



 Delivering Innovation:
Customized Solutions and
Strong Growth

We aim to be airlines' lessor of choice by providing best-in-class aviation fleet management and finance solutions.



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We present the annual report together with the audited consolidated financial statements of AWAS Aviation Capital Limited (the “Company”) and its subsidiaries (together and hereinafter “The Group”) for the year ended 30 November 2010.

During the year the Group actively strengthened its position as a leading company in the aircraft leasing industry. The Directors will look to identify and evaluate attractive opportunities going forward and to deliver continuing profitable growth.

About AWAS

Headquartered in Dublin, with offices in New York, Miami and Singapore, AWAS is one of the largest aircraft leasing companies in the world. The Company is managed by a highly experienced team of commercial aviation industry professionals serving the global aviation market. At the end of the financial year 2010 AWAS had a fleet of 203 commercial aircraft, with a value of US\$ 5.4bn, on lease to 90 customers in 44 countries.

AWAS also had a further 115 aircraft on order from Airbus and Boeing, offering new fuel efficient and environmentally-friendly aircraft to its customers.



AWAS is proud to have celebrated its 25th year serving airline customers in 2010. We are excited about the opportunities to deliver innovation and profitable growth going forward.

We believe the strength of AWAS lies in our people: amongst the most knowledgeable, consultative and responsive in the industry. At AWAS we are setting our

sights on an ambitious growth strategy to expand our offerings for customers, grow our fleet and provide continued strong financial results for our investors. The entire AWAS team helped us achieve success in 2010 and this serves as the foundation on which we will continue to deliver value-added solutions and strong growth.

Sincerely,



Raymond Sisson

President & CEO



AWAS Overview

2010 Highlights

2010 was a strong year for AWAS, in a market that was still challenged, but also witnessed a return to global growth.

The strategic focus for AWAS is one of growth and our fleet will expand with new order deliveries. We are also leveraging equity to do Purchase Lease Backs and portfolio acquisitions in order to further grow the business.

During the year 2010 we delivered 7 aircraft from our forward order pipeline and at the end of the year we had 203 aircraft in total; with a balance sheet value in excess of \$5,200m. At the year end we also had 115 aircraft on order of which a further 15 will deliver in 2011. The AWAS fleet is getting younger and more fuel efficient with an average age of 7.8 yrs (compared to 8.1 yrs at the end of 2009).

AWAS completed 27 new leasing transactions during the year with 16 customers. AWAS successfully placed all aircraft with scheduled lease expirations in 2010.

During the year AWAS closed over \$240m of financing for aircraft delivered new to AWAS and over \$1,180m worth of refinancing, including the successful private placement of \$600m of Senior Secured Notes and closing of a \$530m Term Loan.

During 2010, AWAS received additional shareholder contributions of \$246.5m and a further \$282.7m was received after the financial year-end. Agreements were also concluded that provide an option for AWAS to draw down a further \$200m through April 2012.

AWAS is pleased that Terra Firma, its co-investors and the Canada Pension Plan Investment Board (CPPIB) continue to invest in AWAS in order to grow AWAS' portfolio. This is another affirmation of the value of AWAS' proven platform, growth strategy, strong pipeline of the most desirable commercial aircraft and innovative customer-focused solutions.

Strategy

AWAS' strategy is to provide best-in-class leasing and financing solutions to our airline customers.

The business leverages the broad capabilities of its platform to offer a solutions-oriented approach to aircraft leasing; each opportunity is assessed separately to fulfill customer specific requirements.

The AWAS business platform is unique as it can originate transactions and manage leases across a broad range of asset types, vintages and customer credits. As a result of this flexibility, AWAS is able to transact in all market segments, and provide a one-stop solution to our global airline customer base.

The business emphasises a rigorous, investment-led approach to all leasing, financing and asset trading decisions, whether it's a simple lease extension or a multi aircraft portfolio purchase. This approach focuses on risk adjusted return on equity, asset residual values,

credit risk, as well as the optimisation of the underlying capital structure.

Going forward, AWAS will actively manage its aircraft lease portfolio by retiring end of life of assets, adjusting concentration, and shifting the asset mix to achieve a better risk adjusted return. Our portfolio strategy is complemented by proactive asset trading based upon prevailing market conditions and long-term objectives for customer and asset mix.

Finally, given the existing order pipeline and significant available equity for investment, AWAS expects to substantially grow its overall asset base. Our focus on continually improving employee skills and process efficiencies will further drive AWAS' dynamic and profitable growth.



TO OPEN
TO OPEN
TO OPEN

PARA ABRIR
PARA ABRIR
PARA ABRIR

EXIT
EXIT
EXIT



DANGER
DANGER
DANGER

PELIGRO
PELIGRO
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Airlines

There was a global rebound in commercial aviation traffic in 2010 compared to 2009, but airlines still struggled to drive profitable growth. The International Air Transport Association (IATA) reported full-year 2010 demand statistics for international scheduled air traffic that showed an 8.2% increase in the passenger business and a 20.6% increase in freight.

Demand growth outstripped capacity increases of 4.4% for passenger and 8.9% for cargo. The average passenger load factor for the year was 78.4% which is a 2.7% improvement on 2009. The freight load factor saw a 5.2% improvement to 53.8%.

After the biggest demand decline in the history of aviation in 2009, the world started to travel for leisure and business again in 2010. Fuel cost continues to be an issue for airlines with the year-end 2010 price close to \$100 per barrel. Fuel accounts for 27% of airlines operating costs on average and for every dollar increase in the average price of a barrel of oil over the year, airlines face the task of recovering an additional \$1.6bn in cost. Increasing fuel costs combined with steady global growth could drive more airlines to re-fleet with new and/or newer equipment faster, which could be a significant opportunity for lessors.

Leasing Markets

Operating leasing continued to increase its appeal to airlines in 2010, with the percentage of leased commercial jet aircraft growing to over 40%, up from 36% in 2005 and forecast to increase to a 45% share in 2015.

The growth has been driven by a number of key factors, notably the restriction of traditional lending sources in recent years, following the global recession

of 2008-2009. Airlines are also looking for greater fleet planning and financial flexibility as they plan for expansion and global growth opportunities.

From a competitive perspective, the rebound of 2010 spurred a renewed interest in aviation finance and several smaller competitors emerged with some capital support and the desire to quickly grow marketshare.

Outlook

2011 promises to be a year of greater opportunity and a return to more stable global growth. While increased fuel prices and global shocks still provide some hurdles for the aviation industry, IATA forecasts that both the passenger and freight segments will continue to be profitable in 2011.

The forecast for airline industry profits (net post-tax) in 2011 has been revised to \$8.6bn due to the recent surge in oil prices, but envisions economic growth with relatively stable and high load factors. IATA expects an increase in overall passenger and air freight traffic of 5.7% in 2011 versus 2010. This is down from the 10.3% increase seen in 2010, but that was compared to the very depressed market of 2009.

As 2011 begins as a period of greater stability, customers have increasingly been willing to commit to

new aircraft to support observed and forecasted rates of growth as well as to replace older, less efficient aircraft. Lease rates have stabilised and are forecast to rise as demand continues to increase. In 2011, AWAS will take delivery of 15 new aircraft from its forward order pipeline, with all these modern Boeing and Airbus aircraft already contracted with airline customers at attractive rates. These include seven new Airbus A320-200s, one new A330-200 and seven new Boeing 737-800s delivered to customers around the globe.

The combination of AWAS' leading expertise, customer-focused solutions and portfolio of the most desirable aircraft within an emerging environment of industry expansion positions the company to achieve its goal of profitable growth in 2011.

