AIRCRAFT LEASING NO. 3 PTY LTD
ACN 111 921 638

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

AIRCRAFT LEASING NO. 3 PTY LTD
ACN 111 921 638

DIRECTORS' REPORT

The Directors submit the following report for the year ended 30 June 2011 made in accordance with a resolution of the Board of Directors.

Directors
The names of the Directors of Aircraft Leasing No. 3 Pty Ltd in office at the date of this report are:

Charles Edward Jacobsen
Stephen John Padgett
Hugh Ross Jones
Stephen William Bond
Scott Alexander McMillan

All directors have held office, continuously since the start of the financial year until the date of this report.

Principal Activities
The principal activity of the Company in the year ended 30 June 2011 was the leasing of aircraft.

Review and Results of Operations
The loss after tax of the Company for the year ended 30 June 2011 was $1,501,042 (2010: profit $1,524,211). The Company had no employees at year end.

Dividends
No dividends were paid or declared during the year.

Options
There were no options granted during or since the financial year.

Likely Future Developments and Expected Results
In the opinion of the Directors, disclosure of information regarding likely developments in the operations of the Company and the expected results of these operations in subsequent financial years would prejudice the interests of the Company. Accordingly, this information has not been included in this report.

Significant Changes in State of Affairs
No significant changes in the state of affairs of the Company occurred during the financial year.

Significant After Balance Date Events
No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Environmental Regulation
There have been no matters, either during or since the end of the financial year, which in the opinion of the directors, would give rise to any conflict with the provisions of existing environmental regulation.

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DIRECTORS' REPORT (Cont'd)

Indemnification of Officers and Auditors
The Company has agreed to indemnify directors of the Company against a liability incurred as a director. The Company has not paid insurance premiums in respect of a contract insuring a director of the Company against a liability incurred as a director.

The Company has not, during or since the financial year in respect of any auditor of the Company indemnified or made any relevant agreement for indemnification.

Proceedings on Behalf of the Company
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration
The auditor's independence declaration under section 307C is attached and forms part of this report.

Signed in accordance with a resolution of the Board of Directors:

Director
Scott Alexander McMillan

Dated this 27th day of October 2011

AIRCRAFT LEASING NO. 3 PTY LTD
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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 $	2010 $
Revenue	3	4,134,346	4,237,197
Administration and overhead expenses		(13,806)	(16,648)
Depreciation expense		(2,220,257)	(2,232,169)
Impairment loss on aircraft		(3,360,287)	-
Finance costs		(573,355)	(417,915)
(Loss)/profit before income tax expense	4	(2,033,359)	1,570,465
Income tax (expense)/benefit		532,317	(46,254)
(Loss)/profit for the year		(1,501,042)	1,524,211
Other comprehensive income			
Net loss on revaluation of property, plant and equipment		(3,593,360)	(1,912,558)
Total comprehensive loss for the year		(5,094,402)	(388,347)

The above Statement of Comprehensive Income should be read in conjunction with the attached notes.

AIRCRAFT LEASING NO. 3 PTY LTD
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Notes	2011 $	2010 $
CURRENT ASSETS			
Trade and other receivables	5	86,288	-
TOTAL CURRENT ASSETS		86,288	-
NON CURRENT ASSETS			
Trade and other receivables	5	593,138	593,138
Property, plant and equipment	6	27,102,213	26,269,051
Deferred tax assets		1,166,246	172,001
TOTAL NON CURRENT ASSETS		28,861,597	27,034,190
TOTAL ASSETS		28,947,885	27,034,190
CURRENT LIABILITIES			
Trade and other payables	7	41,197	58,878
Tax liabilities		98,425	273,916
TOTAL CURRENT LIABILITIES		139,622	332,794
NON CURRENT LIABILITIES			
Deferred tax liabilities		769,520	1,968,791
Financial liabilities	8	27,801,251	19,400,710
TOTAL NON CURRENT LIABILITIES		28,570,771	21,369,501
TOTAL LIABILITIES		28,710,393	21,702,296
NET ASSETS		237,492	5,331,894
EQUITY			
Share capital	9	100	100
Asset revaluation reserve	10	127,820	3,721,180
Retained earnings	11	109,572	1,610,614
TOTAL EQUITY	12	237,492	5,331,894

The above Statement of Financial Position should be read in conjunction with the attached notes.

AIRCRAFT LEASING NO. 3 PTY LTD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 $	2010 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees			-
GST received			-
Interest received			-
Finance costs paid		-	-
Net cash provided by/(used in) operating activities	13	-	-
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from/(repayments of) borrowings			-
Net cash provided by/ (used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the financial year		-	-
Cash and cash equivalents at the end of the financial year		-	-

The above Statement of Cash Flows should be read in conjunction with the attached notes.

