graduate member of the Australian Institute of Company Directors and a member of Singapore Institute of Directors. He was born in Perth, Australia and is a Permanent Resident of Singapore.

Roderick Douglas Mahoney

Mr Mahoney was a fleet planning and aircraft procurement 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 senior executive 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 Singapore. Mr Mahoney is a Graduate Member of the Australian Institute of Company Directors and a member of the Singapore Institute of Directors.

Dr Stephen Fisher

Dr Fisher is Chairman, Principal and Chief Investment Officer of First Degree Global Asset Management Pte. Ltd., a privately owned asset management company in Singapore founded in 2011. First Degree Global Asset Management operates a number of strategies for its clients including a Fixed Income focused hedge fund. Dr Fisher has had twenty-two years' experience as an investment professional with leading investment management groups in the United States, Asia and Australia. From 2000 to 2011 he was Managing Director and Head of Global Fixed Income Product – Asia Pacific at J.P. Morgan Asset Management. He held the positions of Australian Head of Capital Markets Research from 1992- 1996, and Asia Pacific Regional Head of Capital Markets Research at J.P. Morgan Investment Management, Inc. from 1996-1998. Stephen has a Master of Science (Finance) and a PhD (Finance) from the WE Simon Graduate School of Business Administration, University of Rochester, New York and a Bachelor of Economics (First Class Honours) from the University of Sydney.

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:

Andre Cohen

Mr Cohen is a Non-Executive Director of CLA. He is also Chief Executive of Coherent Financial LLP (CF), a consultancy company set up in mid-2003 aimed at providing specialist financial and fund raising advice to transportation and infrastructure companies. Prior to setting up CF, Mr Cohen was Managing Director, Transportation Finance at WestLB from 1997 to early 2003. In that role, he and his team were responsible for managing a significant portfolio of loans (both commercial and export credit) for aircraft, shipping and logistics projects. From 1988 to 1997, before joining WestLB, Mr. Cohen held the position of Finance Director for major global freight, transportation and logistics operator TNT's European operations responsible for numerous acquisitions of transportation companies and logistics operations in Europe and for financing the development of TNT's European airfreight network as well as for a number of Ansett Airlines and AWAS financings. Mr Cohen has substantial Board experience with aircraft leasing entities. He was on the board of Boullioun Aviation in Seattle from 2000 to 2003. From 2001 until its sale to Bank of China in early 2007, he was a non-executive member of the Board and Chairman of the Audit Committee of SALE, a mid-sized aircraft operating lessor, partly owned by Singapore Airlines, with a portfolio of over 70 wide and narrow bodied aircraft. In 2008 and 2009 he was a Director and Chairman of the Audit Committee of Altitude Ltd, an aircraft leasing company based in Singapore. From August 2012 until October 2013, he was also on the Board of Aircraft Capital Trust in Singapore.

Peter Anthony Freeman

Mr Freeman is a Non-Executive Director of CLA and Chairman of its Audit Committee. He is a compliance officer of Loeb Aron & Co Ltd (a Corporate Finance firm authorised and regulated by the FCA) and a director of OFEX Plc and OFEX Holdings Plc (which became PLUS Markets Group Plc). He is a director of Jenolan Ltd, and a non-executive director of Sage Gold Inc and Cabo Drilling Corporation. He is also a lay member of the Upper Tribunal, Tax and Chancery Chamber and a member of the Probate Committee of the Institute of Chartered Accountants in England and Wales.

Richard Wolanski

Mr Wolanski is a Chartered Accountant and his qualifications include a Bachelor of Commerce from the University of Western Australia. Mr Wolanski has extensive professional experience in both Australian and international finance industries. He has provided corporate, strategic and financial advisory assistance to public companies in Australia, Singapore and the United Kingdom. Mr Wolanski is currently Finance Director of the Company. Mr Wolanski has significant corporate experience during his career serving in a range of Executive Director, Chief Financial Officer and Company Secretary roles. Mr Wolanski is also a Non-Executive Director of My ATM Holdings Ltd (ASX: MYA).

Other group companies:

Ronald Lewis Aitkenhead

Mr Aitkenhead is a director of F100 Pty Ltd, an 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. Mr Aitkenhead is a non-executive director of Skywest Singapore.

Performance

As at 24 November 2014, being the latest date prior to publication of this document, the Company's market capitalisation was £90,420,808.86 and as at 24 November 2014 the enterprise value of the Company was approximately US\$450 million based on the market capitalisation of the Company plus its net debt (as derived from the Company's unaudited management accounts for the period ended 31 October 2014).

Prior to this the Group has experienced growth since 30 June 2008 with net equity (excluding minority interest) growing to US\$96.1m for the year ended 30 June 2014, an increase from US\$81.2m as at 30 June 2013.

This has been achieved through the operation of its aircraft assets on lease to a subsidiary of VARA as well as through the management of its subsidiary, CLA.

Please refer to the Financial Statements in Part V 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 the following dividends;

Financial Year	Dividend type	Amount per share
To 30 June 2007	Interim	0.5 pence
To 30 June 2008	Final	0.5 pence
To 30 June 2009	Final	0.5 pence
To 30 June 2010	Final	0.6 pence
To 30 June 2011	Final	1 pence
To 30 June 2012	Final	1.05 pence
To 30 June 2013	Final	1.78 US cents

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 three 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 30 June 2014, 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 INDUSTRY AND MARKET OVERVIEW

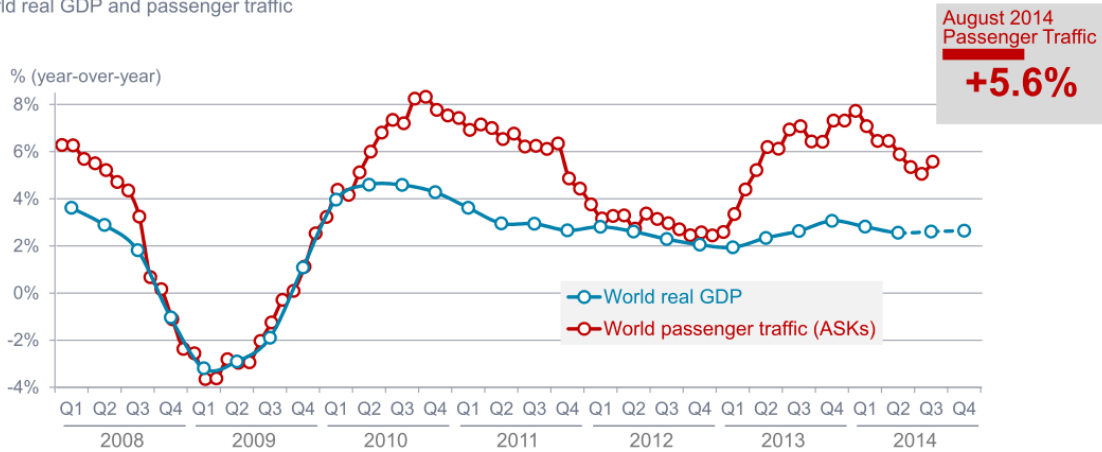
The market and industry information, data and forecasts contained in this section are obtained from publically available sources. This information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by the relevant third party from which the information is sourced, no facts have been omitted which would render the reproduced information inaccurate or misleading. The historical and projected information in this Prospectus relating to the air transport and aircraft leasing industry that is not attributed to a specific source is derived from the Company's internal analyses, estimates and subjective judgments.

Nature of Air Transport Industry

Demand for aircraft is derived from the demand for passenger and cargo air transport, which is closely tied to economic activity and has grown at twice the long-term global GDP growth rate over the last 40 years.

Air Traffic Growth (%) and Real GDP Growth (%) evolution from 1972 to 2012

World real GDP and passenger traffic



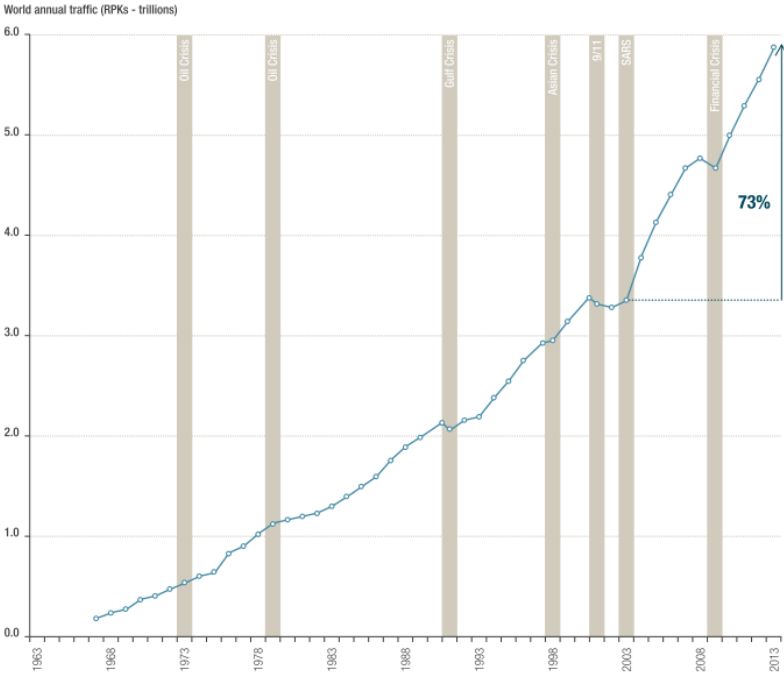
Source: IHS Global Insight, OAG, Airbus

Source: ICAO: Airbus Global Market Forecast 2014; IHS Global Insight; ICAO; Airbus

Demand for air travel during that period has consistently grown in terms of both the number of aircraft and passenger traffic. The industry has endured the effects of both business cycle downturns and external events but over the longer term, air traffic demand, and consequently aircraft demand, has increased.

Global passenger traffic, measured by Revenue Passenger Kilometres (RPKs) a measure of passenger demand representing each kilometre or each mile each paying passenger is carried, increased nearly 73% from 2003 to 2013. Over the period 2010-2013, world passenger traffic has grown at an average 5.4% annually, above the 3.5% observed during 2000-2008 according to Airbus Global Market Forecast 2014. Air travel exists in all world regions, with the highest growth now coming from emerging markets and economies.

World Annual Traffic (RPKs – Trillion) evolution from 1972 to 2012



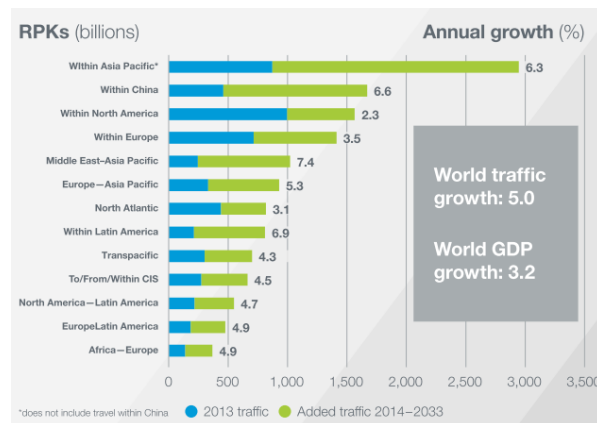
Source: ICAO: Airbus Global Market Forecast 2014; ICAO; Airbus

Despite the recent slowdown in global economic activity which may have a temporary impact on the aviation market, long-term air travel demand is expected to remain healthy as global economies and populations continue to grow, particularly in emerging markets. Published forecasts anticipate 20-year average growth in air traffic, both passenger and cargo, to be around 5% per annum. The Airbus 2014 Global Market Forecast predicts that passenger RPKs will continue to grow an annual average of 4.7% between 2013 and 2033, and the equivalent Boeing 2014 Commercial Market Outlook projects 5% average annual RPK growth between 2013 and 2033. An annual compounded growth rate of 5% will result in a doubling of passenger travel in 14 years and a tripling in 23 years.

The long-term passenger traffic growth is expected to be underpinned by projected high traffic growth in the emerging markets of the Asia/Pacific, Latin American and the Middle East regions, while the more mature markets in the United States and Europe will have slower growth rates overall. The percentage of world traffic attributable to emerging markets has been continuously increasing since the early 1990s. For example, in 1990, the Asia/Pacific region represented about 17% of the world’s passenger traffic, and its share was estimated to be approximately 30% in 2013. Since 1990, China’s domestic passenger traffic has grown 13.7% annually on average to more than 400 billion or 11% of the world’s RPKs in 2013. Currently, China’s passenger traffic is the second highest in the world.

The following chart illustrates Boeing’s forecast of the growth prospects for each of the major geographic regions over the next twenty years. Boeing expects to see considerably higher growth in the Asia/Pacific region, the Middle East and Latin America, as compared to North America and Europe. In fact, AVITAS forecasts that by 2015 passenger traffic in the Asia/Pacific region will surpass passenger traffic in North America.

Forecast of Annual Average Passenger Traffic Growth by Major Regions 2014-2033



Source: Boeing 2014 *Commercial Market Outlook*

Aircraft Demand and the Global Commercial Aircraft Fleet

Demand for new aircraft is derived from both traffic growth and replacement of older equipment. Historically, demand for growth has been driven by economic growth and market maturity, market liberalization and the adoption of new business models. Aircraft replacement is related to the relative operating economics of old and new aircraft, fuel prices, technological improvements and the demand for conversions of passenger aircraft to freighters.

Growth Drivers

The world fleet is expected to grow steadily as airlines continue to develop service offerings to accommodate the world's rapidly growing demand for air travel. Key elements that are currently driving growth in demand for both new and used aircraft include:

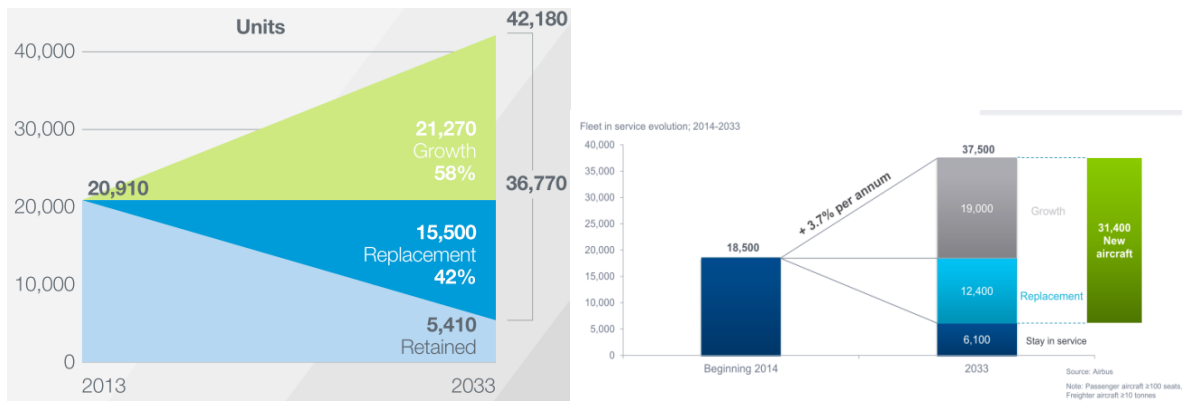
- high rates of *economic growth* and increasing propensity to travel in emerging markets;
- *liberalisation* of air service between and within countries; and
- stimulation of traffic from *growing low cost carriers* offering lower fares.