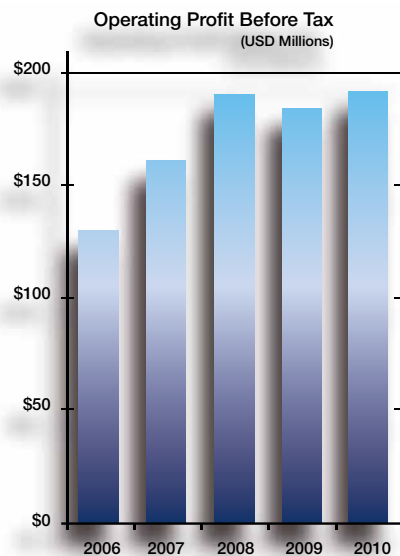


Pictured left to right: Nils Steinmeyer, Simon Glass

Financial Review

AWAS Summary Financial Performance

AWAS generated Results from Operating activities of \$389.2m (2009: \$117.7m). The Group's Operating Profit before Tax of \$191.3m, measured by Profit before Tax and Impairment excluding internal interest, other expenses and fair value on swaps (MTM), represented an increase on the prior year figure of \$183.7m. The Operating Profit before Tax margin increased to 26% (2009: 24%). The Group ended the year with total cash and cash equivalents of \$800.5m (2009: \$708.6m) and net debt of \$2,933.8m (2009: \$2,997.4m).



Statement of Comprehensive Income

Revenues

Total revenue declined 4.8% to \$732.8m for 2010 (2009: \$769.6m), driven primarily by increased amortisation charges, impact of aircraft sales and the impact of LIBOR on floating rate leases.

Lease revenue declined to \$730.9m for 2010 (2009: \$763.0m). This reflects the impact of aircraft sales, an acceleration of favourable and unfavourable lease revenue adjustments from acquired lease agreements as well as lower lease rates on floating rate leases tied to LIBOR. This is partially offset by an increase in revenue from additional aircraft purchases. Lease revenues were also impacted by maintenance and amortisation items mentioned below.

In 2010, 32 (2009: 45) leases were terminated for which the Group held maintenance advances at lease expiry. End of lease compensation adjustments, lessee maintenance contributions and release of maintenance advances with respect to such terminated leases totalled \$55.4m for 2010 (2009: \$55.3m). These amounts are recorded as lease rental revenue. The fluctuation year on year is not solely a function of the number of leases that expired in the period, but is also dependent on the associated reserve balances held for each particular aircraft. Also included in this figure is amortisation associated with lease incentive assets of \$46.1m for 2010 (2009: \$25.1m).

Other revenue decreased 70.8% to \$1.9m for 2010 (2009 \$6.5m). Other revenue mainly relates to non-recurring events. The revenue in 2009 was a result of the application of security deposits at the end of the lease in cases in which lessees were in default of their contract.

Expenses

> Expenses for 2010 decreased 8.8% to \$327.7m (2009: \$359.2m).

Depreciation and amortisation increased slightly for 2010 to \$227.0m (2009: \$226.4m). The asset impairment recorded at 30 November 2009 of \$292.7m and a number of aircraft sales resulted in a significantly lower net book value on the impaired aircraft for 2010 which decreased depreciation. The decrease in depreciation was offset by increased depreciation due to new aircraft deliveries as well as current aircraft modifications and upgrades after 30 November 2009.

> Gain on disposal of aircraft increased for 2010 to a gain of \$5.5m (2009: \$0.1m).

During 2010, the Group disposed of 11 aircraft and received insurance proceeds in relation to total loss damage of one aircraft (2009: 12 aircraft and two engines). The fluctuation in the gain on disposal of aircraft is not only a function of the number of disposals, but is also dependent on the calibre and age of aircraft, as well as the prevailing market conditions in the underlying period.

Aircraft maintenance expenses decreased to \$22.9m in 2010 (2009: \$62.7m). This was primarily due to maintenance costs incurred in 2009 in connection with the repossession of aircraft from a significant lessee not applicable to 2010.

Other expense of \$15.5m for 2010 (2009: Nil) comprise one-off charges associated with restructuring of leases, forward-orders of aircraft and settlements reached with counterparties as part of normal aircraft leasing and trading activities. General and administrative expenses decreased to \$67.8m for 2010 (2009: \$70.2m) due in part the non-recurrence of administrative costs relating to an internal reorganisation in 2009.



> Results from Operating Activities Before Impairment and Results from Operating Activities

Results from operating activities before impairment declined 1.3% to \$405.1m in 2010 (2009: \$410.4m). For 2009, the Group recorded a non-cash asset impairment charge of \$292.7m due to the negative impact of the financial crisis on the cash flows it expected to receive from the continued leasing and ultimate disposal of assets, particularly on older assets. This compares to a charge of \$15.9m in 2010 relating to the deterioration in the expected recoverable amounts for certain aircraft. As a result, results from operating activities increased to a gain of \$389.2m for 2010 (2009: \$117.7m).

> Finance Costs

Finance costs for 2010 increased 12.2% to \$257.9m (2009: \$229.9m). This is primarily due to the acceleration of financing fee amortisation following the refinancing of facilities and the early repayment of shareholder loans, partially offset by lower interest incurred on lower average loan balances.

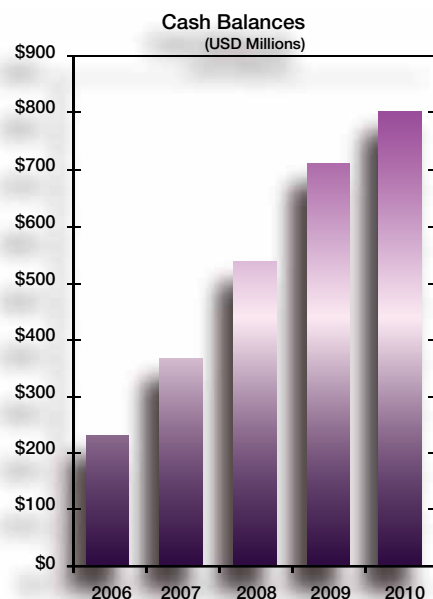
> Profit/(loss)

Profit/(loss) for 2010 was a profit of \$131.3m (2009: loss \$112.2m). In 2010, the Group recorded a tax expense of \$18.6m (2009: tax benefit of \$108.4m). The effective tax rate for 2010 was 14.1% (2009: 96.6% effective tax rate (benefit)). The movement in the effective tax rate was largely driven by the de-recognition in 2009 of a deferred tax liability located in a relatively high tax jurisdiction following the reorganisation of the PAFCO assets (thereby increasing the tax benefit for the group) as compared to the de-recognition of a deferred tax asset located elsewhere in the group in a relatively high tax jurisdiction and profits primarily subject to an Irish tax rate of 12.5% earned in 2010.

Statement of Financial Position & Cashflow

At year end, the Group had total assets of \$6,885.3m (2009: \$6,468.8m). Property, Plant & Equipment increased to \$5,419.4m (2009: \$5,130.1m). There are currently 203 aircraft (2009: 208) in the fleet. Deposits for aircraft purchases increased to \$471.5m (2009: \$322.8m) with significant investment in pre-delivery payments on the new aircraft order book which will be delivered in future years.

The Group ended the year with total cash and cash equivalents of \$800.5m (2009: \$708.6m) and net debt of \$2,933.8m (2009: \$2,997.4m). Capital Expenditure during the year increased to \$468.1m with seven of the forward order aircraft portfolio delivering during the year (2009: \$378.7m). Proceeds from sales of aircraft in 2010 decreased to \$89.9m (2009: \$265.3m) as 11 aircraft were sold in 2010 and insurance proceeds were received in respect of one aircraft loss (2009: 12 aircraft and 2 engines).