AIRCRAFT LEASING NO. 3 PTY LTD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

2011	Share Capital	Asset Revaluation Reserve	Retained Earnings	Total
	$	$	$	$
Total equity at the beginning of the year	100	3,721,180	1,610,614	5,331,894
Loss attributable to members of the entity	-	-	(1,501,042)	(1,501,042)
Total other comprehensive loss for the year	-	(3,593,360)	-	(3,593,360)
Total at the end of the year	100	127,820	109,572	237,492

2010	Share Capital	Asset Revaluation Reserve	Retained Earnings	Total
	$	$	$	$
Total equity at the beginning of the year	100	5,633,738	86,403	5,720,241
Profit attributable to members of the entity	-	-	1,524,211	1,524,211
Total other comprehensive loss for the year	-	(1,912,558)	-	(1,912,558)
Total at the end of the year	100	3,721,180	1,610,614	5,331,894

The above Statement of Changes in Equity should be read in conjunction with the attached notes.

AIRCRAFT LEASING NO. 3 PTY LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: INTRODUCTION

Aircraft Leasing No. 3 Pty Ltd for the year ended 30 June 2011 is a proprietary company limited by shares and is incorporated in Australia.

Operations and Principal Activities

The principal activity of the Company is the leasing of aircraft.

Currency

The financial report is presented in Australian dollars and amounts are rounded to the nearest dollar.

Registered Office

The registered office of Aircraft Leasing No. 3 Pty Ltd is situated at Lot 12 Pandanus Avenue, Eagle Farm, QLD, 4009.

Authorisation of Financial Report

The financial report was authorised for issue on October 2011.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company is not a reporting entity because, in the directors' opinion, there is unlikely to exist users who are unable to command the preparation of financial reports tailored so as to satisfy specifically all of their information needs. Accordingly, this "Special Purpose Financial Report" has been prepared solely to meet Corporations Act 2001 requirements.

The financial report has been prepared on the basis of historical costs, except for the revaluation of certain non-current assets.

The Company has applied Accounting Standards AASB 101 "Presentation of Financial Statements", AASB 107 "Statement of Cash Flows", AASB 1048 "Interpretation and Application of Standards" and AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors". No other Accounting Standards have mandatory applicability. The Company has, however, adopted the recognition and measurement requirements of all Australian Accounting Standards (including the Accounting Interpretations).

The Financial Report is a special purpose Financial Report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including Australian Accounting Interpretations.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(a) Income Tax

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:
(i) the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
(ii) current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
(iii) a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
(iv) deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

(b) Revenue Recognition

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the percentage of the services performed.

Interest Income

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

(c) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the statement of financial position when the entity becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is removed from the statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

(d) Receivables

Trade receivables, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less provisions for doubtful debts.

(e) Payables

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not a incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(g) Impairment

An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income unless they relate to a revalued asset, where a temporary deficit is treated in the same way as a revaluation decrease, permanent impairment losses on revalued assets are expensed through the Statement of Comprehensive Income.

(h) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, without transferring the legal ownership, and operating leases under which the lessor effectively retains substantially all the risks and benefits.

Where an asset is acquired by means of a finance lease, the fair value of the leased property or the present value of minimum lease payments, if lower, is established as an asset at the beginning of the lease term. A corresponding liability is also established and each lease payment is apportioned between the finance charge and the reduction of the outstanding liability.

Operating lease payments are charged to expense on a basis which is representative of the pattern of benefits derived from the leased property.

(i) Translation of Foreign Currency Items

Transactions in foreign currencies are initially measured and brought to account at the rate of exchange in effect at the date of each transaction.

Foreign currency monetary items outstanding at balance date have been translated at the spot rates current at balance date.

Exchange differences relating to monetary items have been brought to account in the statement of comprehensive income in the financial year in which the exchange rates change as exchange gains or losses.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Property, plant and equipment

Aircraft are shown at fair value, based on periodic, but at least triennial valuation by external independent valuers, less accumulated depreciation. Aircraft that are in the process of being refurbished are depreciated once they are brought into use.

Aircraft, are depreciated over their estimated useful lives of 12 years using the straight line method of depreciation with a remaining residual value of 20%.

(k) Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Aircraft Leasing No. 3 Pty Ltd has net current liabilities of $53,334 and made a loss after tax of $1,501,042. Aircraft Leasing No. 3 Pty Ltd will fund its working capital from the working capital of Alliance Airlines Pty Limited.

As a result of the support provided by Alliance Airlines Pty Ltd, the Directors believe that the going concern basis of preparation is appropriate, and accordingly have prepared the financial report on this basis.

(l) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 June 2011 but have not been applied in preparing these financial statements:

- AASB 2010-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvement Project.

  AASB 2010-5 - These amendments affect various AASBs resulting in minor changes for presentation, disclosure and measurement purpose. The amendments are not expected to have a significant impact on the financial statements.