Replacement Drivers

The requirement to replace older aircraft which are retired or converted to freighter configuration also form a substantial driver of aircraft demand, particularly in large mature regions. Replacement demand is driven by a number of factors including:

- *relative operating economics*, reliability, and environmental considerations;
- *technological advancement*, including the introduction of new aircraft and engines;
- aircraft reaching their economic useful lives, driving *retirement demand*; and
- *freighter conversion demand*, driving replacement demand of passenger aircraft.

Projected Commercial Aircraft Fleet Growth



Source: Boeing Market Outlook, 2014 (left) & Airbus Global Market Forecast, 2014 (right).

Overall, the size of the global commercial aircraft fleet is expected to double over the next two decades. The charts above compare the global aircraft fleet forecasts of Airbus and Boeing. Airbus forecasts growth to 37,500 total aircraft by 2033, of which 31,400 will be delivered new, of which 30,600 will be mainline passenger jets (with more than 100 seats). Boeing predicts that the world fleet will reach 42,180 aircraft in 2033, of which 36,770 units will be delivered new between 2013 and 2033, 58% being for growth and 42% for replacement, of which 34,600 will be mainline passenger jets (with more than 90 seats).

If the Airbus and Boeing forecasts are averaged, a total of 32,600 new aircraft of 90/100-seats upwards are predicted to be required over the next 20 years, which is an average of 1,630 new aircraft per year.

Aircraft Production and Backlog

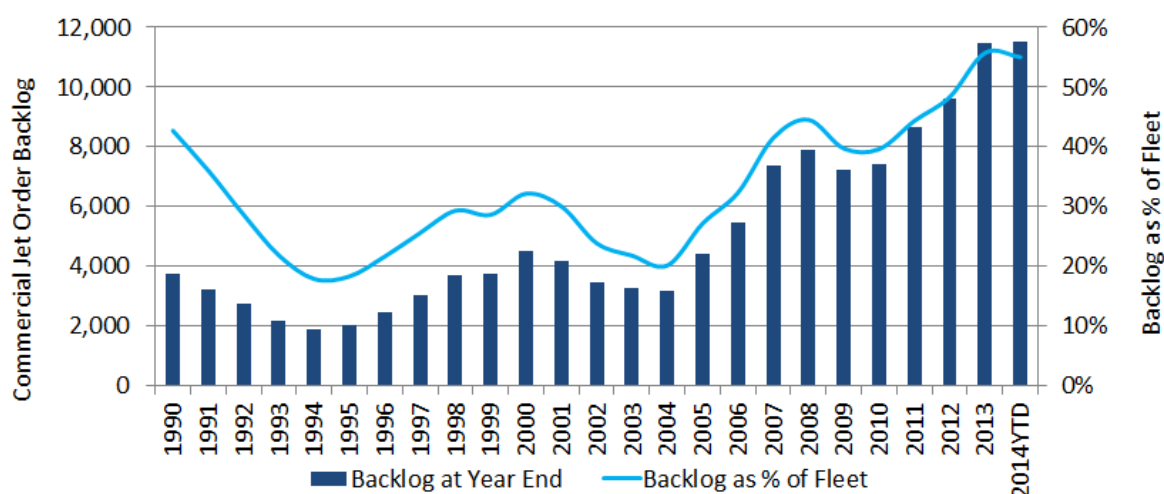
Expansion of aircraft supply is determined by the number of new aircraft the manufacturers are able to deliver, as well as by the reactivation of viable parked aircraft. Passenger aircraft outflow is driven by fleet retirements and freighter conversions, as described above.

Order backlogs are currently at record high of 11,501 units or 51% of the in-service fleet which is 45% over 2008 levels. In addition, the poor relative operating economics of managing aging fleets in a high fuel price environment has increased retirement the numbers of aircraft being retired from active service.

Following three years of record orders between 2005-2007 and a high order level in 2008, orders in 2009 were weak as the global economy slowed and airlines struggled to profitably utilise existing fleets.

2010 marked the beginning of a recovery, and this continued through 2014 with major orders in 2013 and 2014. The order backlog at the end of September 2014 was estimated to be at an all-time unit high of over 11,501 aircraft according to Ascend Online Fleet

Commercial Aircraft Order Backlog as Percentage of Active Fleet, 1990 - 2014



Source: Ascend Online Fleets & Flightglobal Fleet Forecast, September 2014

Manufacturer Production & Backlog

Narrowbody Aircraft

Both Airbus and Boeing have announced increased narrowbody production rates. Airbus increased its A320 family production to 42 aircraft per month in the fourth quarter of 2012, and Boeing will increase 737NG production to 52 per month in 2018. Both have announced possible production rate increase in the near future subject to market conditions.

With the current announced production rates, Boeing and Airbus will have between 7-8 years of order backlog for their respective narrowbody aircraft families. Whilst there is likely to be some overselling and some delivery dates will be brought forward sooner, both manufacturers will be largely sold out in the forthcoming years..

Widebody Aircraft

Demand for efficient widebody lift is also strong again, and Boeing increased its 777 production rate to 8.3 per month in January 2013 and planned to produce its 787 aircraft at a rate of 10 per month in January 2014. Airbus met its 2013 delivery forecast of 25 A380 aircraft, and announced a production increase of its new A350 series aircraft to 10 per month from the second quarter by 2018 while launching a new variant of its A330 series aircraft, the A330neo, by the fourth quarter of 2017.

While many widebody families have in excess of five years of backlog at announced production rates, the number of widebody aircraft to be delivered in the next few years will significantly increase to levels not previously experienced. As with the major narrowbody aircraft programmes, there is limited near-term availability of delivery dates from the aircraft manufacturers, particularly for new aircraft types.

Regional Turboprop Aircraft - Increasing Role for Turboprops

The regional aircraft market continues to be a key growth sector of the airline industry. The 60-99 seat regional aircraft type will almost double to 6,850 units over the next 20 years, with 3,800 turboprops expected for deliveries according to the Bombardier 2014 Market Forecast. Expected revenues for the 60-99 seat aircraft deliveries to be US\$100 billion at 2013 currency rates.

Airlines have clearly identified the respective environments for regional jets and turboprop aircraft, recognizing their respective advantages of lower acquisition and operation cost and the fact that the turboprop aircraft types are the most profitable type of aircraft in short-haul sectors.

Today the airline industry is struggling to preserve profitability and to ensure its survival, through:

- a strategy to face the current difficult economic situation (oil price increases, aggressive competition from low-cost carriers and high speed trains, declining yields);
- the reduction of overhead costs; and
- the right choice of aircraft equipment, tailored to the actual network.

High fuel prices, which are likely to continue in the short and medium term, have highlighted one of the principal benefits of the turboprop over the regional jet due to turboprop aircraft types low fuel consumption and economics on short-haul connections.

It is for this reason, and the fact that there are very few turboprop aircraft leasing companies, that the Company believes this market segment to be worth development.

Aircraft Financing and Leasing Markets

Few airlines have the internal cash available to self-finance acquisitions of new or used aircraft, and most airlines seek financing from a variety of sources, including traditional bank debt, export credit guarantees, tax leases, capital markets and operating leases.

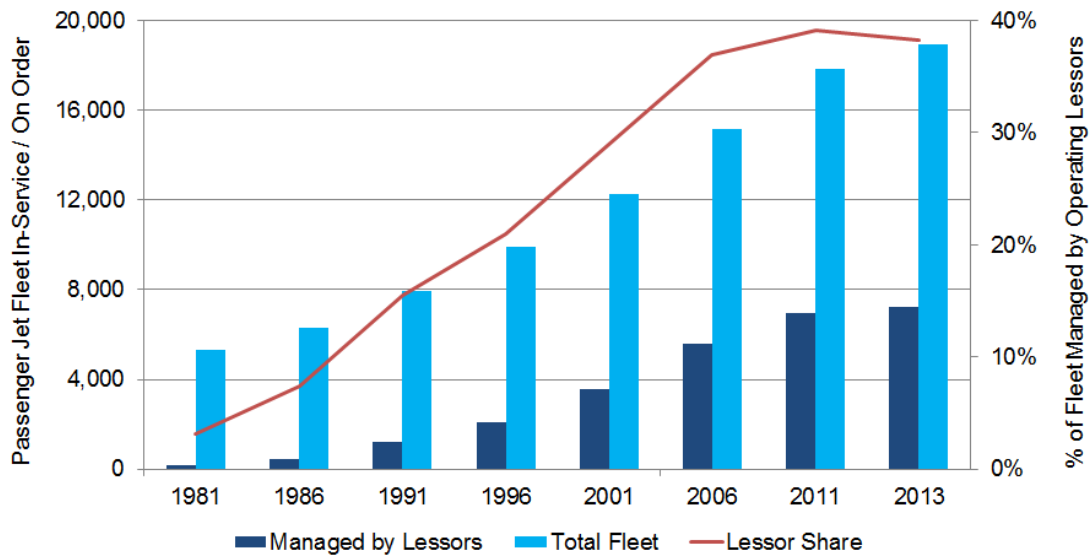
An aircraft operating lease is a lease wherein the lessor retains ownership of the aircraft and where the aircraft will be returned to the lessor at the end of the lease. Such leases do not impact the balance sheet of the lessee. Aircraft operating leasing has evolved over the last 40 years to become highly sophisticated and attractive to airlines, in effect becoming a source of capital that carriers utilise along with debt and equity to finance their equipment acquisitions.

Airlines are attracted to operating leasing for a variety of reasons, including low capital outlay requirements, fleet planning flexibility, delivery date availability and residual value risk avoidance. Furthermore, operating leases are often preferred by start-up carriers because they lower the capital costs for market entry.

Aircraft lessors have an intermediary role attractive to both the aircraft manufacturers and airlines. They provide an added distribution channel and an important alternative source of funding. Aircraft lessors command a sizeable position in the order books of Airbus and Boeing in particular.

Over the past 20 years, the world's airlines have increasingly turned to operating leases for their aircraft financing requirements: the percentage of the global active commercial aircraft fleet under operating lease by non-airline affiliated entities has increased from 3.2% in 1981 to 38.2% in 2013, a cumulative annual growth rate of 8.09%, compared to the aircraft fleet growth of 4.05%.

Evolution of Operating Lease Penetration, 1981 – 2013



Source – Ascend Online Fleets

Source: Ascend Online Fleets

The continued growth of the aircraft operating leasing industry is widely expected, driven in part by demand from airlines for attractive aircraft financing and the anticipated decline in the attractiveness and availability of debt from the export credit agencies as a result of the February 2011 changes to the Aircraft Sector Understanding, or ASU. At the same time, the size of the new aircraft financing market is also expected to increase substantially in the next few years as detailed in the previous section.

There are sufficient indicators to suggest that operating lease penetration can be reasonably expected to continue over the next five years in line with the recent trend.

Operating lease penetration has been highest amongst narrowbody aircraft because of the large fleet (asset liquidity), and start-up/low cost carriers' preference for these aircraft. Many lessors have historically preferred narrowbody aircraft due to the relatively lower price point, the lower cost of transitioning aircraft between lessees and the relative ease in financing narrowbody aircraft.

Aircraft Values and Lease Rates

Aircraft generally depreciate over time as they age and experience the wear and tear of operation. Eventually, an aircraft will reach the end of its useful life (usually around 25 years unless extended by cargo conversion) and will retain a marginal value that represents the market worth of its various components and materials.

The prices of new aircraft are to a degree determined by the aircraft manufacturers and, since the competition between Airbus Boeing, ATR and Bombardier is intense, manufacturers have increasingly sold their aircraft at substantial discounts to the list price.

From a fundamentally economic standpoint, the value of the aircraft could be equated to the net present value of the operating profit that the asset can generate over its economic life. In practice, the value of an aircraft to an operator is influenced by many factors that ultimately determine the purchase price and/or lease rate the airline is willing to pay, including:

- revenue generating capacity (passenger and freight payload);
- range and operating economics (fuel burn, maintenance costs, landing and handling costs, flight and cabin crewing costs, insurance, etc); and
- expected economic life and spot-market supply and demand (a function of the number of same-model and competing aircraft available, industry growth demand, etc).

The airline industry follows the economic cycle and the market values of aircraft rise above and drop below aircraft “base values”, which is an appraiser's opinion of the underlying economic value of an

asset in an open, unrestricted and stable market environment with a reasonable balance of supply and demand, assuming full considerations of its highest and best use.

Given the relatively more liquid market of aircraft operating leasing (as compared to aircraft trading), operating lease rates generally reflect supply and demand. Lease rates depend on the aircraft type, aircraft age, aircraft specification, type of lease, interest rates, tax liabilities, lease term, value of the aircraft at lease inception, the forecasted residual value of the aircraft at lease termination, and the credit quality of the lessee.

Although lease rates are closely correlated to global economic conditions, rates for a particular aircraft generally hold relatively steady in nominal terms for an extended period. Only once replacement technology aircraft are firmly established in the market, some five to ten years after initial entry into service, do values and lease rates of replaced aircraft see a substantial decline. Exogenous shocks and industry downturns also accelerate the decline in values and lease rates of the replaced aircraft. However, because aircraft operating leases are usually contractual at fixed monthly lease rates for many years, aircraft lessors are usually insulated from short-term swings in market lease rates throughout the industry cycle.

The Competitive Landscape

The life cycle of an aircraft creates an approximate 25-year investment horizon characterised by varying risks and rewards over time. This allows the leasing market to be segmented as lessors look to meet varying strategic objectives by finding market niches and areas of competitive advantage.

Some lessors focus almost entirely on the acquisition of new equipment directly from the manufacturers and frequently sell assets after five to seven years, whilst others focus primarily on purchasing used equipment at depreciated levels. Some lessors will purchase both new and used aircraft with or without leases attached, or via sale-leasebacks.

Whilst nearly all lessors have considerable narrowbody portfolios, a number of lessors own widebody aircraft. Relatively few lessors have portfolios which include regional jets and turboprops.

The following table presents fleet statistics for the largest 20 operating lessors as measured by owned units, (based on information from public sources). It is estimated that the largest 20 lessors own assets having an aggregate current market value in the order of US\$130 billion as at November 2013.

Largest Operating Lessors as measured by Owned Fleet, September 2014

<u>Lessor</u>	<u>Total Fleet</u>	<u>Share</u> <u>Lessor Owned Fleet</u>
GECAS	1,659	22.9%
Aercap	1,278	17.6%
BBAM LLC	403	5.6%
SMBC Aviation Capital	371	5.1%
CIT Aerospace	300	4.1%
AWAS	297	4.1%
Aviation Capital Group	267	3.7%
BOC Aviation	249	3.4%
Air Lease Corporation	218	3.0%
Nordic Aviation Capital	177	2.4%
Aircastle Advisor LLC	166	2.3%
ICBC Leasing	149	2.1%
Avmax	145	2.0%
Macquarie Airfinance	136	1.9%
CDB Leasing	124	1.7%
Avolon Aerospace Leasing Limited	122	1.7%
Jackson Square Aviation / MUFJ	111	1.5%

ORIX Aviation	106	1.5%
MC Aviation Partners	102	1.4%
Pembroke	101	1.4%

Source: Airfinance Journal, Atlasdata, September 2014

A number of companies in the emerging markets of Asia-Pacific and the Middle East have recently expanded their aircraft operating leasing business.

Despite this recent market activity, the leasing market remains fragmented and a large difference continues to exist between the portfolio sizes of the largest lessors and the other lessors. By way of example, the two largest lessors, as measured by owned units, own more aircraft than the next ten lessors combined.

In the market for new turboprop aircraft leasing, there are relatively few leasing companies with orders for new ATR aircraft, which makes this market attractive in the view of the Company.