Liquidity and Capital Resources

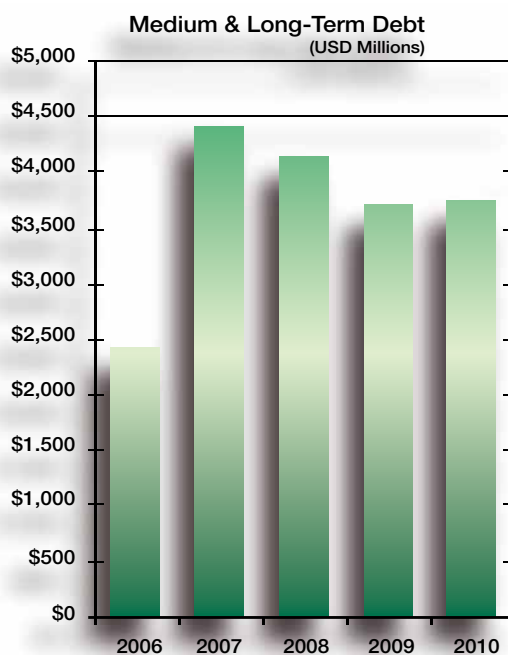
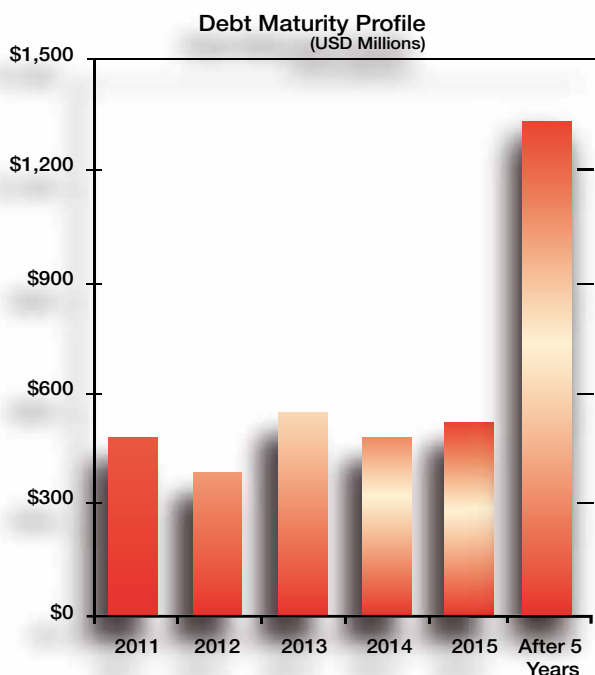
During 2010 the Group undertook two major refinancings in order to strengthen the statement of financial position. In June 2010, the Group entered into a \$530.0m Term Loan, the proceeds of which were used to repay two existing debt facilities that had scheduled maturities in October 2010 and 2011. Additionally in October 2010, the Group completed a \$600.0m Senior Secured Notes issuance, the proceeds of which were used to repay an existing debt facility that had a scheduled maturity in March 2013, to finance the future acquisition of four new delivery aircraft and for general corporate purposes. Overall, third-party indebtedness increased during 2010 to \$3,734.3m (2009: \$3,706.0m) with the increase reflecting additional borrowings used for the purchase of new aircraft.

Total equity increased by \$405.7m during the 2010 year to \$2,128.8m. New equity comprised over \$240.0m and will be invested in new aircraft that will be delivered from the Group's forward aircraft order. The balance of the equity increase arose as a result of the amendment of the terms of certain shareholder financings made in prior years such that these are now recorded as equity in the financial statements, more appropriately reflecting the nature of the shareholder's investment in the business. Debt to Equity ratio of 1.8:1 times as of 30 November 2010 (30 November 2009: 2.2:1 times) reflected an improvement over the prior year.

As of 30 November, 2010, the Group had 115 aircraft on order from Airbus and Boeing including a number of next generation aircraft. The aircraft are scheduled for delivery in the years 2011 to 2017. The estimated purchase commitments for PDP payments and aircraft deliveries in the 12 months ended November 30, 2011 are \$787.7m. The Group plans to finance the remaining deliveries partly by operating cash flows and by incurring additional debt, in addition to already contracted debt facilities.

The Group expects to raise additional funds to meet contractual payment commitments on the forward aircraft order through a combination of cash flows from operations and equity and debt raising activities. The Group intends to seek Export Credit Agency ("ECA") or Ex-Im Bank support financings for transactions for which such financing is available. Currently, the Group has not entered into any revolving credit facilities nor has it accessed the commercial paper market.

Current ECA financing arrangements require the Group to hold a minimum of total cash and cash equivalents of \$200.0m, of which \$50.0m (and after November 30, 2012, \$100.0m) must be held as unrestricted cash. Additional cash generated from the underlying leases will be pledged as collateral to the Lenders until these limits are reached. The Group does not anticipate breaching these thresholds within the next 12 months.



The Group's shareholder is Carmel Capital Sàrl, a Luxembourg Société à Responsabilité Limitée, which in turn is owned by investment funds managed by Terra Firma Investments (GP) 2 Limited and Terra Firma Investments (GP) 3 Limited and Canada Pension Plan Investment Board. Since the acquisition of AWAS, investors have invested over \$2.0 billion in the Group and have chosen to maintain and grow their investment in the Group rather than to realise any amounts in the form of either interest or dividend payments. The total share capital in the Group increased to \$923.2m in 2010, following the conversion of shareholder loans to share capital of \$300.0m. Additional Paid In Capital was \$929.7m for 2010, which relates to interest free loans from Carmel Capital which are repayable to the extent outstanding in 50 years. The loans have been recorded at their fair value and the difference between their 'cost' and fair value reflected as a credit to other reserves representing a contribution from the shareholder.

The Group believes that the sources of liquidity mentioned above, together with the cash generated from operations will be sufficient to operate the business and repay the debt maturities for at least the next 12 months.

Risk Management

The principal risks facing the business are set out in the Directors' Report in the consolidated financial statements.

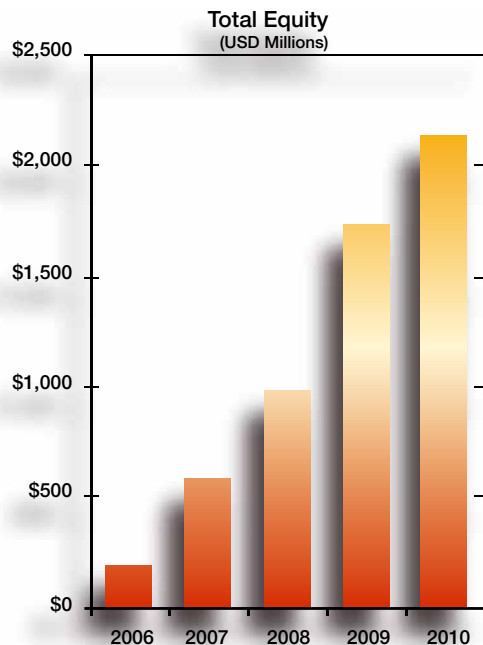
Signed



Simon Glass

Chief Financial Officer

May 2011





The countryside of Ethiopia

Corporate Social Responsibility

Corporate Social Responsibility continues to be one of the core pillars of the AWAS ethos. In the 2010 financial year, AWAS increased its donations to charities to in excess of \$240,000 and held its first global volunteering trip.

During 2010 AWAS completed the following fundraising activities:

ORBIS

ORBIS is a charity which is working to eliminate preventable blindness and restoring sight to rural villagers in the poorest regions of southern Ethiopia. In January 2010, the company hosted the AWAS 25th Anniversary Ball in aid of ORBIS. The event raised \$126,000. The AWAS team also participated in the Orbis Plane Pull in association with Fed-Ex at Dublin Airport, which raised \$3,000. And in November 2010, a group of employees travelled to Ethiopia to participate in the Great Ethiopian Run in aid of ORBIS.