- AASB 13: Fair Value Measurement. This standard establishes a single course of guidance for determining the fair value of assets and liabilities. The Company is currently assessing the impact of this standard.

AIRCRAFT LEASING NO. 3 PTY LTD
ACN 111 921 638

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $	2010 $
NOTE 3: REVENUE		
Aircraft leasing and Maintenance Revenue	4,134,346	4,237,197
	4,134,346	4,237,197

	2011 $	2010 $
NOTE 4: ITEMS INCLUDED IN PROFIT/ (LOSS)		
Profit/ (loss) before income tax expense has been determined after:		
Finance costs	573,355	417,915
Depreciation expense	2,220,257	2,232,169
Impairment loss on aircraft	3,360,287	-
Administration and overhead expenses	13,806	16,648

	2011 $	2010 $
NOTE 5: TRADE AND OTHER RECEIVABLES		
Current		
Trade and other receivables	86,288	-
Non current		
Amounts receivable from:		
- other related parties	593,138	593,138
	679,426	593,138

	2011 $	2010 $
NOTE 6: PROPERTY, PLANT AND EQUIPMENT		
Aircraft at valuation	27,102,213	26,269,051
	27,102,213	26,269,051

Independent valuations were performed for all of the Company's aircraft at year end. The valuation was based on the market value for existing use.

	2011 $	2010 $
NOTE 7: TRADE AND OTHER PAYABLES		
Current		
Trade payables	41,197	58,878

	2011 $	2010 $
NOTE 8: FINANCIAL LIABILITIES		
Non current		
Shareholder loans - *unsecured*	178,233	165,030
Other related parties - *unsecured*	27,623,018	19,235,680
	27,801,251	19,400,710

NOTE 9: SHARE CAPITAL

Ordinary shares - 100 shares (2010: 100 shares)	100	100

Ordinary shares have equal rights to vote, participate in dividends and share in the distribution of surplus assets in the event of the entity winding up.

NOTE 10: RESERVES

Opening balance	3,721,180	5,633,738
Revaluation - gross	(5,133,371)	(2,732,527)
Deferred tax arising on revaluation movements	1,540,011	819,969
Asset revaluation reserve at end of the financial year	127,820	3,721,180

NOTE 11: RETAINED EARNINGS

Retained earnings at the beginning of the financial year	1,610,614	86,403
Net (loss)/profit attributable to members of the entity	(1,501,042)	1,524,211
Retained earnings at the end of the financial year	109,572	1,610,614

NOTE 12: TOTAL EQUITY

Total equity at the beginning of the financial year	5,331,894	5,720,241
Total changes in equity recognised in the Statement of Comprehensive Income	(1,501,042)	1,524,211
Movement in asset revaluation reserve	(3,593,360)	(1,912,558)
Total equity at the end of the financial year	237,492	5,331,894

NOTE 13: CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit/ (loss) after income tax:

	2011 $	2010 $
(Loss)/Profit after income tax	(1,501,042)	1,524,211
Depreciation	2,220,257	2,232,169
Impairment loss on aircraft	3,360,287	-
Other non-cash expenses	587,161	434,563
Changes in assets and liabilities		
Receivables	(86,288)	-
Deferred tax balances not attributable to revaluations	(2,193,516)	(990,220)
Provision for tax	(175,491)	216,807
Payables and loans	(2,211,368)	(3,417,530)
Cash flows from operations	-	-

NOTE 14: AUDITOR'S REMUNERATION

	2011 $	2010 $
Audit of financial report	7,000	7,000
Other services - preparation of financial report	2,000	2,000
	9,000	9,000

NOTE 15: ECONOMIC DEPENDENCY

The Company depends on Alliance Airlines Pty Ltd (a related party) for its leasing revenue.

AIRCRAFT LEASING NO. 3 PTY LTD
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DIRECTORS' DECLARATION

As noted in Note 2 to the financial statements, the Company is not a reporting entity because in the opinion of the directors there is unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with Accounting Standards to the extent described in Note 2 to the financial statements
- the attached financial statements and notes thereto give a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the directors.

Director
Scott Alexander McMillan

Dated this 27th day of October 2011

PKF

Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The Directors of Aircraft Leasing No.3 Pty Ltd

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

- no contraventions of any applicable code of professional conduct in relation to the audit.

Albert Loots
Partner

Dated at Brisbane this 27th day of October 2011

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PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AIRCRAFT LEASING NO. 3 PTY LTD

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report of Aircraft Leasing No. 3 Pty Ltd, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Aircraft Leasing No. 3 Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion the financial report of Aircraft Leasing No. 3 Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards to the extent described in Note 2, and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

PKF

PKF

Albert Loots
Partner

Dated at Brisbane this 27th day of October 2011