Sources

- *Airbus Global Market Forecast, 2014*
- *Boeing Commercial Market Outlook, 2014*
- *ATR Regional Market Outlook 2010-2029*
- *Ascend Shanghai Business Briefing, 11 June 2014*
- *Ascend Online Fleets & Flightglobal Fleet Forecast*
- *Bombardier Market Forecast 2014*
- *Airfinance Journal TOP 50 Leasing 2014, September 2014*

The information referred to in this Part III has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the referenced third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

PART IV OPERATING AND FINANCIAL REVIEW

This operating and financial review discusses the financial condition and results of operations of the Group for the three financial years ended 30 June 2012, 2013 and 2014 (the ‘Review Period’). It should be read in conjunction with ‘Historical Financial Information’ in paragraph 2 of Part V and with the information relating to the business of the Group included elsewhere in this document. The discussion includes forward-looking statements that reflect the current view of the Directors and involve risks and uncertainties. These forward-looking statements include all matters that are not historical facts and speak only as at the date of this document. The actual future results of the Company and/or the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in the document, particularly those described in ‘Risk Factors’. For the avoidance of doubt, the above does not seek to qualify the working capital statement made in paragraph 15 of Part VI of this document. Investors should read the whole of this document and not rely only on summarised information.

Overview

The Company’s aircraft leasing activities are relatively stable. On entering into a new lease, the Company generally seeks to ensure that the financing on the aircraft in question and the lease terms are fixed and matching for the term of each lease, so that they generate a predictable revenue stream. Growth in the business is created through securing the acquisition and lease of new aircraft to its customers and through acquisition of second hand aircraft that have leases attached.

Factors Affecting Results of Operations

The Company’s aircraft leases are at fixed rates. For long-term leases the Company negotiates with its financiers to procure fixed interest rate debt finance with terms that match the term of the relevant aircraft lease. These factors provide the Company with predictable and steady long-term cash flows throughout the duration of each lease. Consequently, the main factors affecting the Company’s results of operations are the cost of the aircraft, which determines annual depreciation expense, the lease rates for the aircraft and the fixed interest rates on debt finance. In addition, the Company is exposed to residual value risk on its aircraft and to monitor this risk obtains regular third party valuations of its fleet. If these third party valuations show that an aircraft’s value is impaired, the Company may record impairment charges which will impact its results of operations.

In limited circumstances the Company may procure floating rate debt finance for aircraft where, for example, the unexpired term of the aircraft lease is less than 3 years. During the 3 years ended 30 June 2012, 2013 and 2014 all of the Company’s debt was at fixed rates.

Description of Income Statement Items

Substantially all of the Company’s revenue is generated from aircraft lease rentals which are at fixed rates. The Company also generates small amounts of revenue from maintenance rents, management and service charges and the sale of finished goods.

Cost of sales relates to purchases of goods for the business procurement segment.

Other income includes foreign currency exchange gains, if any, interest income and gains on sales of aircraft. During the year ended 30 June 2014 the Company sold two ATR aircraft which were originally ordered as part of the Company’s strategy to expand its fleet. The sale of these two aircraft was an opportunistic transaction which generated a sizeable cash profit for the Company. The Company’s priority remains as leasing of aircraft but further sales of new or second-hand aircraft may be entered into in future if attractive sale opportunities arise. During the year ended 30 June 2013, an aircraft manufacturer repurchased a Software License from the Company which generated a one-off gain that is unlikely to reoccur. This gain was included in other income.

Other operating expenses primarily consist of depreciation of property, plant and equipment and claim on maintenance reserve expenses. Other elements of operating expenses are impairment loss on property, plant and equipment and a loss on disposal of a subsidiary in the year ended 30 June 2012.

Finance expenses relate to interest expense on borrowings and amortisations of related transaction costs. As noted above, the Company procures debt to finance its acquisitions of aircraft. The related finance expenses are typically paid from the respective aircraft lease income with similar maturities that are aligned with the lease terms. Transaction costs related to debt finance typically include upfront fees and arrangement fees paid to financiers. These costs are amortised through profit or loss using the effective interest rate method.

Taxation represents the sum of the tax currently payable and deferred tax.

Critical Accounting Policies and Practices

Basis of preparation

The financial statements have been prepared in accordance with IFRS including standards and interpretations issued by the International Accounting Standards Board, and have been prepared in accordance with the historical cost convention, as modified by the revaluation of aircraft.

The financial statements are presented in United States Dollars, rounded to the nearest Dollar.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period.

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The accounting policies set out below have been applied consistently throughout the financial period presented in these financial statements and the accounting policies have been applied consistently by the Company and its subsidiaries.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June in each relevant year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Leases

The Group leases aircraft to airlines under operating leases. Leases of aircraft where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

Where the Group bears substantially all the risk and rewards of ownership of the item, the lease is classified as a finance lease and the item is capitalised within the appropriate class of property, plant and equipment at the lower of the fair value of the leased item and the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to obtain a constant rate on the finance balance outstanding. The outstanding capital element of the lease payments are included within current and long-term payables as appropriate; the interest element of the lease payments is charged to profit or loss over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Results of Operations

Set out below is a summary of audited financial results of the Group for the periods ended 30 June 2012, 2013 and 2014 (all figures US\$):

	30 June 2012*	30 June 2013	30 June 2014
Revenue	35,001,218	42,739,991	52,255,209
Gross profit	33,871,693	41,917,104	52,255,209
Profit before taxation	8,073,614	13,969,677	16,558,562
Profit after taxation	6,363,534	11,964,993	14,263,070
Earnings per share	12.36 cents	23.25 cents	27.40 cents
Total assets	247,109,096	394,383,300	415,628,315
Total liabilities	164,934,348	296,146,941	304,861,331

*Results originally reported in £. Balance sheet conversions into US\$ undertaken at the spot rate as at the relevant period end date. Income statement conversion into US\$ undertaken at the average rate during the relevant period.

Liquidity and Capital Resources

Overview

The Group's principal sources of liquidity and capital resources have been, and are expected to continue to be, cash flow from operations, the issuance of new shares and debt financing from banks. The Group's principal uses of cash have been, and are expected to continue to be, operational costs and payment of the equity portion of pipeline aircraft.

Net Current Liabilities

As at 30 June 2014, the Group had net current liabilities of approximately \$41.3 million. The Group's current assets were mainly comprised of cash and cash equivalents of approximately \$23.4 million and trade and other receivables of approximately \$2.8 million. The Group's current liabilities were mainly comprised of the current portion of loans and borrowings of approximately \$55.7 million and trade and other payables of \$12.6 million.

In FY2013-2014, the Company successfully refinanced its Fokker 100 aircraft with an Australian lender releasing \$9.5 million of cash to be used for the Company's short term working capital needs. It also extended the leases of its five Fokker F100 aircraft by 36 months in each case. On 24 February 2014, the Company announced that it had refinanced US\$33 million (representing 14.2% of the Company's overall debt at that date) of two ATR-72 aircraft in order to lower the cost of the debt relating to those aircraft.

The Company is considering releasing additional equity by the refinancing of additional aircraft. In addition the Company has extended leases on two of its A321 aircraft by 6 years which has had the result of providing refinance opportunities for the loan balloon payments of \$19 million that due in February and March 2015.

Attention is drawn to paragraph 15 (*Working Capital*) of Part VI.

Cash Flows

	<u>Year ended 30 June</u>		
	2012*	2013*	2014
	(USD'000)	(USD'000)	(USD'000)
<i>Selected Cash Flow Statement data</i>			
Net cash inflow from operating activities	23,377	25,406	27,570
Net cash inflow/(outflow) from investing activities	(73,476)	(132,962)	(33,903)
Net cash inflow from financing activities	50,181	118,083	10,102

*Results originally reported in £. Conversions into US\$ undertaken at the spot rate as at the relevant period end date.

Net cash inflow from operating activities

The Group's net cash inflow from operating activities increased by \$2.2 million for the year ended 30 June 2014, from \$25.4 million for the year ended 30 June 2013 to \$27.6 million for the year ended 30 June 2014. This increase was principally due to an increase in revenue and profit.

Bank and Loan Financing

The successful implementation of the Group's strategy is critical for the growth of the Group. In addition to equity finance raised from its shareholders and the recent successful refinancing of its five Fokker 100 aircraft, the Company has sourced debt finance from a number of new lenders. As the Company grows, it intends to diversify its sources of finance to enable it to maximise its growth opportunities.

ECA Finance

In conjunction with its acquisition of ATR-72s, the Company was able to secure financing from Crédit Agricole CIB (**CA-CIB**), with ECA guaranteed backing from COFACE and SACE for the Company's initial eight firm orders with ATR (the **Initial Aircraft**). This facility is now completely drawn.

EDC Finance

The Company has secured financing for a further three ATR Aircraft from EDC, the export credit agency of Canada.

Junior Finance

The Company has obtained senior bank loans from a number of banks and commercial lenders, such loans being secured on the underlying aircraft. In early 2014, the Company re-financed two aircraft which were on a finance lease by exercising the purchase option attached to the finance lease. This transaction was financed by a commercial bank. Additionally, a Japanese lender has provided a senior loan for one A321 aircraft purchased by a subsidiary of the Company

The Company has secured a commitment from a Junior Lender to provide Junior Debt for the Initial Aircraft acquisitions the Company makes from ATR. To date it has secured Junior Debt for eight ATR aircraft financed by CA-CIB with ECA guaranteed backing, as well as an additional ATR aircraft for which Credit Industriel and Commercial (**CIC**) provided senior finance. The last two ATRs that the

Company added to its portfolio saw a new junior lender providing the Junior Loan in line with Group policy of diversifying its lender base.

Bank finance

The Company has secured a commitment from a Junior Lender to provide Junior Debt for the Initial Aircraft acquisitions the Company makes from ATR. To date it has secured Junior Debt for eight ATR aircraft financed by CA-CIB with ECA guaranteed backing, as well as an additional ATR aircraft for which Credit Industriel and Commercial (CIC) provided senior finance. The last two ATRs that the Company added to its portfolio saw a new junior lender providing the Junior Loan in line with Group policy of diversifying its lender base.

Warehouse Facility

In the year ended 30 June 2014, the Company entered into a US\$20 million warehouse credit facility with a commercial bank for the purpose of financing aircraft acquisitions. The Company drew down US\$12.9 million in September from the warehouse facility in fund the acquisition of an ATR Aircraft.

Further details of the above financing are set out on page 88 of this document. The Company is confident that with its diverse funding sources the on-going growth of the Group can continue in line with its strategy. However, attention is drawn to the working capital statement at paragraph 15 of Part VI of this document.

Capital Expenditure

Throughout the Review Period, the Group has undertaken capital expenditure, typically in connection with aircraft acquisitions. Capital expenditures amounted to US\$73.3 million during the year ended 30 June 2012 and \$134.1 million during the year ended 30 June 2013 and US\$71.8 million during the year ended 30 June 2014.

PART V
FINANCIAL INFORMATION RELATING TO THE COMPANY

1. Statutory Accounts for the Three Financial Years Ended 30 June, 2012, 2013 and 2014

Statutory accounts of the Company for the three financial years ended 30 June 2012, 2013 and 2014, 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 for each of the three financial years ended 30 June 2012, 2013 and 2014 and have been properly prepared in accordance with the Companies Act 2006 and IFRS.

The Auditor of the Company for the financial years ended 30 June 2012, 2013 and 2014 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 2012, 2013 and 2014

2.1 Historical financial information

The published annual reports and audited financial statements for the Company for the three financial years ended 30 June 2012, 2013 and 2014, which have been incorporated into this document by reference, included, on the pages specified in the table below, the following information:

<i>Nature of Information</i>	<i>Annual report and accounts for the year ended 30 June</i>		
	<i>2012 Page No(s)</i>	<i>2013 Page No(s)</i>	<i>2014 Page No(s)</i>
Income statement	24	20	21
Reconciliation of movements in Shareholders' funds	27	24	25
Balance sheet	25	22	23
Cash flow statement	29	27	28
Accounting policies	32	30	31
Notes to the accounts	32	30	31
Independent auditor's report	22	18	20
Chairman's statement	6	4	2
Directors' report	16	12	8
Related party transactions	43	48	57

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 2012, 2013 and 2014, which have been extracted without material adjustment (save for the conversion into US\$ noted below) from the historical financial information referred to in this Part V, are set out in the following table:

For the year ended 30 June 2013 Avation PLC reported its results in US\$ for the first time as substantially all of its revenue from operations is received in US\$. The audited financial statements for the year ended 30 June 2013 gave comparative figures for the year ended 30 June 2012 restated in US\$ using the spot rate of exchange on 30 June 2012. Figures extracted from accounts for the periods ended 30 June 2012 stated in this Prospectus have been converted into US\$ using the relevant period end exchange rate.

	30 June 2012	30 June 2013	30 June 2014
	USD	USD	USD
Revenue	35,001,218	42,739,991	52,255,209
Gross profit	33,871,693	41,917,104	52,255,209

Profit before taxation	8,073,614	13,969,677	16,558,562
Profit after taxation	6,363,534	11,964,993	14,263,070
Earnings per share	12.36 cents	23.25 cents	27.40 cents
Total Assets	247,109,096	394,383,300	415,628,315
Total liabilities	164,934,348	296,146,941	304,861,331

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 audited financial statements for the year ended 30 June 2014. Although the information is older than 90 days there has been no material change since 30 June 2014, other than the figures updated in the table below for indebtedness as at 31 October 2014.

	30 June 2014	31 October 2014
	USD	USD
Total current debt		
Secured	55,673,186	53,519,393
	<u>55,673,186</u>	<u>53,519,393</u>
Total non-current debt (excluding current portion of long term debt)		
Secured	218,984,900	277,223,364
	<u>218,984,900</u>	<u>277,223,364</u>
Shareholders' equity		
Share capital	891,301	947,156
Treasury shares	(682,333)	(682,333)
Share premium account	31,424,215	38,971,615
Other reserves (1)	14,027,347	14,027,347
	<u>45,660,530</u>	<u>53,263,785</u>
Total	<u>320,318,616</u>	<u>384,006,542</u>

(1) excludes retained earnings

Indebtedness based on 30 June 2014 audited figures and 31 October 2014 unaudited figures

Net indebtedness of the Group as at 30 June 2014 is set out below:

Cash and cash equivalents	23,394,739	27,078,729
Liquidity	<u>23,394,739</u>	<u>27,078,729</u>
Current portion of loans and borrowings	<u>55,673,186</u>	<u>53,519,393</u>
Net current financial indebtedness	32,278,447	26,440,664
Non-current financial indebtedness	218,984,900	277,223,364
Net financial indebtedness	<u>251,263,347</u>	<u>303,664,028</u>

Availability of annual reports

Copies of the Company's audited annual reports and financial statements for the three financial years ended 30 June 2012, 2013 and 2014 are available for inspection at the Company's registered office and are also available at the Company's website, www.ovation.net/results.html.

PART VI GENERAL INFORMATION

1. Responsibility

The Company, whose registered office appears at paragraph 2.1.2 of this Part VI, and the Directors, whose names and functions appear on page 24 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. The Company's legal and commercial name is 'Avation PLC'.

2.1.2 The registered office of the Company is Cheyne House, Crown Court, 62-63 Cheapside, London EC2V 6AX. The Company's telephone number is +65 6252 2077.