Chontay Peru Volunteering Trip

In March 2010, 10 AWAS employees participated in a volunteering trip to Chontay, Peru following a series of fundraising events. Chontay is a poor village located 30km outside of Lima with an extremely inadequate infrastructure. There is limited irrigation and rudimentary sanitation, sporadic electricity and a lack of adequate medical services. The nearest medical post is an hour away and a proper hospital

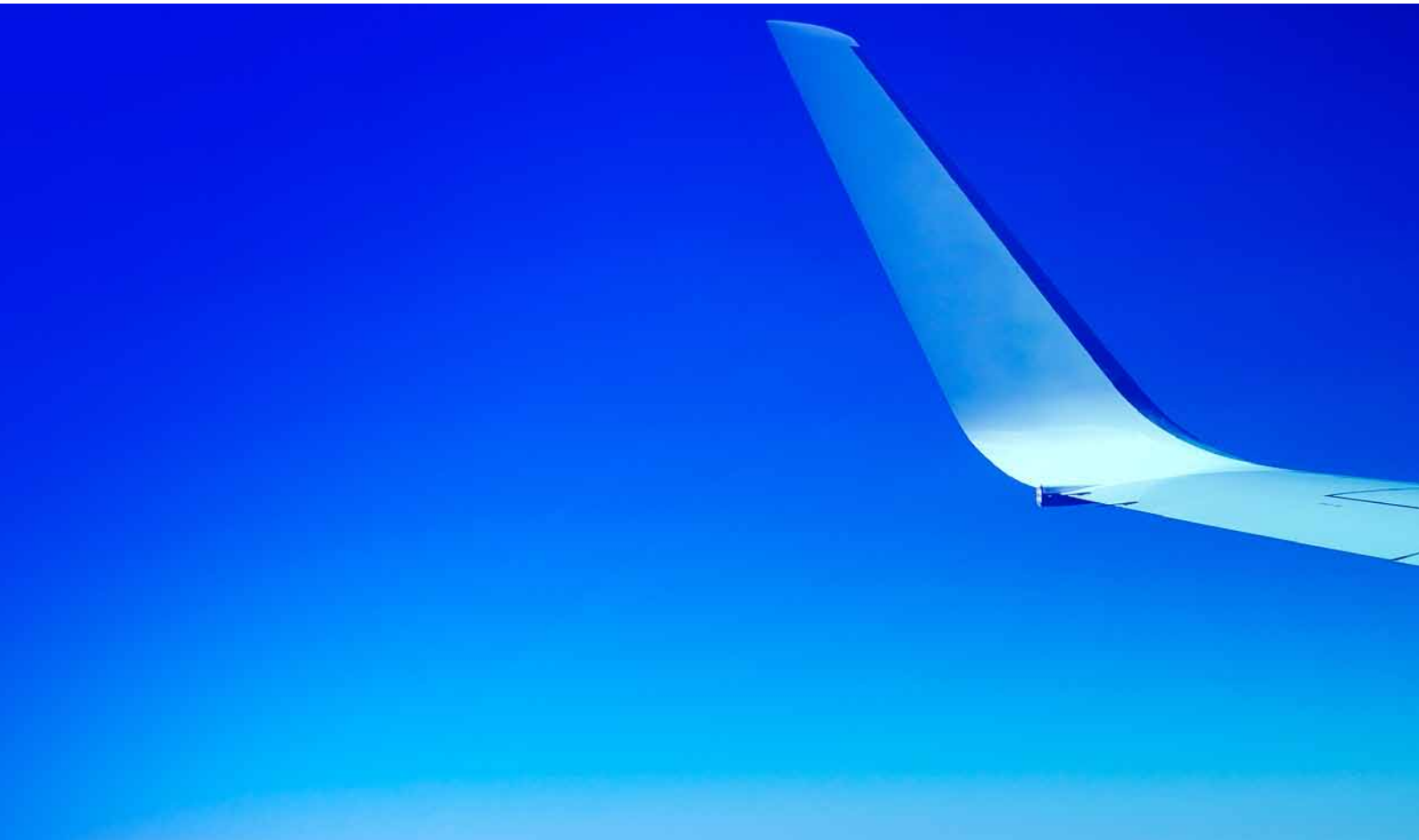
two hours. Following an earthquake in 2007 the school was deemed unfit for habitation and subsequently demolished. AWAS raised \$6,500 for completion of the school. A clothes and toy collection was also held at the Dublin, Miami and Singapore AWAS offices with the items sent to Peru in advance of the volunteering trip, with assistance from Centurion airlines and Boeing. On the trip, AWAS employees renovated a playground, built a barbeque and designed a Chontay mural. In addition, the volunteers taught English at the school and educated the children about life outside Peru. The volunteers also supported the kindergarten building project in Chontay.

Childfund

AWAS continues to sponsor Childfund projects including a sanitation project in Guinea.

Support following the Haiti Earthquake & Irish Floods

AWAS has continued to support victims of local and global natural disasters. In late 2009, Ireland suffered from extensive flooding, forcing many people out of their homes, AWAS donated €5,000 to help assist those in need. The company also supported the Haiti Earthquake relief fund with a donation of \$10,000.



Environmental Responsibility

AWAS is committed to environmental responsibility as an integral part of our overall business strategy. The company is proud to offer customers some of the most fuel efficient and cost effective aircraft available today. AWAS actively works with airlines to evaluate their current fleets and aircraft types, which often results in the placement of more modern, greener aircraft with a significantly reduced carbon footprint. This active strategy enhances AWAS' offering to customers from both an environmental and cost perspective.

AWAS engages in a number of on-going environmental responsibility initiatives:

Active Reduction of Fleet Age:

Aircraft manufacturers continue to improve fuel efficiency and to reduce emissions in their aircraft. The new aircraft which comprise our pipeline will consume up to 20%* less fuel than existing models. In 2010 AWAS again reduced the average age of its fleet to

7.8 years from 8.3 years (August 2010). This figure will continue to fall as new pipeline aircraft deliver from Airbus and Boeing and the divestment programme for older assets continues.

**Source: Boeing Commercial Airplanes Nov 09*

Enhancing Fleet Fuel Efficiency:

Whilst AWAS is looking to reduce the number of older aircraft in its fleet in order to increase average fuel efficiency, it is also possible to reduce fuel consumption on some existing assets through the retrofit of new technology. The addition of winglets to a 737NG aircraft can reduce fuel consumption by as much as 5%. As of the end of November 2010, AWAS had 21 of these advanced aircraft, of which seven were delivered with winglets direct from the manufacturer and 14 had winglets retrofitted. The resulting fuel savings realised by our customers total over 8 million gallons, which equates to over 85,000 tons of CO₂.



Aircraft Recycling

AWAS successfully completed Project Recycle, the first dismantlement of an end of life 737-300 aircraft, in October 2010. The aircraft was torn down at Panama Aerospace Engineering. The engines, still with hours of useful life, were sold to a third party and over 700 components were removed from the aircraft to be remarketed. These components included the APU, Landing Gears, Avionics, Actuators and flight control surfaces. These parts are being re-serviced through certified repair stations and sold by our partner company, AASS, on a consignment basis. The fuselage was cut into pieces and the aluminum, exotic high heat metals and copper wires were recycled for future use.

Carbon Neutral Leases

AWAS is investigating carbon neutral leasing structures for its customers. Both the regulatory environment and a growing public awareness of carbon emissions mean that airlines are seeking ways to reduce and

offset their carbon footprint. Voluntary carbon offsets by passengers have had limited impact, only offsetting 1-2% of aviation carbon emissions. The industry needs to come up with alternative solutions. AWAS will continue to work with airlines to find a cost-effective way to build carbon neutrality into its lease structure.

AWAS Promotes a Culture of Conscience: Although the environmental impact of the AWAS infrastructure and offices is not significant, as the number of staff is relatively small in comparison to the value of the assets we manage, a number of initiatives have been introduced to create a culture of conscience among staff around the environmental impact of individual actions. These initiatives are focused on energy conservation, reduction and recycling of waste, water conservation and transport.