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 activity of the Company is aircraft leasing which it conducts in Europe, Asia and Australia directly and via its subsidiaries. As a secondary activity, the Company offers a procurement service for both airlines and media broadcasters to purchase technical spare parts and consumables, although this activity is not a significant contributor to the Company's revenues or balance sheet

3. Structure

	<i>Name</i>	<i>Country and date 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 6 June 2007	The Company	96.4%
2.	Capital Lease Malta Limited	Malta 20 June 2008	Capital Lease Aviation PLC	99.93%
3.	Capital Lease Aviation (S) Pte Ltd	Singapore 30 November 2011	Capital Lease Aviation PLC	100%
4.	MSN 1607 Pte Ltd	Singapore 22 May 2013	Capital Lease Aviation PLC	100%
5.	Avation.Net Inc	USA, Delaware 2 October 2007	The Company	99.96%
6.	Avation.Net Inc Singapore Branch	Singapore 2 October 2007	N/A	
7.	MSN 429 Leaseco Limited	England and Wales 11 December 2012	The Company	100%
8.	MSN 429 Limited	England and Wales 24 March 2010	MSN 429 Leaseco Limited	100%

9	F100 Pty Ltd	Australia 15 November 2006	The Company	100%
10.	AVAP Aircraft Trading Pte Ltd	Singapore 10 September 2013	The Company	100%
11.	MSN 1922 Pte Ltd	Singapore 26 March 2013	The Company	100%
12.	Avation Group (S) Pte Ltd	Singapore 28 November 2013	The Company	100%
13.	AVAP Leasing (Europe) Limited	Ireland 27 August 2014	The Company	100%
14.	Avation Eastern Fleet Pte Ltd	Singapore 8 February 2011	Avation Group (S) Pte Ltd	100%
15.	Avation Eastern Fleet II Pte Ltd	Singapore 12 January 2012	Avation Group (S) Pte Ltd	100%
16.	Avation Eastern Fleet III Pte Ltd	Singapore 18 February 2013	Avation Group (S) Pte Ltd	100%
17.	Avation Eastern Fleet IV Pte Ltd	Singapore 18 April 2013	Avation Group (S) Pte Ltd	100%
18.	F100 Fleet Pte Ltd	Singapore 18 June 2013	Avation Group (S) Pte Ltd	100%
19.	Airframe Leasing (S) Pte Ltd	Singapore 12 May 2011	Avation Eastern Fleet Pte Ltd	100%
20.	Airframe Leasing (S) II Pte Ltd	Singapore 13 January 2012	Avation Eastern Fleet II Pte Ltd	100%
21.	Airframe Leasing (S) III Pte Ltd	Singapore 19 February 2013	Avation Eastern Fleet III Pte Ltd	100%
22.	Airframe Leasing (S) IV Pte Ltd	Singapore 18 April 2013	Avation Eastern Fleet IV Pte Ltd	100%
23.	F100 Leasing Pte Ltd	Singapore 18 June 2013	F100 Fleet Pte Ltd	100%
24.	Avation Taiwan Leasing Pte Ltd	Singapore 14 August 2014	Avation Group (S) Pte Ltd	100%
25.	Avation Pacific Leasing Pte Ltd	Singapore 4 October 2013	Avation Group (S) Pte Ltd	100%
26.	AVAP Leasing (Asia) Limited	Ireland 31 October 2014	Avation PLC	100%
27.	MSN 429(S) Pte Ltd	Singapore 11 November 2014	Avation Group (S) Pte Ltd	100%

4. Share Capital

4.1 The following table shows the issued share capital of the Company as at 30 June 2014 (being the last date in respect of which the Company has published financial information) and as at 24 November 2014 (being the latest practicable date prior to the publication of this document):

	<i>30 June 2014</i>		<i>24 November 2014</i>	
	<i>Nominal Value (£)</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value (£)</i>	<i>Number of Ordinary Shares</i>
Issued share capital (fully paid)	496,046.39	49,604,639	528,776.66	52,877,666

4.2 The following table shows the details of warrants over shares in the Company's capital as at 30 June 2014 (being the last date in respect of which the Company has published financial information) and as at 24 November 2014 (being the latest practicable date prior to the publication of this document):

Warrant holder	30 June 2014				24 November 2014			
	Number of Ordinary Shares	Grant date	Expiry date	Exercise price per share	Number of Ordinary Shares	Grant date	Expiry date	Exercise price per share
Huntersson & Co Pte Ltd	255,000	4-Nov-13	21-Nov-16	110 pence	255,000	4-Nov-13	21-Nov-16	110 pence
Jason Francis Gollogly	50,000	4-Nov-13	21-Nov-16	110 pence	50,000	4-Nov-13	21-Nov-16	110 pence
Richard Wolanski	300,000	4-Nov-13	21-Nov-16	110 pence	300,000	4-Nov-13	21-Nov-16	110 pence
Douglas Aviation Pte Ltd	300,000	4-Nov-13	21-Nov-16	110 pence	300,000	4-Nov-13	21-Nov-16	110 pence
Epsom Assets Ltd	335,000	4-Nov-13	21-Nov-16	110 pence	335,000	4-Nov-13	21-Nov-16	110 pence

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 2014 is as follows:

- (i) In the financial year ended 30 June 2012:
 - (a) on 9 December 2011, the Company allotted 1,818,182 Ordinary Shares in a placing at a price of 110 pence per share;
 - (b) on 12 December 2011, the Company allotted 301,280 Ordinary Shares pursuant to the exercise of warrants; and
 - (c) on 20 January 2012, the Company allotted 1,647,781 Ordinary Shares in consideration for the transfer to the Company of 10,662,112 Ordinary Shares in the capital of CLA;
- (ii) In the financial year ended 30 June 2013:
 - (a) on 5 July 2012, the Company allotted 2,000,000 fully paid Ordinary Shares at a price of 100 pence per share;
 - (b) on 9 January 2013, the Company purchased 150,000 fully paid Ordinary Shares at a price of 88 pence per ordinary share to be held in treasury;
 - (c) on 8 March 2013, the Company issued 60,510 Ordinary Shares following the exercise of warrants by warrant holders;

- (d) on 19 March 2013, the Company issued 50,000 Ordinary Shares following the exercise of warrants by warrant holders; and
 - (e) on 23 May 2013, the Company issued 4,337,987 Ordinary Shares in an open offer at 60 pence per share.
- (iii) In the financial year ended 30 June 2014:
- (a) on 19 September 2013, the Company purchased 150,000 fully paid Ordinary Shares at a price of 94 pence per ordinary share to be held in treasury;
 - (b) on 24 September 2013, the Company purchased 150,000 fully paid Ordinary Shares of 1 penny each at a price of 100 pence per ordinary share to be held in treasury;
 - (c) on 3 March 2014, the Company issued 240,775 Ordinary Shares following the exercise of warrants by warrant holders;
 - (d) on 6 March 2014, the Company issued 159,225 Ordinary Shares following the exercise of warrants by warrant holders
 - (e) on 25 June 2014, the Company issued 381,679 Ordinary Shares in consideration for the purchase of 2,500,000 ordinary shares in CLA
- (iv) In the period from 30 June 2014 to 24 November 2014:
- (a) on 9 July 2014, the Company issued 3,000,000 Ordinary Shares at a price of 140 pence per ordinary share; and
 - (b) on 6 October 2014, the Company issued 273,027 Ordinary Shares in consideration for the purchase of 2,184,216 ordinary shares in CLA.
- 4.6 At the annual general meeting of the Shareholders held on 24 November 2014, various resolutions were duly passed including resolutions:
- (i) to authorise the directors to allot shares up to a maximum aggregate nominal value of £200,000;
 - (ii) to disapply pre-emption rights in respect of (i) a rights issue or other pre-emptive offer, (ii) in connection with grants of options under an employee share scheme up to £30,000 and (iii) otherwise up to £120,000; and
 - (iii) enabling the Company to hold general meetings other than annual general meeting on 14 clear 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 Acts 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 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 2014 and 24 November 2014 (being the latest practicable date before the publication of this document), the Directors and the Other Group Directors had a beneficial interest in the following number of Ordinary Shares, excluding the future interests set out in the table at paragraph 4.2 of this Part VI:

30 June 2014

24 November 2014

Name	Number of Ordinary Shares	% of issued ordinary share capital	Number of Ordinary Shares	% of issued ordinary share capital
		%		%
Robert Jeffries Chatfield	10,135,365*	20.43	10,135,365*	19.17
Dr Stephen John Fisher	5,000	0.00	5,000	0.00
Roderick Douglas Mahoney	240,000	0.48	240,000	0.45
Peter Anthony Freeman	73,813	0.15	73,813	0.14
Andre Cohen	-	-	-	-
Richard Wolanski	-	-	-	-
Ronald Lewis Aitkenhead	-	-	-	-

*Shares held in the name of Fitel Nominees Limited and RBC, other than 1 certificated share.

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 Roderick Mahoney was appointed as a Director on 12 December 2011. On 16 December 2011, he entered into a service agreement with the Group, pursuant to which he was appointed as the Chief Operating Officer of the Company. The agreement is for an indefinite term, terminable at any time by either party giving the other four weeks' notice of termination. Salary under the service agreement is set at SG\$23,700 per month. Mr Mahoney may also be entitled to a performance related bonus in accordance with the Company's remuneration policy. The agreement includes non-compete restrictions and confidentiality provisions following termination of this employment.

8.3.2 Robert (Jeff) Chatfield was appointed as a Director on 11 July 2006. On 29 April 2013 he entered into a new service agreement with the Group, pursuant to which he provides services as Executive Chairman of the Company. The agreement is for an indefinite term, terminable at any time by either party giving the other four months' notice of termination. Salary under the service agreement is set at SG\$25,000 per month. Mr Chatfield may also be entitled to a performance related bonus in accordance with the terms of the Company's remuneration policy. The agreement includes non-compete restrictions and confidentiality provisions following termination of this employment.

8.3.3 Dr Stephen Fisher was appointed as a Director on 24 April 2014. On 29 April 2014 he entered into a non-executive director letter of appointment. The appointment is for an indefinite term, terminable at any time by either party giving the other one month's notice of termination.

8.3.4 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 2014, the amount of remuneration paid (including contingent or deferred compensation) and benefits in kind granted to the Directors of

the Company and the Other Group Directors by the Group was as follows:

	<i>Fees and salary, including bonuses US\$</i>	<i>Benefits in Kind US\$</i>	<i>Total US\$</i>
Robert Jeffries Chatfield ¹	551,676	86,740	638,416
Dr Stephen Fisher ²	2,669	-	2,669
Roderick Douglas Mahoney	320,186	-	320,186
Peter Anthony Freeman			
Andre Cohen			
Ronald Lewis Aitkenhead			
Richard Wolanski			

¹ Mr Chatfield also received US\$193,778 in his capacity as Chairman of CLA

² Appointed on 29 April 2014

The aggregate amount set aside or accrued by the Company or its subsidiaries in relation to pension, retirement and other similar benefits for the Directors and the Other Group Directors in the period to 30 June 2014 was nil.

8.5 **Other Interests**

Over the five years preceding the date hereof, the Directors and the Other Group 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, 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.

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, Skywest Airlines (Australia) Pty Ltd, Skywest Airlines (S) Pte Ltd, Skywest Airlines Ltd

8.5.2 Roderick Douglas Mahoney

Current directorships: Aviation Business Consulting Services Pty Ltd, Air Transport Business Development Inc.

Past directorships: None.

8.5.3 Dr Stephen Fisher

Current directorships: First Degree Global Asset Management Pte Ltd, JH Fisher and Sons Service Company Pty Ltd

Past directorships: None

8.5.4 Peter Anthony Freeman

Current directorships: Cabo Drilling Inc (Canada), Jenolan Ltd.

Past directorships: Loeb Aron & Company Ltd.

8.5.5 Andre Cohen

Current directorships: Coherent Financial LLPO, Micoson Consulting Ltd.

Past directorships: Aircraft Capital Trust, Coherent Financial Solutions Ltd

8.5.6 Richard Wolanski

Current directorships

Past directorships

8.5.7 Ronald Lewis Aitkenhead

Current directorships: None.

Past directorships: None.

- 8.6 There are potential conflicts of interest in relation to the transactions disclosed in that paragraph, none of the Directors, members of any administrative, management and supervisory body, nor any Other Group Director or senior manager has any conflict of interest between any duties to the Company and to his private interest or to any other duties.

The transactions disclosed at paragraph 8.10 give rise to potential conflicts of interest, in each case, by virtue of the relevant Director or Other Group Director's directorship of the entity with which the Group has contracted. Where there is a potential conflict of interest, the relevant Director or Other Group Director abstains from participating in and voting on the relevant board decisions within the relevant Group company. This policy has been followed in respect of each of the transactions disclosed at paragraph 8.10.

- 8.7 In the five year period prior to the date of this document, none of the Directors or Other Group 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.

- 8.8 There are no conflicts of interests between the Directors and their private interests or other duties.

8.9 **Major Shareholders**

- 8.9.1 As at 24 November 2014 (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>
Goldman Sachs Securities (Nominees) Limited	12,058,140	22.99
Chase Nominees Limited	9,331,140	17.79
Fitel Nominees Limited	4,516,171	8.61
HSBC Global Custody Nominee (UK) Limited	3,338,227	6.36
Chase Nominees Limited	2,870,000	5.47
Vidacos Nominees Limited	2,240,295	4.27
HSBC Global Custody Nominee (UK) Limited	2,055,000	3.92

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

- 8.9.3 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.

8.9.4 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.

8.10 *Related Party Transactions*

Related party transactions in the period covered by the historical financial information (the years ended 30 June 2012, 30 June 2013 and 30 June 2014) are incorporated by reference in to this document. In the period from 1 July 2014 to 24 November 2014, 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.

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.

All interested directors always abstain from participating or 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 *Operating Lease: MSN 1073 (ATR 72-600)*

Pursuant to an aircraft operating lease agreement dated 28 February 2013 between Airframe Leasing (S) III Pte Ltd (**ALSIII**) and VARA, ALSIII granted a lease of the aircraft bearing manufacturer's serial number 1073 to VARA for a period of ten years from the date of delivery, that is, from 28 February 2013 to 27 February 2023. Under the agreement, VARA is responsible for all maintenance and actions necessary to repatriate the aircraft to Perth at the conclusion of the term. The aircraft is leased on an "as is – where is" basis. VARA is permitted to sublease the aircraft to Virgin Australia under the terms of the wet lease agreement. VARA may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of ALSIII or Credit Industriel Et Commercial (**the Financier**) acting as security trustee, the grant of which consent is at the sole discretion of ALSIII and the Financier. During the term of the lease, VARA 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 Queensland.

9.2 *Operating Lease: MSN 1087 (ATR 72-600)*

Pursuant to an aircraft operating lease agreement dated 31 May 2013 between Airframe Leasing (S) IV Pte Ltd (**ALSIV**) and VARA, ALSIV granted a lease of the aircraft bearing manufacturer's serial number 1087 to VARA for a period of ten years from the date of delivery, that is, from 31 May 2013 to 30 May 2023. Under the agreement, VARA is responsible for all maintenance and actions necessary to repatriate the aircraft to Perth at the conclusion of the term. The aircraft is leased on an "as is – where is" basis. VARA is permitted to sublease the aircraft to Virgin Australia under the terms of the wet lease agreement. VARA may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of ALSIV or Export Development Canada (**the Financier**) acting as security trustee, the grant of which consent is at the sole discretion of ALSIV and the Financier unless the wet lease agreement is terminated and no event of default is continuing, in which case, VARA may sublease the aircraft within Virgin Australia group or otherwise subject to certain conditions. During the term of the lease, VARA 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 Queensland.