People

AWAS had 120 employees at 30 November 2010, compared to 124 at the end of 2009. The average number of employees during the period was 119. At the year end, employee numbers by office location were as follows:

Employee numbers (– Full time equivalent)	Yearly average	Year end
Dublin	84	83
Miami	24	25
Singapore	5	5
New York	6	7
Total	119	120

AWAS is committed to developing its employees with 13% of employees undertaking further education, with over a third studying for Masters level qualifications including MBAs. Along with other training and cross functional education and projects this has enabled AWAS to develop a strong talent pipeline. This is supplemented by an internship and graduate placement programme.

In 2010, AWAS gave opportunities to a total of 9 secondees, interns and graduates, enabling them to develop an understanding of the aircraft leasing business. AWAS has found these programmes extremely beneficial and has permanently hired a number of the placements. Our commitment to these programmes continues into 2011, with stronger partnerships developing with local and global educational institutions.

In 2010, we also ran our second Cultural Programme. As AWAS is a multi-cultural business operating in 44 countries in the world, it is important for our employees to have a good understanding of their colleagues and our airline customers. In our 2010 programme there was a focus on awareness to enable employees to work better with the cultures they interact with on a daily basis. The programme will be developed in 2011 with specific focus and training on customer cultures.



Board Governance and Committees

The Board of Directors of AWAS Aviation Capital Limited, the holding company of the AWAS Group, meets in Dublin approximately every other month. The Board of Directors is chaired by Prof. Dr. Werner G. Seifert and the remaining directors are: Mr. Robert Barr, Mr. Daniel Bunyan, Mr. James Fasano, Mr. Simon Glass, Mr. Mayamiko Kachingwe, Mr. Hafiz Lalani, Mr. Lorenzo Levi, Mr. Riaz Punja, Mr. Raymond Sisson and Mr. Angus Williamson.

Directors' profiles

**> Prof. Dr. Werner G. Seifert (Swiss);
Appointed April 2008.**

Non-executive Chairman.

Dr. Seifert joined AWAS in April 2008 as Chairman of the AWAS Board of Directors. During the course of his extensive career, Dr. Seifert held the position of Chief Executive of Deutsche Börse AG for 12 years. Prior to this, Dr. Seifert was General Manager and member of the Group's Senior Management Board of Swiss Re and Chief Executive Officer of Swiss Re Beteiligungen AG. Previous to this, he was a partner with McKinsey & Company.

**> Mr. Robert Barr (British);
Appointed January 2010**

Non-executive Director.

Mr. Barr is the Chief Financial Officer of Terra Firma Capital Partners Ltd ("TFCP"), advisor to the Terra Firma shareholder's. Prior to joining TFCP in 2009, Mr. Barr held a number of senior positions at Vodafone Group Plc including the role of Group Financial Controller and was most recently regional CFO for Vodafone's businesses outside Western Europe.

**> Mr. Daniel Bunyan (Canadian);
Appointed October 2010.**

Executive Director.

Mr. Bunyan is Head of Portfolio Management of the AWAS Group. Prior to AWAS he was the founder of a boutique aviation consultancy that helped airlines reduce costs and improve operations. He was also previously Chief Commercial Officer at AVEOS, an aviation MRO. He also spent 10 years at Oliver Wyman Management Consulting (formerly Mercer Management Consulting), in their Aviation practice where he was a Partner and Director based in Montreal.

**> Mr. James Fasano (Canadian);
Appointed October 2009.**

Non-executive Director.

Mr. Fasano is the Vice President – Head of Principal Investing for the CPP Investment Board ("CPPIB") and is responsible for CPPIB's direct private equity investments. Prior to joining CPPIB in 2004, he worked in the investment banking groups at Merrill Lynch & Co and RBC Capital Markets.

**> Mr. Simon Glass (British);
Appointed February 2011.**

Executive Director

Mr. Glass is the Chief Financial Officer of the AWAS Group. Mr. Glass has over 25 years of international business experience in the banking and financial services industries. Prior to joining AWAS, Mr. Glass was most recently at the Royal Bank of Scotland Group PLC where he held the position of Deputy Group Finance Director. Over the past 20 years, Mr. Glass has held a number of senior finance positions within the global banking industry.

**> Mr. Mayamiko Kachingwe (British);
Appointed March 2006.**

Non-executive Director.

Mr. Kachingwe is a Financial Managing Director with TFCP. He led both the AWAS and the Pegasus Aviation Finance Company investments. Prior to joining TFCP in 2001, he worked in the London office of the Boston Consulting Group.

**> Mr. Hafiz Lalani (Canadian);
Appointed February 2011.**

Non-executive Director.

Mr. Lalani is a Principal within the Principal Investing group at CPPIB and is based in Toronto. Prior to joining CPPIB in February 2006, Mr. Lalani worked in the Technology, Media & Telecom investment banking group at CIBC World Markets in Toronto where he was involved in the analysis and execution of capital markets and M&A transactions across Canada. Mr. Lalani is also a board member of Livingston International.

**> Mr. Lorenzo Levi (Italian);
Appointed April 2008.**

Non-executive Director.

Mr. Levi is an Operational Managing Director with TFCP. He has been closely involved in the AWAS business since the acquisition by Terra Firma in 2006. Mr. Levi has been with TFCP since 2002 focusing on operational and commercial due diligence for new deals as well as the implementation of operational and strategic agendas in portfolio companies. Prior to joining TFCP, Mr. Levi was Director of Corporate Development and Ventures in Europe for Nortel Networks.

**> Mr. Riaz Punja (British);
Appointed January 2011**

Non-executive Director

Since 2009 Mr. Riaz Punja has been the CEO and major shareholder of Forest Gate Homes, which owns 400 acres of land on the outskirts of Vancouver and is focused on the development of residential homes. Mr. Punja was a Financial Managing Director at Terra Firma Capital Partners Limited between 2004 and 2008 with primary focus on the media and entertainment sectors. Mr. Punja joined Terra Firma in 1998 and prior to his role as Financial Managing Director he managed the deal origination function and was a Member of the Investment Advisory Committee. Prior to that he was a member of Nomura International's Risk and Exposure and Capital Committees. Mr. Punja began his career with Arthur Andersen before moving on to Babcock International PLC and then CS First Boston Limited.

**> Mr. Raymond Sisson (US);
Appointed August 2010.**

Executive Director

Mr. Sisson is President and Chief Executive Officer of the AWAS Group. Mr. Sisson has extensive experience in the aviation industry across international sales, marketing, operations, finance and legal disciplines. Mr. Sisson began his aviation career in 1991 as a corporate lawyer specialising in aircraft finance. He moved to GE Capital Aviation Services in 1995, where he spent thirteen years in a variety of roles including Vice President and Legal Counsel; Senior Vice President, Sales & Marketing - Asia/Pacific; and Senior Vice President & Region Manager - Middle East, Africa & Russia/CIS. In October 2008, Mr. Sisson became President & CEO of Titan Aviation Leasing Ltd. Prior to his appointment at AWAS, he held the position of Chief Commercial Officer of SR Technics in Zurich, Switzerland.

**> Mr Angus Williamson (Australian);
Appointed November 2008.**

Executive Director.

Mr. Williamson is Head of Risk Management of the AWAS Group. Mr. Williamson has been with AWAS since April 2007. He has over 18 years experience in the commercial aviation industry having worked in the air transport consulting environment and was previously with lessor, AerCap, where he held the positions of Head of Global Risk and Head of Asset Investment.

Committees of AWAS Aviation Capital Limited

The Board has established an Audit Committee, a Finance Committee and a Nomination and Remuneration Committee.

Current members	Board	Audit	Finance	Nomination & Remuneration	Designated Director
Werner Seifert	✓	✓	✓	✓	✓
Robert Barr*	✓	✓	✓	✓	✓
James Fasano**	✓	✓	✓	✓	
Mayamiko Kachingwe*	✓	✓	✓	✓	✓
Lorenzo Levi*	✓	✓	✓	✓	✓
Raymond Sisson	✓	✓	✓		
Daniel Bunyan	✓				
Simon Glass	✓				
Hafiz Lalani**	✓				
Riaz Punja	✓				
Angus Williamson	✓				
Simon Palethorpe (alternate)*	Alternate to RB, MK, LL				
Nils Steinmeyer (alternate)*	Alternate to RB, MK, LL				

*Employed by Terra Firma Capital Partners Limited ** Employed by CPPIB Equity Investments Inc.

On 20 May 2011, Mr. Kachingwe resigned his position as director and was replaced by Ms. Julie Williamson. At that time, Mr. Steve Webber was appointed as Alternate for Ms. Williamson.



Pictured left to right: Karl Griffin, Chief Technical Officer, Daniel Bunyan, Carter White, Head of Aircraft Trading

> **Audit Committee:**

The Charter of the Audit Committee provides that the Audit Committee may have up to four members, at least two of whom must be Designated Directors. The Audit Committee is elected by the Board. It is currently chaired by Mr. Barr and the other members are Mr. Fasano, Mr. Kachingwe and Dr. Seifert. The Audit Committee meets as often as its members deem necessary, but in any event no less than twice a year. A quorum is two members, at least two of whom must be Designated Directors. It is responsible for ensuring that the internal and external audit processes are carried out in the best interests of the Company's shareholders, creditors, employees and customers. The Audit Committee has the unrestricted right to obtain information for this purpose from any source within the Group. It reports to the Board, which retains full responsibility for the oversight of the Company's

(unconsolidated and consolidated) financial statements and of the Group's financial reporting requirements/ obligations. The specific duties and responsibilities of the Audit Committee include:

- to make decisions on behalf of the Board regarding the appointment of the external auditor of the Company and any questions of resignation or dismissal and to make decisions on behalf of the Board regarding the amount of fees paid to the Company's auditor;
- to discuss with the Company's and the Group's external auditors before the audit commences, the nature and scope of the audit, to review the audit plan and to ensure co-ordination where more than one audit firm is involved;

- to review with the Company's and the Group's external auditors, the interim (if any) and annual financial statements of the Company and the Group before submission to the Board, focusing particularly on
 - any changes in accounting policies and practices or major judgment areas;
 - significant adjustments resulting from the audit (at year-end only);
 - the going concern assumption;
 - compliance with accounting standards; and
 - compliance with legal requirements
- to discuss with the Company's and the Group's external auditors any problems or reservations arising from the interim review and final audit and any other matters the external auditors may wish to discuss;
- to review the Company's and the Group's external auditors' management letters, if any, and the Management's response;
- to recommend to the Board appropriate policies of internal control;
- to advise the Board on the implementation of policies on risk and control and to ensure that a suitable system of internal control for the implementation of such policies is formulated, operated and monitored;
- to review the effectiveness of internal control policies and seeking regular assurance from management that will enable the Audit Committee to satisfy itself that the system is functioning effectively in managing risks in the manner which it has approved and to report its findings to the Board;
- to decide on the implementation of the Group's internal audit program and in such case, to ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate authority and standing within the Company and the Group;
- to consider the major findings of the internal and external audit and the Management's response and to take all necessary steps to clarify all matters it deems appropriate to submit to the Board;
- to submit to the Board any recommendations with respect to internal controls and to make recommendations with respect to the Company's financial statements (audited and unaudited) if necessary;
- to submit to the Finance Committee its recommendations on the management of foreign exchange, interest rate, credit and other financial risks if deemed necessary;
- to review compliance with tax legislation and to consider actual or potential tax liabilities of the Group and to review tax planning for the Group; and
- to appoint outside advisers as it deems necessary.



> **Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee may comprise up to six members, at least two of whom must be Designated Directors. The Chairman of the Nomination and Remuneration Committee is Dr. Seifert and the other members are Messrs. Barr, Fasano, Kachingwe, Levi and Sisson. The Nomination and Remuneration Committee may meet as often as its members deem necessary but in any event, at least once a year. A quorum is two members, at least two of whom must be Designated Directors. The Nomination and Remuneration Committee is responsible for recommending to the Board the appointment of Committee members, ensuring that Directors and Management are fairly rewarded for their contributions to the Group's performance, ensuring that their remuneration is fixed or approved by individuals not directly receiving such remuneration (and who will therefore give due regard to the ultimate interests of the shareholders and the financial interests of the Company) and administering any incentive plans within the AWAS group of companies. The specific duties and responsibilities of the Nomination and Remuneration Committee include:

- to establish criteria to be used in selecting Directors. Such criteria may be established in consultation with the entire Board, with the CEO or other members of Management;
- to authorise, as and when requested to do so by the Board, searches for the selection of Management and Directors and to engage the services of executive search firms or consultants to assist in this process;
- to approve the remuneration of the executive Directors and of Management and any adjustments to such remuneration. The remuneration packages are to commence with a base salary and may also at the discretion of the Board include a performance-related element;
- to elaborate incentive and remuneration plans to be applied within the Group;
- to advise the Board on and monitor a suitable performance-related formula for the Group overall. The goal of such a formula should be to create rewards which are justifiable in terms of the Group's own performance and the corresponding returns on the shareholders' investment over the same period;

- to provide an objective and independent assessment of any benefits granted to Directors; and
- to ensure that the pension arrangements throughout the Group are appropriate, well supervised and conform to applicable law.