9.3 ***Operating Lease: MSN 1107 (ATR 72-600)***

Pursuant to an aircraft operating lease agreement dated 13 September 2013 between ALSIV and VARA, ALSIV granted a lease of the aircraft bearing manufacturer's serial number 1107 to VARA for a period of ten years from the date of delivery, that is, from 13 September 2013 to 12 September 2023. Under the agreement, VARA is responsible for all maintenance and actions necessary to repatriate the aircraft to Perth at the conclusion of the term. The aircraft is leased on an "as is – where is" basis. VARA is permitted to sublease the aircraft to Virgin Australia under the terms of the wet lease agreement. VARA may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of ALSIV or Export Development Canada (the **Financier**) acting as security trustee, the grant of which consent is at the sole discretion of ALSIV and the Financier unless the wet lease agreement is terminated and no event of default is continuing, in which case, VARA may sublease the aircraft within Virgin Australia group or otherwise subject to certain conditions. During the term of the lease, VARA 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 Queensland.

9.4 ***Operating Lease: MSN 429 (Airbus A320)***

Pursuant to an aircraft operating lease agreement dated 23 January 2013 between MSN 429 Limited (**MSN429**) and VARA, as amended, varied and/or novated from time to time, MSN429 granted a lease of the aircraft bearing manufacturer's serial number 429 to VARA for a period of seven years from the date of delivery, that is, from 2 April 2010 to 1 April 2017. Under the agreement, VARA 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. VARA is permitted to sublease the aircraft subject to and in accordance with the express terms of the agreement. VARA may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of MSN429. During the term of the lease, VARA shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein. The agreement is governed by the laws of Western Australia.

9.5 ***Operating Lease: MSN 1922 (Airbus A320)***

Pursuant to an aircraft operating lease agreement dated 18 April 2013 between MSN 1922 Pte Ltd (**MSN1922**) and VARA, MSN1922 granted a lease of the aircraft bearing manufacturer's serial number 1922 to VARA for a period of 61 months from the date of delivery, that is, from 18 April 2013 to 17 May 2018. Under the agreement, VARA is responsible for all maintenance and actions necessary to repatriate the aircraft to Australia at the conclusion of the term. The aircraft is leased on an "as is – where is" basis. VARA is permitted to sublease the aircraft subject to and in accordance with the express terms of the agreement. VARA may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of MSN1922. During the term of the lease, VARA 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.

9.6 ***Operating Lease: MSN 1146 (ATR 72-600)***

Pursuant to an aircraft operating lease agreement dated 22 October 2013 between Avation Pacific Leasing Pte. Ltd (**APL**) and Air Pacific Limited, a Fiji Airways company (**Air Pacific**), as amended, varied and/or novated from time to time, APL granted a lease of one ATR 72-600 to Air Pacific for a period of twelve years from the date of delivery, that is, from 30 May 2014 to 29 May 2026.

Under the agreement, Air Pacific is responsible for all maintenance and actions necessary to

repatriate the aircraft to APL at the conclusion of the term. The aircraft is leased on an "as is – where is" basis. Air Pacific is permitted to sublease the aircraft subject to and in accordance with the express terms of the agreement. Air Pacific may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of APL. During the term of the lease, Air Pacific 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.

9.7 ***Operating Lease: MSN 1169 (ATR 72-600)***

Pursuant to an aircraft operating lease agreement dated 25 August 2014 between ALSIV and VARA, ALSIV granted a lease of the aircraft bearing manufacturer's serial number 1169 to VARA for a period of ten years from the date of delivery, that is, from 25 August 2014 to 24 August 2024. Under the agreement, VARA is responsible for all maintenance and actions necessary to repatriate the aircraft to Perth at the conclusion of the term. The aircraft is leased on an "as is – where is" basis. VARA is permitted to sublease the aircraft to Virgin Australia under the terms of the wet lease agreement. VARA may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of ALSIV or Export Development Canada (the **Financier**) acting as security trustee, the grant of which consent is at the sole discretion of ALSIV and the Financier unless the wet lease agreement is terminated and no event of default is continuing, in which case, VARA may sublease the aircraft within Virgin Australia group or otherwise subject to certain conditions. During the term of the lease, VARA 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 Queensland.

9.8 ***Operating Lease: MSN 1146 (ATR 72-600)***

Pursuant to an aircraft operating lease agreement dated 22 October 2013 between Air Pacific Limited (**AP**) and Avation Pacific Leasing Pte Ltd (**APL**), APL granted a lease of the aircraft bearing manufacturer's serial number 1146 to AP for a period of twelve years from the date of delivery, that is, from 30 May 2014 to 29 May 2026. Under the agreement, AP is responsible for all maintenance and actions necessary to repatriate the aircraft to Brisbane at the conclusion of the term. The aircraft is leased on an "as is – where is" basis. AP is permitted to sublease the aircraft to Fiji Airlines Limited trading as Fiji Link (**Fiji**) under the terms of the wet lease agreement. AP may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of APL, the grant of which consent is at the sole discretion of APL and the Financier, unless there is no occurrence or continuance of a termination event, in which case, AP may sublease the aircraft to its affiliates or otherwise subject to certain conditions. During the term of the lease, AP 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.

9.9 ***Operating Lease: MSN 1162 (ATR 72-600)***

Pursuant to an aircraft operating lease agreement dated 11 September 2014 between AVAP Leasing (Europe) Limited (**ALE**) and Quick Duck, S.R.O. (**QD**), ALE granted a lease of the aircraft bearing manufacturer's serial number 1162 to QD for a period of ten years from the date of delivery, that is, from 18 September 2014 to 17 September 2024. Under the agreement, QD is responsible for all maintenance and actions necessary to repatriate the aircraft to Bratislava at the conclusion of the term. The aircraft is leased on an "as is – where is" basis. QD may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of ALE, the grant of which consent is at the sole discretion of ALE unless there is no occurrence or continuance of default, in which case, QD may wet lease the aircraft subject to certain conditions. During the term of the lease, QD 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.

9.10 ***Bailment and Sale Agreement: MSN 1175 (ATR 72-600)***

Pursuant to a Bailment and Sale Agreement dated 31 March 2014 (and novated on 5 September 2014) between Avation Taiwan Leasing Pte Ltd (**ATL**) as the bailor and Uni Airways Corporation (**Uni**) as the bailee, Uni agreed to operate the aircraft bearing manufacturer's serial number 1175, during the bailment period which is from 5 September 2014 to 4 September 2017 and following which to purchase the aircraft from ATL. Under the agreement, Uni is responsible for all maintenance and actions necessary to repatriate the aircraft to Taiwan at the end of the bailment period in the event that the aircraft is not acquired. The aircraft is bailed on an "as is – where is" basis. Uni may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of ATL, the grant of which consent is at the sole discretion of ATL unless there is no occurrence or continuance of default, in which case, Uni may sublease or wet lease the aircraft subject to certain conditions. During the bailment period, Uni 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.

9.11 ***Bailment and Sale Agreement: MSN 1183 (ATR 72-600)***

Pursuant to a Bailment and Sale Agreement dated 31 March 2014 (and novated on 23 October 2014) between Avation Taiwan Leasing Pte Ltd (**ATL**) as the bailor and Uni Airways Corporation (**Uni**) as the bailee, Uni agreed to operate, the aircraft bearing manufacturer's serial number 1183, during the bailment period which is from 23 October 2014 to 22 October 2017 and following which to purchase the aircraft from ATL. Under the agreement, Uni is responsible for all maintenance and actions necessary to repatriate the aircraft to Taiwan at the end of the bailment period in the event that the aircraft is not acquired. The aircraft is bailed on an "as is – where is" basis. Uni may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of ATL, the grant of which consent is at the sole discretion of ATL unless there is no occurrence or continuance of default, in which case, Uni may sublease or wet lease the aircraft subject to certain conditions. During the bailment period, Uni 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.

9.12 ***Operating Lease: MSN1197 Alliance Airlines (ATR 72-600)***

Pursuant to a letter of intent dated 30 June 2014, it is anticipated that the Company will enter into an aircraft operating lease agreement between AVAP Leasing (Asia) Ltd (**ALA**) and Airline Allied Services Limited which operates under the names Alliance Air or Air India Regional (**AASL**), ALA will grant a lease of the aircraft bearing manufacturer's serial number 1197 for a period of twelve years from the date of delivery. Under the agreement, AASL is responsible for all maintenance and actions necessary to repatriate the aircraft to ALA at the conclusion of the term. The aircraft is leased on an "as is – where is" basis. AASL may not sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of ALA or EDC (the **Financier**) acting as security trustee. During the term of the lease, AASL 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. The obligations of AASL are guaranteed on a limited basis by Air India, AASL's parent company.

9.13 ***Operating Lease: MSN1607 (Airbus A321-200)***

Pursuant to an aircraft operating lease agreement dated 23 December 2011 and novated to MSN1607 on 30 May 2013 between MSN1607 Pte Ltd (**MSN1607 Co**) and Condor Flugdienst GmbH (**Condor**), as amended, varied and/or novated from time to time, MSN1607 Co leases the Airbus A321-200 aircraft bearing manufacturer's serial number 1607 to Condor for a period of six years from the date of delivery, that is, to 29 April 2018. Under the agreement, Condor 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. Condor is permitted to sublease the aircraft subject to and in accordance with the express terms of the agreement. Condor may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of MSN1607 Co. During the term of the lease, Condor shall at its own expense at all times, maintain, service, repair, overhaul, test and modify the aircraft, the engines and all parts and equipment therein. The agreement is governed by the laws of Western Australia.

9.14 ***ATR Supply Agreement***

On 4 March 2011 the Company entered into a sale and purchase agreement (the **ATR Supply Agreement**) with ATR. Pursuant to the ATR Supply Agreement, ATR has agreed to sell and deliver to the Company seven ATR 72-600 aircraft on a firm basis (the **Firm Aircraft**), ten ATR 72-600 aircraft on an optional basis (the **Option Aircraft**) and a further 17 aircraft under purchase rights (the **Additional Aircraft**). The parties have varied the ATR Supply Agreement by written letter agreement on various occasions with the summary below setting out only the terms currently in force, as amended.

Firm Aircraft

Pursuant to the ATR Supply Agreement, where not already paid, the Company is required to make a first pre-payment upon the Company agreeing for the aircraft to become firm deliveries (such as on exercise of an Aircraft Option). The Company will then be required to make a second pre-payment twelve months prior to the delivery of each individual aircraft and a third pre-payment six months prior to the delivery of each individual aircraft.

The proposed delivery schedule for the seven current outstanding Firm Aircraft is set out below:

Aircraft	Type	Delivery Date
Aircraft 21	ATR 72-600	December 2014
Aircraft 22	ATR 72-600	January 2015
Aircraft 23	ATR 72-600	March 2015
Aircraft 24	ATR 72-600	June 2015
Aircraft 25	ATR 72-600	August 2015
Aircraft 26	ATR 72-600	November 2015
Aircraft 27	ATR 72-600	December 2015

Option Aircraft

In addition to the seven Firm Aircraft, pursuant to the ATR Supply Agreement the Company has the option (**Aircraft Options**) 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**).

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

Option	Type	Delivery Date
Option 14	ATR 72-600	February 2016
Option 15	ATR 72-600	April 2016
Option 16	ATR 72-600	June 2016
Option 17	ATR 72-600	August 2016
Option 18	ATR 72-600	October 2016

The Company has a further five long range options for delivery in 2017.

The Company does not currently intend to exercise any of these options, which will lapse if they remain unexercised after the deadline for exercise expires.

Additional Aircraft

Pursuant to the ATR Supply Agreement, the Company will also be entitled to purchase up to 17 Additional Aircraft for delivery before the end of 2018 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 relevant aviation authority.

No party to the ATR 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 ATR 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 ATR 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 ATR 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. 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 ATR 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.

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 ATR Supply Agreement may terminate all or part of the ATR Supply Agreement.

Furthermore:

- ATR will be entitled to terminate the ATR 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 ATR 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.

9.15 ***EDC Senior Debt***

On 31 May 2013, Aviation Eastern Fleet IV Pte. Ltd (**AEF IV**) entered into a secured senior loan

agreement as borrower to borrow up to US\$65,000,000 in order to finance the acquisition of four ATR 72-600 aircraft with Export Development Canada (**EDC**) as senior lender, senior agent, and security trustee (the **EDC Facility**).

The EDC Facility is made available through four US dollar term loan facilities, one for each aircraft, and each made up of 85% of the final contract price for each aircraft (being US\$16,250,000).

Each advance under the EDC Facility may only be used towards payment to the manufacturer of the final contract price of the relevant Aircraft.

AEF IV may elect to pay interest at a fixed or floating rate. Each loan is repayable on the date falling ten years after the date of drawdown and is repaid in quarterly instalments. AEF IV may also elect to prepay the whole of any loan early or prepay part of any loan early, in which case such part must be not less than US\$1,000,000 and in multiples of US\$500,000.

The EDC Facility contains certain mandatory prepayment events including breach of AEF IV's continuing undertakings to maintain its centre of interest in Singapore, not to establish a branch or operation anywhere other than Singapore and to ensure that AEF IV and its directors maintain certain connections in Singapore, illegality, a failure to enter into a replacement sub-lease following the termination of the relevant operating agreement or the withdrawal of any consent, authorisation or licence necessary for the continued performance of the Group's obligations under the EDC Facility and related transaction documents. The EDC Facility outlines a number of Acceleration Events, upon the occurrence of which the lender may declare that advances are immediately due and payable together with any accrued interest or other sum due thereon from AEF IV and cancel the facilities, reducing the available commitment to zero. If the lease of any of the aircraft is terminated for any reason (other than as a result of an event of loss) the principal amount of the relevant advance becomes immediately repayable. In the event of a lease of any of the aircraft being terminated due to an event of loss, the relevant advance becomes immediately repayable upon the date that the lessor is required to pay AEF IV agreed amounts under the head lease following such event of loss.

The EDC Facility contains representations, warranties and undertakings from AEF IV in favour of the lender.

9.16 ***CIC Senior Debt***

On 27 February 2013, Aviation Eastern Fleet III Pte. Ltd (**AEF III**) entered into a secured senior loan agreement as borrower to borrow up to US\$15,000,000 in order to finance the acquisition of one ATR 72-600 aircraft (serial number 1073) with Credit Industriel Et Commercial, Singapore Branch (**CIC**) as senior lender, senior agent, security trustee and senior arranger (the **CIC Facility**).

The CIC Facility is made available through one US dollar term loan facility and advance under the facility may only be used towards payment to the manufacturer of the final contract price of ATR 72-600 aircraft serial number 1073.

Interest is payable at a fixed rate plus a fixed margin. The loan is repayable on the date falling ten years after the date of drawdown and is repayable in quarterly instalments. AEF III may also elect to prepay the whole of any loan early or prepay part of the loan early, in which case such part must be not less than US\$1,000,000 and in multiples of US\$500,000.