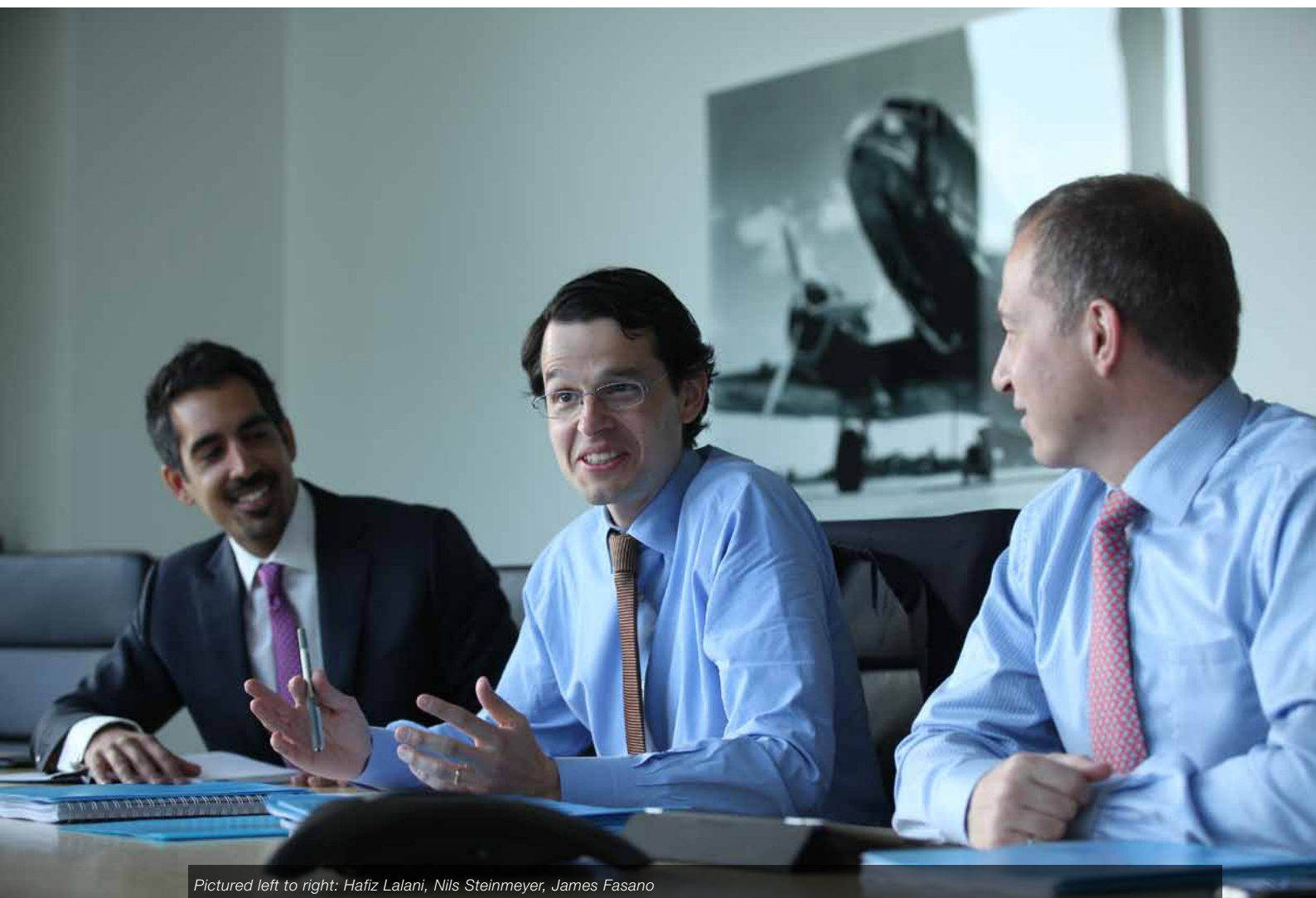
> **Finance Committee:**

The Finance Committee may comprise up to six directors, at least two of whom must be Designated Directors. Dr. Seifert chairs the Finance Committee and the other members are Messrs. Barr, Fasano, Kachingwe, Levi and Sisson.

The Finance Committee may meet as often as its members deem necessary. A quorum is two members, at least two of whom must be Designated Directors. The powers of the Finance Committee include the establishment of a Group financial strategy and the general guidelines and policies for implementing the strategy. This includes:

- a) financial and investment policy, including the capital structure of Group companies and the payment of dividends;
- b) the management of foreign exchange, interest rate, liquidity and other financial risk;
- c) the management of credit risk and implementation of credit policies (where appropriate);
- d) participation and acquisition/divestiture policy, including the acquisition and sale of individual participations of strategic importance;
- e) communication policy regarding the financial press, the financial community and shareholders;
- f) acquisition and divestiture of material corporate premises, whether of a purchase, lease, or other contractual nature; and
- g) submitting recommendations on matters to be decided or approved by the Board (generally on the basis of proposals to the Finance Committee by the CEO and/or the Management, as the case may be).

In addition, the Finance Committee is specifically charged with deciding the following matters, based on proposals by the CEO and/or Management:



Pictured left to right: Hafiz Lalani, Nils Steinmeyer, James Fasano

- a) raising of external financing by the Company and/or the issuance of guarantees by the Company in amounts above the limits delegated to Management;
- b) approval of investments or divestments within the Group, insofar as they reflect a capital commitment or sales proceeds in excess of certain delegated amounts;
- c) granting of securities, guarantees and indemnities (or any other form of contingent commitment) by the Company on behalf of third parties outside the ordinary course of business and
- d) approval of certain investments or divestments within the Group.

The Finance Committee is also charged with reviewing, in conjunction with the Audit Committee, tax planning for the Group. Any matter decided by the Finance Committee within the limits of authority delegated to it generally does not require ratification by the full Board. However, the Finance Committee may seek ratification from the full Board of any decision taken by it, if the Finance Committee determines that such ratification is desirable or appropriate in the circumstances.



AWAS' Compliance Programme

AWAS maintains a robust compliance programme designed to promote;

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- fair and accurate reporting of financial information in accordance with applicable requirements;
- compliance with applicable laws, rules and regulations that affect AWAS as an aircraft owner, trader and lessor and as a global employer;
- the safeguarding of corporate assets and the

proper use of proprietary and confidential information;

- the prompt internal reporting of violations of legal or regulatory requirements or other AWAS policies regarding ethical conduct; and
- accountability for adherence to these principles.

It is AWAS' policy to comply (and to require compliance by its employees) with all applicable laws and regulations (including applicable anti-bribery, antitrust and anti-money laundering laws). As an employer, AWAS is also committed to opposing and eliminating unlawful discrimination, retaliation and



victimisation in the workplace. Violation of these policies can subject an employee to disciplinary action, up to and including termination of employment. In furtherance of these principles, AWAS maintains a Code of Conduct which is made available to all employees on AWAS' intranet portal. In addition, each employee is provided with a copy of the Code of Conduct at the commencement of employment and is asked to certify familiarity with, and agreement to, its terms as a condition of employment.

AWAS provides training to its employees in areas that present particular risk to the Company, such as compliance with the Irish Prevention of Corruption Acts (1889 to 2001), the OECD Convention on Combating

Bribery of Foreign Public Officials in International Business Transactions, the United States Foreign Corrupt Practices Act and various and other applicable laws involving export controls and boycotts.

The Code of Conduct requires employees to report to their manager, a Human Resources representative or the General Counsel any conduct of which they become aware that may violate the Code of Conduct or applicable law and employees are protected from retaliation by AWAS resulting from good faith reporting of these possible violations. AWAS also provides a channel of anonymous reporting.



> Shareholder Oversight

The Company is owned by Terra Firma funds, TFCP II and TFCP III and other co-investors including CPP Investment Board (CPPIB). The Company and its affiliated Group companies maintain legal independence and corporate separateness from Terra Firma. Terra Firma retains, however, the right to appoint three Designated Directors to the Company's Board of Directors and its Committees and, in this capacity, each of the three Designated Directors exercises a voting power that is twice that of the other directors. During the year CPPIB increased its investment in AWAS. As a result of its increased investment, CPPIB now has appointed a second Director to the Company's Board and has acquired consultation and consent rights with regard to certain major decisions. CPPIB has one appointee on each of the Audit, Finance and Nomination & Remuneration Committees

of the Board. Terra Firma and CPPIB also receive formal weekly reports that provide current information of a sort that would be appropriate for a shareholder and have regular and substantial informal contact with Company management. Neither Terra Firma nor CPPIB acts as guarantor with respect to any of the Company's obligations and all corporate decisions affecting the Group are made by the Company and, where appropriate, the Board or governing body of the relevant Group affiliate.

Since the acquisition of AWAS, Terra Firma funds, together with co-investors, have invested over US\$2bn in AWAS. No cash interest or dividend payments have been made by AWAS to our shareholders since the date of such acquisition.



ANNUAL REPORT AND FINANCIAL STATEMENTS

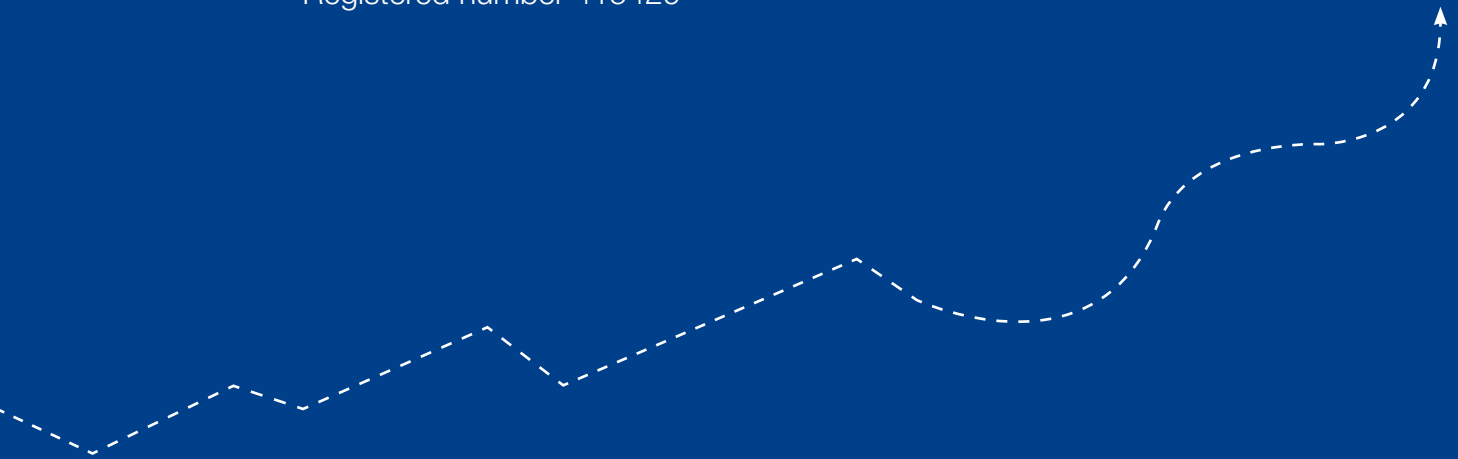


2010

AWAS Aviation Capital Limited

Directors' report and consolidated financial statements
30 November 2010

Registered number 415429





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Directors and other information