The CIC Facility contains certain mandatory prepayment events including breach of AEF III's continuing undertakings to maintain its centre of interest in Singapore, not to establish a branch or operation anywhere other than Singapore and to ensure that AEF III and its directors maintain certain connections in Singapore, illegality, a failure to enter into a replacement sub-lease following the termination of the relevant operating agreement or the withdrawal of any consent, authorisation or licence necessary for the continued performance of the Group's obligations under the CIC Facility and related transaction documents. The CIC Facility outlines a number of Acceleration Events, upon the occurrence of which the lender may declare that the advance is

immediately due and payable together with any accrued interest or other sum due thereon from AEF III and cancel the facility, reducing the available commitment to zero. If the lease of any of the aircraft is terminated for any reason (other than as a result of an event of loss) the principal amount of the relevant advance becomes immediately repayable. In the event of a lease being terminated due to an event of loss, the advance becomes immediately repayable upon the date that the lessor is required to pay AEF III agreed amounts under the head lease following such event of loss.

The CIC Facility contains representations, warranties and undertakings from AEF III in favour of the lender

9.17 ***AEF IV Junior Debt***

On 31 May 2013, AEF IV entered into a secured junior loan agreement as borrower to borrow up to 7.5% of the relevant final contract price in order to finance the acquisition of four ATR 72-600 aircraft with a Junior Lender and EDC as security trustee (the **AEF IV Junior Facility**).

The AEF IV Junior Facility is made available through four US dollar term facilities, one for each aircraft. Each advance may only be applied in paying the final contract price of each aircraft to the relevant manufacturer.

Interest is paid on the term facilities at a fixed rate. Each advance may be prepaid in whole or in part (in which case such part must be not less than US\$250,000 and in multiples of US\$50,000), together with accrued interest and break costs thereon. Each loan is repayable on the date falling ten years after the date of drawdown and is repaid in quarterly instalments.

The AEF IV Junior Facility contains certain mandatory prepayment events including breach of AEF IV's continuing undertakings to maintain its centre of interest in Singapore, not to establish a branch or operation anywhere other than Singapore and to ensure that AEF IV and its directors maintain certain connections in Singapore, illegality, a failure to enter into a replacement sub-lease following the termination of the relevant operating agreement or the withdrawal of any consent, authorisation or licence necessary for the continued performance of the Group's obligations under the AEF IV Junior Facility and related transaction documents. The AEF IV Junior Facility outlines a number of acceleration events, upon the occurrence of which the lender may declare that the advances made under the facility are immediately due and payable together with any accrued interest or other sum due thereon from AEF IV and cancel the facilities reducing the available commitment to zero. If the leasing of any of the aircraft is terminated for any reason (other than as a result of an event of loss), the principal amount of the relevant advance becomes immediately repayable together with all accrued interest and break costs thereon. In the event of lease of any of the aircraft is terminated due to an event of loss, the relevant advance becomes immediately repayable upon the date that the lessor is required to pay AEF IV agreed amounts under the head lease following such event of loss

The AEF IV Junior Facility contains representations, warranties and undertakings from AEF IV in favour of the lender.

9.18 ***AEF III Junior Debt***

On 27 February 2013, AEF III entered into a secured junior loan agreement as borrower to in order to finance the acquisition of one ATR 72-600 aircraft (serial number 1073) with a Junior Lender and CIC as security trustee (the **AEF III Junior Facility**).

The AEF III Junior Facility may only be applied in paying the final contract price of each aircraft to the relevant manufacturer.

Interest is paid on the term facility at a fixed rate. The advance may be prepaid in whole or in part (in which case such part must be not less than US\$250,000 and in multiples of US\$50,000, together with accrued interest and break costs thereon. The advance is repayable on full on the date falling 10 years from advance.

The AEF III Junior Facility contains certain mandatory prepayment events including breach of

AEF III's continuing undertakings to maintain its centre of interest in Singapore, not to establish a branch or operation anywhere other than Singapore and to ensure that AEF III and its directors maintain certain connections in Singapore, illegality, a failure to enter into a replacement sub-lease following the termination of the relevant operating agreement or the withdrawal of any consent, authorisation or licence necessary for the continued performance of the Group's obligations under the AEF III Junior Facility and related transaction documents. The AEF III Junior Facility outlines a number of acceleration events, upon the occurrence of which the lender may declare that the advances made under the facility are immediately due and payable together with any accrued interest or other sum due thereon from AEF III and cancel the facilities reducing the available commitment to zero. If the leasing of any of the aircraft is terminated for any reason (other than as a result of an event of loss), the principal amount of the advance becomes immediately repayable together with all accrued interest and break costs thereon. In the event of lease of any of the aircraft is terminated due to an event of loss, the relevant advance becomes immediately repayable upon the date that the lessor is required to pay AEF III agreed amounts under the head lease following such event of loss.

The AEF III Junior Facility contains representations, warranties and undertakings from AEF III in favour of the lender.

9.19 **MSN 1922 Facility Agreement**

On 9 December 2013, the Company as borrower and MSN 1922 Pte Limited as lessor entered into a secured facility agreement (the **MSN1922 Facility**) with Investec Bank plc in relation to one Airbus A320-200 with serial number 1922. The total amount borrowed under the MSN1922 Facility was US\$12,936,510.

The purpose of the MSN1922 Facility was to enable Avation plc to buy the aircraft out of its finance lease with another lender. Interest is paid on the MSN1922 Facility at a fixed rate and repayments must be made on a monthly basis until 18 April 2018. The advance may be prepaid in whole or in part.

The MSN1922 Facility contains certain mandatory prepayment events if the aircraft is sold and if the leasing of any of the aircraft is terminated for any reason (other than as a result of an event of loss). In the event of lease of any of the aircraft is terminated due to an event of loss, the relevant advance becomes immediately repayable upon the earlier of the date on which the lessor or insurers pay Investec Bank Plc the agreed value for the aircraft under the relevant sub-lease agreement or the lessor becomes obliged to pay Investec Bank Plc the agreed value for the aircraft under the relevant sub-lease agreement.

The MSN1922 Facility contains representations, warranties and undertakings from Avation Plc and MSN 1922 Pte Limited in favour of the lender.

9.20 **AEF II Senior Debt**

On 24 February 2014, Avation Eastern Fleet II Pte. Ltd (**AEF II**) entered into a secured senior loan agreement as borrower to borrow up to US\$23,800,000 in relation to the re-financing of two ATR 72-500 aircraft (serial numbers 978 and 986) with a DVB Group Merchant Bank (Asia) Ltd (the **AEF II Senior Facility**).

The AEF II Senior Facility is made available through two US dollar term facilities, one for US\$11,850,000 and one for US\$11,950,000. Each advance under the facilities may only be applied in financing the acquisition of the relevant aircraft.

Interest is paid on the term facilities at a fixed rate. Each advance may be prepaid in whole or in part (in which case such part must be not less than US\$1,000,000 and in multiples of US\$500,000), together with accrued interest and break costs thereon. Each advance is repayable on the date falling eight years and two months after the date of drawdown and is repaid in quarterly instalments.

The AEF II Senior Facility contains certain mandatory prepayment events including breach of AEF II's continuing undertakings to maintain its centre of interest in Singapore, not to establish

a branch or operation anywhere other than Singapore and to ensure that AEF II and its directors maintain certain connections in Singapore, illegality, a failure to enter into a replacement sub-lease following the termination of the relevant operating agreement or the withdrawal of any consent, authorisation or licence necessary for the continued performance of its obligations under the AEF II Senior Facility and related transaction documents. The AEF II Senior Facility outlines a number of acceleration events, upon the occurrence of which the lender may declare that the advances made under the facility are immediately due and payable together with any accrued interest or other sum due thereon from AEF II and cancel the facilities reducing the available commitment to zero. If the leasing of either of the aircraft is terminated for any reason (other than as a result of an event of loss), the principal amount of the relevant advance becomes immediately repayable together with all accrued interest and break costs thereon. In the event of lease of either of the aircraft is terminated due to an event of loss, the relevant advance becomes immediately repayable upon the date that the lessor is required to pay AEF II agreed amounts under the head lease following such event of loss

The AEF II Senior Facility contains representations, warranties and undertakings from AEF II in favour of the lender. The AEF II Senior Facility is subject to a deed of application of proceeds dated 24 February 2014, pursuant to which Avation PLC is guarantor to certain obligations under the AEF II Senior Facility.

9.21 *AEF II Junior Debt*

On 24 February 2014, AEF II entered into a secured junior loan agreement as borrower to borrow up to US\$5,300,000 in relation to the re-financing of two ATR 72-500 aircraft (serial numbers 978 and 986) with a Junior Lender (the **AEF II Junior Facility**).

The AEF II Junior Facility is made available through two US dollar term facilities, one for US\$2,600,000 and one for US\$2,700,000. Each advance under the facilities may only be applied in financing the acquisition of the relevant aircraft.

Interest is paid on the term facilities at a fixed rate. Each advance may be prepaid in whole or in part (in which case such part must be not less than US\$1,000,000 and in multiples of US\$500,000), together with accrued interest and break costs thereon. Each advance is repayable on the date falling six years and six months after the date of drawdown and is repaid in quarterly instalments.

The AEF II Junior Facility contains certain mandatory prepayment events including breach of AEF II's continuing undertakings to maintain its centre of interest in Singapore, not to establish a branch or operation anywhere other than Singapore and to ensure that AEF II and its directors maintain certain connections in Singapore, illegality, a failure to enter into a replacement sub-lease following the termination of the relevant operating agreement or the withdrawal of any consent, authorisation or licence necessary for the continued performance of its obligations under the AEF II Junior Facility and related transaction documents. The AEF II Junior Facility outlines a number of acceleration events, upon the occurrence of which the lender may declare that the advances made under the facility are immediately due and payable together with any accrued interest or other sum due thereon from AEF II and cancel the facilities reducing the available commitment to zero. If the leasing of either of the aircraft is terminated for any reason (other than as a result of an event of loss), the principal amount of the relevant advance becomes immediately repayable together with all accrued interest and break costs thereon. In the event of lease of either of the aircraft is terminated due to an event of loss, the relevant advance becomes immediately repayable upon the date that the lessor is required to pay AEF II agreed amounts under the head lease following such event of loss.

The AEF II Junior Facility contains representations, warranties and undertakings from AEF II in favour of the lender. The AEF II Junior Facility is subject to a deed of application of proceeds dated 24 February 2014, pursuant to which Avation PLC is guarantor to certain obligations under the AEF II Junior Facility.

9.22 **FSC Loan agreement**

Pursuant to a loan agreement dated 12 December 2011 between the Company and Fleet Solution Consulting Pte Ltd (**FSC**), as amended by deeds of variation dated between 19 June 2012 and 2 September 2014, FSC agreed to advance US\$2,000,000 to the Company (the **FSC Loan**). The FSC Loan was originally repayable on 12 December 2013 but the repayment date has been extended to 31 December 2015. Pursuant to the agreement, interest accrues on the outstanding balance of the FSC Loan at rate of 10 per cent. per annum until 31 December 2014. Thereafter, interest accrues (and is payable monthly in arrears) at 8 per cent. per annum until the loan is fully repaid. The interest rate on the FSC Loan will be increased to match that interest rate payable by any member of the Group that borrows money at a rate higher than that payable from time to time on the FSC Loan. Soeren Ferre, a former director of CLA, is a director of FSC.

9.23 **Epsom Loan Agreements**

Pursuant to loan agreements dated 30 May 2013 and 26 February 2014, between CLA and Epsom Assets Limited (**Epsom**), CLA agreed to borrow from Epsom US\$3,000,000 and US\$1,500,000 respectively (the **Epsom Loans**). The Epsom Loans were initially repayable by CLA on 28 February 2014 (amended to 1 October 2014) and 1 October 2014 respectively (which repayment dates were both extended to 1 January 2015 by notice to CLA pursuant to the terms of the agreements). The Epsom Loans bear interest at a rate of 9.75 per cent. per annum which is payable to Epsom monthly in arrears. The Epsom Loans were novated by CLA to Capital Lease Aviation (S) Pte. Ltd. (**CLAS**) by deeds of novation dated 30 June 2014. CLAS is the new borrower of the Epsom Loans and bears all obligations thereunder. Jeff Chatfield, a director of the Company, is a director of Epsom.

9.24 **Phoenix SPA**

On 18 November 2013 Aviation Aircraft Trading Pte Ltd (**AAT**) entered into a sale and purchase agreement with Phoenix Aircraft Leasing Pte Ltd (**Phoenix**) (the **Phoenix SPA**). Pursuant to the Phoenix SPA, AAT has agreed to sell and deliver to Phoenix two ATR-72-600 aircraft.

The total purchase price of each aircraft under the agreement was paid in instalments, with a pre-delivery instalment of US\$4,000,000 payable for each aircraft upon execution of the agreement and the balance payable before delivery of each aircraft.

The delivery dates for the aircraft were 12 December 2013 for Aircraft No.1 and January 2014 for Aircraft No.2.

9.25 **Aircraft Warehouse Facility Agreement**

On 14 February 2014, Aviation PLC entered into a senior secured revolving warehouse facility with CIC Bank for an aggregate amount of up to US\$20,000,000 which is capable of being utilised for three years from the date of the agreement for the part payment of the purchase of "Eligible Aircraft" by certain wholly-owned subsidiaries of Aviation PLC (the **Warehouse Facility**). The maximum amount of a single Eligible Aircraft's value which can be drawn down under the Warehouse Facility is 75%, dependent on the age of the aircraft and the identity of the airline lessee. "Eligible Aircraft" include ATR 500s and 600s, Boeing and Airbus aircraft types and security is taken over each relevant Eligible Aircraft.

Amounts advanced under the Warehouse Facility bear interest calculated on a fixed rate and fall to be repaid in full two years after drawing. Each advance may be prepaid in whole or in part (in which case such part must be not less than US\$1,000,000 and in multiples of US\$1,000,000). Amounts repaid under the Warehouse Facility may be drawn down again. The Warehouse Facility outlines a number of acceleration events, upon the occurrence of which the lender may declare that the advances made under the facility are immediately due and payable together with any accrued interest or other sum due thereon from the relevant borrower and cancel the facilities reducing the available commitment to zero. If the leasing of an Eligible Aircraft is terminated for any reason (other than as a result of an event of loss), the principal amount of the

relevant advance becomes repayable after 120 days if the Eligible Aircraft is not released. In the event of lease of either of the aircraft is terminated due to an event of loss, the relevant advance becomes repayable on the earlier of (i) 120 days after the loss, (ii) the date which corresponds to a “total loss payment date” in the relevant lease and (iii) the date on which loss proceeds are paid by insurers following such event of loss.

Avation PLC guarantees the obligations of each borrower which draws down amounts under the Warehouse Facility.

On 18 September 2014, AVAP Leasing (Europe) Limited drew down US\$12.8 million under the Warehouse Facility to fund the purchase of Aircraft 17.

9.26 **Deutsche Bank Debt Facility**

On 31 December 2013, F100 Fleet Pte. Ltd (**F1F**) entered into a secured loan agreement as borrower to borrow up to US\$9,500,000 in order to re-finance four Fokker F100 aircraft (serial numbers 11373, 11391, 11484, 11488 and 11489) with Deutsche Bank AG, Sydney Branch (**DB**) as lender (the **DB Facility**).

The DB Facility is made available through one US dollar term loan facility and advance under the facility may only be used towards payment to the seller of the final contract price of Fokker F100 aircraft serial numbers 11373, 11391, 11484, 11488 and 11489.

Interest is payable at a fixed rate plus a fixed margin. The loan is repayable on 16 January 2016 and is repayable in monthly instalments. F1F may also elect to prepay the whole of any loan early or prepay part of the loan early, in which case such part must be not less than US\$2,000,000.

The DB Facility contains certain mandatory prepayment events. The DB Facility outlines a number of Acceleration Events, upon the occurrence of which the lender may declare that the advance is immediately due and payable together with any accrued interest or other sum due thereon from F1F and cancel the facility, reducing the available commitment to zero. If the lease of any of the aircraft is terminated for any reason (other than as a result of an event of loss) the principal amount of the relevant advance becomes immediately repayable. In the event of a lease being terminated due to an event of loss, the advance becomes immediately repayable upon the date that the lessor is required to pay F1F agreed amounts under the head lease following such event of loss.

The DB Facility contains representations, warranties and undertakings from F1F in favour of the lender.

9.27 **BRED Debt Facility**

On 28 May 2014, Avation Pacific Leasing Pte. Ltd (**APL**) entered into a secured loan agreement as borrower to borrow up to US\$16,000,000 in order to finance the acquisition of one ATR 72-600 aircraft (serial number 1146) with BRED Banque Populaire (**BRED**) as lender (the **BRED Facility**).

The BRED Facility is made available through one US dollar term loan facility and any advance under the facility may only be used towards payment to the manufacturer of the final contract price of ATR 72-600 aircraft serial number 1146.

Interest is payable at a fixed rate plus a fixed margin. The loan is repayable on the date falling ten years after the date of drawdown and is repayable in quarterly instalments. APL may also elect to prepay the whole of any loan early or prepay part of the loan early, in which case such part must be in multiples of US\$500,000.

The BRED Facility contains certain mandatory prepayment events. The BRED Facility outlines a number of Acceleration Events, upon the occurrence of which the lender may declare

that the advance is immediately due and payable together with any accrued interest or other sum due thereon from APL and cancel the facility, reducing the available commitment to zero. If the lease of any of the aircraft is terminated for any reason (other than as a result of an event of loss) the principal amount of the relevant advance becomes immediately repayable. In the event of a lease being terminated due to an event of loss, the advance becomes immediately repayable upon the date that the lessor is required to pay APL agreed amounts under the head lease following such event of loss.

The BRED Facility contains representations, warranties and undertakings from APL in favour of the lender.

9.28 **Alliance EDC Facility**

On 14 November 2014, the Company accepted an offer from Export Development Canada (**EDC**) to enter into a secured senior loan agreement to borrow up to US\$31,000,000 in order to finance the acquisition of two ATR 72-600 aircraft to be leased to Allied Air Services Limited (**Alliance**). EDC will act as senior lender, senior agent, and security trustee (the **Alliance EDC Facility**). The borrower will be AVAP Leasing (Europe) Limited, an Irish subsidiary of the Company (**ALA**).

The availability of the Alliance EDC Facility is subject to the completion of formal documentation with EDC. It will be made available through two US dollar term loan facilities, one for each aircraft, and each made up of 80% of the final contract price for each aircraft.

Each advance under the Alliance EDC Facility may only be used towards payment to the manufacturer of the final contract price of the relevant Aircraft.

ALA may elect to pay interest at a fixed or floating rate. Each loan will be repayable on the date falling twelve years after the date of drawdown and will be repaid in monthly instalments. ALA may also elect to prepay the whole of any loan early or prepay part of any loan early.

The Alliance EDC Facility is expected to contain certain mandatory prepayment events including illegality, a failure to enter into a replacement lease following the termination of the relevant operating agreement or the withdrawal of any consent, authorisation or licence necessary for the continued performance of the Group's obligations under the Alliance EDC Facility and related transaction documents. The Alliance EDC Facility is expected to contain a number of Acceleration Events, upon the occurrence of which the lender may declare that advances are immediately due and payable together with any accrued interest or other sum due thereon from ALA and cancel the facilities, reducing the available commitment to zero. If the lease of any of the aircraft is terminated for any reason (other than as a result of an event of loss) ALA is expected to will have a right to remarket the aircraft to potential lessees provided that it continues to meet its obligations to EDC under the Alliance EDC Facility. In the event of a lease of any of the aircraft being terminated due to an event of loss, is expected the relevant advance will become repayable upon the date that ALA receives agreed amounts under the lease following such event of loss.

It is expected that the Alliance EDC Facility will contain representations, warranties and undertakings from ALA in favour of the lender.

9.29 **Cathay United Debt Facility**

On 3 September 2014, Avation Taiwan Leasing Pte. Ltd (**ATL**) entered into a secured loan agreement as borrower to borrow up to US\$33,000,000 in order to finance the acquisition of two ATR 72-600 aircraft (serial numbers 1175 and 1183) with Cathay United Bank (**CUB**) as lender (the **CUB Facility**).

The CUB Facility is made available through one US dollar term loan facility and any advance under the facility may only be used towards payment to the manufacturer of the final contract price of ATR 72-600 aircraft with serial numbers 1175 and 1183.

Interest is payable at a fixed rate plus a fixed margin. The loan is repayable on the date falling three years after the date of drawdown and is repayable in five instalments. ATL may also elect to prepay the whole of any loan early or prepay part of the loan early, in which case such part must be in multiples of US\$500,000 and not less than US\$1,000,000 in aggregate.

The CUB Facility contains certain mandatory prepayment events including breach of ATL's continuing undertakings to maintain its centre of interest in Singapore, not to establish a branch or operation anywhere other than Singapore and to ensure that ATL and its directors maintain certain connections in Singapore, illegality, a failure to enter into a replacement sub-lease following the termination of the relevant operating agreement or the withdrawal of any consent, authorisation or licence necessary for the continued performance of the Group's obligations under the CUB Facility and related transaction documents. The CUB Facility outlines a number of Acceleration Events, upon the occurrence of which the lender may declare that the advance is immediately due and payable together with any accrued interest or other sum due thereon from ATL and cancel the facility, reducing the available commitment to zero.

The CUB Facility contains representations, warranties and undertakings from ATL in favour of the lender.

9.30 **GE Japan Debt Facility**

On 9 December 2013, MSN1607 Pte Ltd (**MSN1607 Co**) as borrower entered into a secured facility agreement (the **MSN1607 Facility**) with GE Corporation Japan in relation to one Airbus A321-200 with serial number 1607. The total amount borrowed under the MSN1922 Facility was US\$17,000,000.

The purpose of the MSN1607 Facility was to enable MSN1607 Co to buy the aircraft. Interest is paid on the MSN1607 Facility at a fixed rate and repayments must be made on a monthly basis until 29 April 2018. The advance may be prepaid in whole or in part.

The MSN1922 Facility contains certain mandatory prepayment events if the aircraft is sold and if the leasing of any of the aircraft is terminated for any reason (other than as a result of an event of loss). In the event the lease of the aircraft is terminated due to an event of loss, the relevant advance becomes immediately repayable upon the earlier of the date on which the lessor or insurers pay GE Corporation Japan the agreed value for the aircraft.

The MSN1607 Facility contains representations, warranties and undertakings from MSN1607 Co in favour of the lender

9.31 **Thomas Cook sale and leaseback and PDP financing (two Airbus A321-200 for delivery in February and March 2016)**

Pursuant to two aircraft operating lease agreements each dated 30 September 2014 between the Company and Thomas Cook Airlines Limited (**Thomas Cook**), the Company granted a lease of the aircraft, which are due to be delivered from the manufacturer in February and March 2016 respectively, to Thomas Cook for a period of twelve years from the date of delivery, that is, until February and March 2028. Under the agreements, Thomas Cook is responsible for all maintenance required on the aircraft. The aircraft will be leased on an "as is – where is" basis. Thomas Cook is permitted to sublease the aircraft subject to and in accordance with the express terms of the agreement. Thomas Cook may not otherwise sublease, hire or otherwise part with the possession or operational control of the aircraft without the prior written consent of the Company. During the term of the lease, Thomas Cook 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 Wales.

The agreements are conditional on the Company purchasing the aircraft from the manufacturer at delivery after taking an assignment of the purchase right held by Thomas Cook Airlines

Scandinavia A/S (**Thomas Cook Scandinavia**) under a purchase agreement dated 25 January 2011 (the **Purchase Agreement**).

Thomas Cook has the right to cancel the operating lease agreements if Thomas Cook Scandinavia has not entered into a PDP facility agreement with the Company by 14 November 2014, the purpose of which is to finance pre-delivery payments to be made by Thomas Cook Scandinavia to the manufacturer pursuant to the Purchase Agreement. Thomas Cook has not, at the date of this document, exercised that right, and the Company is in negotiations with Thomas Cook to extend this date to enable the PDP facility agreement to be finalised

9.32 **Sale and purchase of shares in Capital Lease Aviation PLC**

Pursuant to the Sale and Purchase Agreement dated 21 September 2014, the Company agreed to purchase the Sale Shares from Jabra Capital at an aggregate price of £4,318,393.47. Pursuant to a variation of the Sale and Purchase Agreement dated 19 November 2014, it was agreed that the consideration for the Sale Shares would be the New Ordinary Shares. The Sale and Purchase Agreement will complete on Admission.

9.33 **Placing Agreement**

Pursuant to the varied Sale and Purchase Agreement, the Company entered into a placing agreement with WHI Ireland and Cenkos Securities PLC (the **Brokers**) dated 20 November 2014. Under the terms of the Placing Agreement, the Brokers as agents for the Company, would agree to use their reasonable endeavours to procure subscribers for the New Ordinary Shares with all proceeds of the Placing going to Jabra Capital. The Company must pay 4 per cent. commission on all New Ordinary Shares placed under the terms of the Placing Agreement. The Company gives certain customary warranties to the Brokers including, amongst others, warranties in relation to the business and the legal compliance of the Company and in relation to the information contained in this Prospectus. The Company also agrees to give the Brokers a customary indemnity.

10. **UK Taxation**

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, in the case of individuals, domiciled) for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment rather than trading stock (other than through an ISA or SIPP) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them.

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.

The UK taxation summary below is written on the basis that the Company is and remains resident for tax purposes only in Singapore and will therefore be subject to the Singaporean tax regime and not (save as in respect of any UK source income) the UK tax regime. Dividends paid by the Company will, on this basis, be regarded as Singaporean dividends rather than UK dividends.

10.2 ***Taxation of capital gains***

(a) General

A disposal (or deemed disposal) of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains, depending on the shareholders' circumstances and subject to any available exemption or relief.

(b) UK resident individual Shareholders

Individual Shareholders who are 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 individual Shareholders. However, an individual Shareholder 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 annual exempt amount. The annual exemption is £11,000 for the tax year 2014-2015.

An individual Shareholder who ceases to be resident for tax purposes in the UK or is treated as resident outside the UK for the purposes of a double tax treaty for a period of five years or less and who disposes of all or part of his Ordinary Shares during that period may be liable to capital gains tax on his return to the UK, subject to any available exemptions or reliefs.

(c) UK resident corporate Shareholders

Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax at the rate applicable to the relevant company on chargeable gains arising on a disposal of their Ordinary Shares subject to any available exemption or relief. An indexation allowance will apply to the amount paid for the Ordinary Shares and may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

(d) Non-UK resident Shareholders

A Shareholder who is not resident in the UK will not generally be subject to UK capital gains tax on the disposal or deemed disposal of Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

(e) Capital losses

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

(a) Withholding taxes

Under current UK tax legislation, no UK tax is required to be withheld from dividend payments by the Company. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

(b) Individual shareholders

An individual Shareholder who is resident in the UK for tax purposes and who receives a cash 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 UK income tax liability on the dividend. A

UK resident individual Shareholder will be liable to income tax on the sum of the tax credit and the dividend (together 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 (i.e. one-ninth of the net cash dividend received).

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

A UK resident individual Shareholder who is liable to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. to the extent that such dividend, when treated as the top slice of that Shareholder's income, exceeds the threshold for higher rate income tax (but falls below the threshold for additional rate income tax). In such case, the tax credit will be set against, but will not fully match, the Shareholder's liability on the gross dividend. After taking account of the 10 per cent. tax credit, an individual Shareholder will have to account for additional income tax of 22.5 per cent. of the gross dividend (equal to 25 per cent. of the net cash dividend received) to the extent that it exceeds the threshold for higher rate income tax.

An additional rate of income tax of 45 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 Shareholder exceeds the threshold for income tax at the 45 per cent. rate, such Shareholder will be subject to tax on the gross dividend at the rate of 37.5 per cent.. The effect of the tax credit will, if available, be that the individual Shareholder subject to this higher rate will have to account for additional tax of 27.5 per cent. of the gross dividend (equal to approximately 30.6 per cent. of the net cash dividend received).

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to UK 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.

(c) Companies

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

(d) UK resident corporate Shareholders

UK corporation tax is charged on dividends at the rate applicable to the corporate Shareholder. UK resident corporate Shareholders (within the charge to UK corporation tax) will generally not be subject to corporation tax on dividends received from the Company but will not be able to claim a repayment of the tax credit attaching to the dividends.

It is likely that most dividends paid on the Ordinary Shares to a UK resident corporate Shareholder would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to specific anti avoidance rules. Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers.

(e) UK resident exempt Shareholders

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

10.4 Stamp duty and stamp duty reserve tax (SDRT)

The following statements are intended as a general guide to the current UK stamp duty and SDRT position of holders of Ordinary Shares. Certain categories of persons including intermediaries, brokers, dealers and persons connected with depositary receipt systems and clearance services, may not be liable for stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Tax Regulations 1986.

(a) Issue of New Ordinary Shares

No UK stamp duty or SDRT will be payable on the issue of New Ordinary Shares pursuant to the Issue.

(b) Subsequent transfers

Transfers on the sale of Ordinary Shares effected outside of CREST will generally be subject to UK stamp duty at the rate of 0.5 per cent. (rounded up, if necessary, to the nearest multiple of £5) of the amount or value of the chargeable consideration given for the transfer. However, where the amount or value of the consideration is £1,000 or less, and provided that the transfer does not form part of a larger transaction or series of transactions where the combined consideration exceeds £1,000, such instrument should be exempt from charge upon certification of such facts. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares will normally give rise to a charge to 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.

(c) Shares held through CREST

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.

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 Disclosure and Transparency Rules. Save as disclosed below, the Company complies with the UK Corporate Governance Code as at the date of this document. No other corporate governance regime is applicable to the Company.

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 Directors, including the Chairman. The operations of the business are managed by the relevant managers of the particular business lines. These managers report to the Board. The senior managers of Group are Roderick Mahoney (Chief Operating Officer), Richard Wolanski (Finance Director), Iain Cawte (Chief Financial Officer) and Duncan Scott (Group General Counsel).

The Board continually monitors the position and if it considers that the appointment of an overall chief executive officer will be beneficial to the Company and/ 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 Articles.

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 auditor.

- 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.

The members of the audit committee are Mr Chatfield and Mr Mahoney.

11.2 **The Nomination Committee**

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

11.3 **The Risk Committee**

The Company has established a Risk Committee, the members of which are Roderick Douglas Mahoney and Iain Cawte (the Company's Chief Financial Officer). The Risk Committee is charged with reviewing the risk profile and appetite of the Company in relation to its existing portfolio of aircraft and proposed new acquisitions.

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 Group has 15 employees (2013: 6).

14. **Significant Change**

There has been no significant change in the financial or trading position of the Group which has occurred since 30 June 2014, the end of the last financial period for which financial information has been published.

15. **Working Capital**

In the Company's opinion, the Group 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 relates exclusively to working capital required by the Group to fund the acquisition of certain new ATR Aircraft, being the debt finance required to complete the acquisition of ATR Aircraft 23 (March 2015), ATR Aircraft 24 (June 2015), ATR Aircraft 25 (August 2015), ATR Aircraft 26 (November 2015), and ATR Aircraft 27 (December 2015) (together, the **Unfinanced ATRs**) which are scheduled to be delivered during the working

capital period. In addition to this, there are shortfalls in the funding of the PDPs for the Unfinanced ATRs. Further details of these shortfalls are set out below. Aircraft delivery dates are shown in brackets. There are further shortfalls relating to the provision of PDP financing to Thomas Cook and repayment of the Epsom Loans.

PDP Shortfall

Relative timing and shortfall

The Pre-Delivery Payments during the working capital period in respect of which there is a shortfall fall due as follows:

- *December 2014:* US\$562,500 in respect of ATR Aircraft 24 (June 2015)
US\$562,500 in respect of ATR Aircraft 27 (December 2015)
- *February 2015:* US\$562,500 in respect of ATR Aircraft 25 (August 2015)
- *May 2015:* US\$562,500 in respect of ATR Aircraft 26 (November 2015)
- *June 2015:* US\$562,500 in respect of ATR Aircraft 27 (December 2015)

The aggregate shortfall outlined above will be US\$2,812,500.

Action plan

The Directors are confident of completing the New Facilities during the course of December. These transactions, details of which are set out in Part I, are expected to release in aggregate approximately US\$23.2 million in cash available for the Company's working capital resources.

Implications

A delay in meeting such Pre-Delivery Payments could delay the scheduled delivery dates for ATR Aircraft 24 to ATR Aircraft 27. Such re-scheduling would be addressed with ATR at the time for payment of the relevant Pre-Delivery Payment. Furthermore, the ATR Supply Agreement provides that once the outstanding Pre-Delivery Payments are made good, ATR will re-schedule the firm deliveries subject to its existing production commitments and the Company could use its then current ATR Aircraft Options to secure a new scheduled delivery slot if this is earlier than would otherwise be available under ATR's production schedule (the Directors believe that ATR's current lead time for new orders is approximately two years). Alternatively, should funding for the Pre-Delivery Payments not be forthcoming at all, the Group could sell such firm delivery slots and thus re-coup Pre-Delivery Payments already made. The failure to make a Pre-Delivery Payment when due gives rise to a right for ATR to terminate the ATR Supply Agreement in respect only of the ATR Aircraft to which the payments relate. In such circumstances, the Company would forfeit the Pre-Delivery Payments paid on those ATR Aircraft. However, the Directors believe that ATR would be reluctant to exercise this right in view of the Company's order book of ATRs. The forfeiture of Pre-Delivery Payments would only restrict the Company's ability to grow but would not impact the working capital required by the Company to maintain its existing operations.

Debt Finance Shortfall

Relative timing

Pursuant to the ATR Supply Agreement the obligation to proceed with the acquisition of aircraft and, accordingly, the obligation to pay the purchase price of each ATR Aircraft is conditional on debt finance being available to the Group for this purpose. The Group is yet to secure debt finance in respect of the acquisition of the Unfinanced ATRs. The obligation to fund the balance of the purchase price of these aircraft will arise on the scheduled delivery date.

Shortfall

The shortfall in the balance of the purchase price payable on delivery of the Unfinanced ATRs is up to a maximum of approximately US\$18 million per aircraft, being in aggregate a maximum of US\$90 million (the **Debt Finance Shortfall**). The actual shortfall will be based on the

market value of the ATR 72-600s being approximately US\$21.5 million less Pre-Delivery Payments already paid, less the purchase price discount to which the Company is entitled under the ATR Supply Agreement relative to the market value of the ATR Aircraft.

Action plan

The Group is in discussions with a number of senior debt providers and other financiers with a view to arranging financing for the Debt Finance Shortfall. It is customary for such debt finance facilities only to be entered into alongside the operating lease for each aircraft, at which point the funds will be committed by the relevant financier. Where such a debt financing relates to a batch of aircraft, the debt finance will be committed for the whole batch on delivery of the first aircraft of the batch, subject to satisfaction of customary conditions precedent in respect of each subsequent aircraft.

Implications

If the Group is unable to secure debt finance acceptable to the Group to fund the Debt Finance Shortfall with regard to any one aircraft, the Group would seek to defer the delivery of the aircraft where the Directors believed completion of a suitable debt financing facility was imminent or seek to sell the aircraft to the proposed lessee rather than conclude an operating lease. Should the Group be unable to pursue either of these options ATR may terminate the ATR Supply Agreement with regard to that aircraft only (i.e. the Group would lose the right to acquire it) and ATR would retain all Pre-Delivery Payments already paid in respect of that aircraft. However, the Directors are confident that finance will be available to the Group to fund the Debt Finance Shortfall.

Thomas Cook PDP Facility Shortfall

Relative timing and Shortfall

The Company has entered into lease agreements dated 30 September 2014 with Thomas Cook in respect of the sale and lease back of two Airbus A321-200 aircraft. The lease of these aircraft is conditional on the Company also providing Thomas Cook with PDP financing of Thomas Cook's pre-delivery payments for these aircraft for an amount approximately 80 per cent. of the purchase price of those aircraft. There are no binding terms in place and accordingly the obligations to provide these amounts is still being negotiated with Thomas Cook.

The Company has signed a term sheet with a major European bank in relation to the financing of a proportion of the PDPs (the **PDP Term Sheet**).

Under the facility to be provided to the Company under the PDP Term Sheet, the bank will provide US\$16 million of the finance required to fund the PDPs. The Company expects to fund the balance of the PDPs from its existing cash resources.

Until such time as definitive documentation is entered into pursuant to the PDP Term Sheet, the amount to be financed by the bank will be a shortfall for the purposes of the Company's working capital.

Action Plan

It is expected that the definitive documentation envisaged under the PDP Term Sheet will be finalised in the next four to six weeks and that accordingly the full amount of bank finance will be available for drawdown upon completion of such definitive documentation.

Implications

If the financing contemplated under the PDP Term Sheet is not completed, the Company will need to seek funding elsewhere for the US\$16 million of Thomas Cook PDPs which would have been financed under the PDP Term Sheet. This may be from another bank or by way of a further equity raise. Should no funding be available, Thomas Cook may terminate the leases and cancel the sale and lease back transaction with the Company.

Epsom Loans Shortfall

Relative Timing

The Epsom Loans are due for repayment on 1 January 2015.

Shortfall

The aggregate amount of the Epsom Loans is US\$4.5 million which is the shortfall.

Action Plan

It is anticipated that the proceeds of the New Facilities will be used to repay the Epsom Loans when they fall due. Failing which the Company is confident that the term of the Epsom Loans will be extended for a period of six months enabling the Company to source alternative finance to fund the repayment of these loans.

Implications

The Directors consider it very unlikely that the Epsom Loans will not be extended in the event of the New Facilities failing to produce proceeds which would enable the repayment of the loans. However, in such unlikely event, a failure to repay the Epsom Loans would constitute a default under the terms of such loans and Epsom Assets Limited may sue for their repayment.

16 Auditor

The Auditor of the Company for the financial years ended 30 June 2012, 2013 and 2014 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. Kingston Smith LLP take responsibility for the Independent Valuation Report at Part VII of this document and consent to the form and context in which it is included.

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 the offices of Charles Russell Speechlys LLP at 6 New Street Square, London EC4A 3LX 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 2012, 2013 and 2014 respectively
- 17.4 the unaudited interim financial statements for the six-month period ended 31 December 2012 and 31 December 2013; and
- 17.5 the service agreements referred to in paragraph 8.3 above.

18 Sources

The information referred to above has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the referenced third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Dated: 25 November 2014

**PART VII
INDEPENDENT VALUATION REPORT**

21 November 2014



Helping clients succeed

Our ref:
MTA/A1291/jm

The Directors
Avation PLC
510 Thomson Road
#12-04 SLF Building
298135
Singapore

Dear Sirs

Independent Accountants' Report to Avation Plc ("the Company") for the Purposes of Section 596(1) of the Companies Act 2006

We report on the value of the consideration for the allotment to Jabre Capital Partners S.A. of 2,786,061 shares, having a nominal value of £0.01 each to be issued at a premium of £1.54 per share. The shares and share premium shall be treated as fully paid up.

The consideration for the allotment to Jabre Capital Partners S.A. is the transfer to Avation Plc of 21,065,334 ordinary shares having a nominal value of £0.001 each, in Capital Lease Aviation Plc.

Basis of Opinion

Shares in Capital Lease Aviation Plc were valued by us on 21 November 2014 on the basis of fair market value.

Opinion

In our opinion, the method of valuation of the shares in Capital Lease Aviation Plc was reasonable in all the circumstances. There appears to have been no material change in the value of the consideration since the valuation was made. On the basis of the valuation, in our opinion, the value of the consideration is not less than £1.55 per share (being the total amount treated as paid up on the shares allotted together with the share premium).

We acknowledge that, under the Companies Act, a copy of this report will be provided to Jabre Capital Partners S.A. and that this report will also be filed with the Registrar of Companies.

Yours faithfully

Kingston Smith LLP

Kingston Smith
Chartered Accountants and Registered Auditors

PART VIII DEFINITIONS

2006 Act	the Companies Act 2006
Additional Aircraft	the 17 additional ATR aircraft which the Company has a right to purchase under the ATR Supply Agreement
Acquisition	the acquisition by the Company of the Sale Shares
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
AEF	Avation Eastern Fleet Pte Ltd, a wholly owned subsidiary of the Company
AEF II	Avation Eastern Fleet II Pte Ltd, a wholly owned subsidiary of the Company
AEF III	Avation Eastern Fleet III Pte Ltd, a wholly owned subsidiary of the Company
AEF IV	Avation Eastern Fleet IV Pte Ltd, a wholly owned subsidiary of the Company
AEF V	Avation Eastern Fleet V Pte Ltd, a wholly owned subsidiary of the Company
AGM	annual general meeting of the Company
Aircraft Acquisition Strategy	the Company's growth strategy as further detailed in this document
Aircraft Options	the options for firm aircraft purchases under the ATR Supply Agreement, details of which are set out on page 82 of this document
Airframe Leasing (S) or ALS	Airframe Leasing (S) Pte Ltd, a wholly owned indirect subsidiary of the Company
Airframe Leasing (S) II or ALSII	Airframe Leasing (S) II Pte Ltd, a wholly owned indirect subsidiary of the Company
Airframe Leasing (S) III or ALSIII	Airframe Leasing (S) III Pte Ltd, a wholly owned indirect subsidiary of the Company
Airframe Leasing (S) IV or ALSIV	Airframe Leasing (S) IV Pte Ltd, a wholly owned indirect subsidiary of the Company
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 Australia 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	the Australian Securities & Investments Commission
ATL	Avation Taiwan Leasing Pte Ltd
ATR	Avions de Transport Regional (ID No. 323 932 236) of 1 Allée Pierre Nadot, 31712, Blagnac Cedex, France
ATR Supply Agreement	the sale and purchase agreement between the Company and ATR dated 4 March 2011 for the supply of new aircraft
Auditor	Kingston Smith LLP
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-CIB	Crédit Agricole CIB
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
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
Corporations Act	the Corporations Act 2001 of Australia (Cth)
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	the disclosure rules and transparency rules made by the FCA under Part

Transparency Rules	VI of FSMA
ECAs or ECA	COFACE and SACE or such other export credit agencies as may be applicable
ECA Finance	the finance provided to the Company as the ECA Senior Debt
ECA Senior Debt	the senior secured ECA backed debt made available by CA-CIB in connection with the acquisition of aircraft from ATR by the Company
EEA	the European Economic Area
EEA State	member state of the EEA
Epsom Loans	the loans described in paragraph 9.23 of Part VI of this document
Euroclear	Euroclear UK & Ireland Limited, being the operator of CREST
Excusable Delay	when a party to the ATR Supply Agreement fails or delays to carry out its obligations under the ATR 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 of the Company in issue as at 24 November 2014
F100 Pty Ltd	F100 Pty Ltd, a wholly owned subsidiary of the Company
Financial Conduct Authority or FCA	the regulatory authority for the UK financial services industry
Firm Aircraft	nine ATR 72-600 aircraft which the Company has agreed to acquire from ATR on a firm basis pursuant to the terms of the ATR Supply Agreement as amended and/or re-stated, being Aircraft 6 to Aircraft 13 set out on the schedule of deliveries on pages 26 and 27 of the Prospectus
FSMA	the Financial Services and Markets Act 2000
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 ATR 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
Initial Aircraft	the first eight Aircraft for delivery under the ATR Supply Agreement

ISA	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
Issue	the issue of 2,786,061 New Ordinary Shares pursuant to the Sale and Purchase Agreement
Jabre Capital	Jabre Capital Partners SA, incorporated and registered in Switzerland with company number 12422/2006 acting for and on behalf of JABCAP Multi Strategy Master Fund in its capacity as investment manager of the same
Junior Debt	the junior subordinated and unsecured debt advanced to the Group in connection with the acquisition of aircraft from ATR by the Company
Junior Lender	a lender of Junior Debt
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
MSN	manufacturer's serial number
New Facilities	the facilities described on page 29 of this document proposed to be entered into between the Company and major European banks in respect of (a) the refinance of the Company's Airbus A321-200 aircraft with MSNs 1881 and 1921 and (b) the refinance and finance of junior debt relating to the Company's existing ATR portfolio
New Portfolio Aircraft	aircraft which are identified and purchased by the Company in accordance with the Company's Aircraft Acquisition Strategy
New Ordinary Shares	the new Ordinary Shares issued pursuant to the Issue on the terms and subject to the conditions in this document
Official List	the Official List maintained by the UK Listing Authority
Other Group Directors	Peter Anthony Freeman, Richard Wolanski and Andre Cohen of CLA and with business address Cheyne House, Crown Court, 62-63 Cheapside, London EC2V 6AX, and Ronald Lewis Aitkenhead of F100 Pty Ltd with business address Domestic Terminal, Perth Airport, WA 6105, Australia
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 payable under the terms of the ATR Supply Agreement
Pre-Delivery Payment	the pre-delivery payments due to ATR pursuant to the ATR Supply Agreement in respect of the Firm Aircraft

Prospectus	this document
Prospectus Rules	the rules and regulations made by the FCA under Part V of 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
SACE	the Export Credit Agency of the Republic of Italy
Sale and Purchase Agreement	the sale and purchase agreement between (1) Jabre Capital and (2) the Company relating to the Sale Shares dated 21 September 2014
Sale Shares	21,065,334 ordinary shares of £0.001 each in the capital of CLA
SEC	the US Securities and Exchange Commission
Securities Act	the US Securities Act 1933, as amended
SG\$	Singapore Dollars
Shareholder	a holder of Ordinary Shares
Skywest Airlines	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
Singapore	the Republic of Singapore
SIPP	self invested personal pension
SSAS	small self-administered pension scheme
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 given in the 2006 Act
Taxes Act	the Income and Corporation Taxes Act 1988
Thomas Cook Scandinavia	Thomas Cook Airlines Scandinavia A/S
Thomas Cook	Thomas Cook Airlines Limited
Thomas Cook UK	Thomas Cook Group PLC

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 Conduct 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
VARA	Virgin Australia Regional Airlines Pty Ltd (formerly Skywest Airlines (Australia) Pty Ltd (ACN 008 997 662))
VARL	VA Regional Leasco Pty Ltd (formerly Capital Lease Australian Portfolio One Pty Ltd) (ACN 127491605)
VAT	UK value added tax
Virgin Australia	Virgin Australia Airlines Pty Ltd (formerly named Virgin Blue Australia 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.