Directors

Werner Seifert – Swiss citizen (Irish resident)
Raymond C. Sisson – US citizen (Irish resident)
Simon Glass – UK citizen
Robert Barr – UK citizen
Lorenzo Levi – Italian citizen
Mayamiko Kachingwe – UK citizen
Daniel Bunyan – Canadian citizen (Irish resident)
Angus Williamson – Australian citizen (Irish resident)
Jim Fasano - Canadian citizen
Hafiz Lalani – Canadian citizen
Riaz Punja - UK citizen

Registered office

Riverside One
Sir John Rogerson's Quay
Dublin 2

Secretary

HMP Secretarial Limited
Riverside One
Sir John Rogerson's Quay
Dublin 2

Independent auditor

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1

Bankers

Citibank N.A. New York
21st Floor Zone 1
111 Wall Street
New York, NY 10043

Solicitors

McCann FitzGerald
Riverside One
Sir John Rogerson's Quay
Dublin 2



Directors' report

The directors present their annual report together with the audited consolidated financial statements of AWAS Aviation Capital Limited (the "Company") and its subsidiaries (together and hereinafter "The Group") for the year ended 30 November 2010.

Principal activities, business review and future developments

During the year the Group continued to maintain its position as a leader in the aircraft leasing industry. The operational highlights of the year are summarised below:

Purchases – the Group purchased 7 aircraft in the course of 2010.

Sales – the Group disposed of 11 aircraft and no engines during the year. There was a loss of 1 aircraft.

Leasing – the Group completed 27 new leasing transactions during the year with 16 customers. The total number of aircraft at 30 November 2010 was 203 (2009: 208).

Over the course of the year AWAS closed over USD 240 million worth of financings of aircraft delivered new to AWAS throughout 2010, and over USD 1,180 million worth of refinancing, including the successful private placement of USD 600 million of Senior Secured Notes and closing of a USD 530 million Term Loan.

In the 2010 financial year AWAS received additional shareholder contributions of USD 246.4 million as well as a further USD 82.7 million after the financial year end, in December 2010. During the year agreements were also concluded that secure commitments for additional shareholder contributions for growth portfolio investments of USD 200 million by April 2011 and an option to draw down a further USD 200 million until April 2012.

The directors expect the general level of activity to continue and will continue to evaluate new opportunities.

Subsidiaries

Details of the activities carried out by subsidiary undertakings together with the information required by Section 158 of the Companies Act 1963 are set out in note 22 to these financial statements.

Principal risks and uncertainties

The following risks and uncertainties are addressed in note 24 to these financial statements:

- Asset risk;
- Interest rate risk;
- Credit risk; and
- Liquidity risk

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 39 and in the consolidated statement of changes in equity on page 42. The directors do not recommend the payment of a dividend (2009: USD Nil).

Directors' report (continued)

Directors, Secretary and their interests

In accordance with the Articles of Association, the directors are not required to retire by rotation.

On 22 January 2010 Nils Steinmeyer resigned and Robert Barr was simultaneously appointed as a director of the company.

On 30 July 2010 Franklin L. Pray resigned as a director of the Company.

On 26 August 2010 Raymond C. Sisson was appointed as a director of the Company.

On 27 October 2010 Alan Stewart resigned as a director of the Company and Daniel Bunyan was simultaneously appointed as a director of the Company.

On 31 January 2011 Riaz Punja and Hafiz Lalani were appointed as directors of the Company.

On 1 February 2011 Simon Glass was appointed as a director of the Company.

HMP Secretarial Limited continued in office as a secretary of the Company.

The directors and secretary who held office at 30 November 2010 had no interests in the share capital of the Company or any Group company.

Subsequent Events

Details of important events affecting the Group which have taken place since the end of the reporting period are disclosed in note 25 to the financial statements.

Accounting Records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at 4th Floor Block B, Riverside IV, Sir John Rogerson's Quay, Dublin 2, Ireland.

Auditors

KPMG, Chartered Accountants, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

On behalf of the board



Raymond C. Sisson

Director



Simon Glass

Director

Date 25 February 2011



Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the consolidated financial statements of the Group in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated financial statements of the Group for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and as applied in accordance with the Companies Act 1963 to 2009.

The consolidated financial statements of the Group are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group. The Companies Acts 1963 to 2009 provide in relation to such financial statements that references in the relevant parts of these Acts to consolidated financial statements of the Group giving a true and fair view are references to their achieving a fair presentation.

In preparing the consolidated financial statements of the Group, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the EU as applied in accordance with the Companies Acts 1963 to 2009; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2009 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts 1963 to 2009.

On behalf of the board

Raymond C. Sisson
Director

Simon Glass
Director

Date 25 February 2011



KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

Independent Auditor's report to the members of AWAS Aviation Capital Limited

We have audited the consolidated financial statements of AWAS Aviation Capital Limited ("the Company") and its subsidiaries ("the Group") for the year ended 30 November 2010 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and the related notes. These consolidated financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Statement of Directors' Responsibilities on page 36 sets out the directors' responsibilities for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS").

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view in accordance with IFRSs as adopted by the EU and have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation. We also report to you, in our opinion whether proper books of account have been kept by the Company. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider implications for our report if we become aware of any apparent misstatements within it.

We read the other information contained in the consolidated financial statements and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.



Independent Auditor's report to the members of AWAS Aviation Capital Limited (continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 30 November 2010 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of IAS Regulation.

Other matters

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the information given in the Directors' report is consistent with the consolidated financial statements.

KPMG

Dublin

Chartered Accountants

Registered Auditor

Date 25 February 2011

Consolidated statement of other comprehensive income
For the year ended 30 November 2010
In thousands of US Dollars

	Note	2010	2009
Revenues			
Lease revenue	4	730,900	763,013
Other income	5	1,914	6,546
Expenses			
Depreciation and amortisation	11	(227,015)	(226,382)
Gain on disposal of aircraft		5,471	133
Aircraft maintenance		(22,893)	(62,659)
Asset Impairment	11	(15,875)	(292,685)
Other expense	6	(15,457)	-
General and administrative expenses	7	(67,812)	(70,250)
Results from operating activities		389,233	117,716
<hr/>			
Finance income	9	1,940	3,446
Finance expenses	9	(259,842)	(233,344)
Net finance costs		(257,902)	(229,898)
Profit/(Loss) before income tax		131,331	(112,182)
<hr/>			
Income tax (expense)/benefit	10	(18,551)	108,397
Profit/(Loss) for the year		112,780	(3,785)
<hr/>			
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		112,780	(3,785)

All activities derive from continuing operations. All profits/(losses) and total comprehensive income/(loss) for the year and the preceding financial year are attributable to the owners of the Company.

The Group had no recognised gains or losses other than those dealt with in the consolidated statement of comprehensive income.

The accompanying notes on pages 43-83 form an integral part of these consolidated financial statements.

On behalf of the board



Raymond C. Sisson
Director



Simon Glass
Director

Date 25 February 2011



Consolidated statement of financial position
For the year ended 30 November 2010
In thousands of US Dollars

	Note	2010	2009
Assets			
Property, plant and equipment	11	5,419,378	5,130,144
Deposits for aircraft purchase		471,545	322,830
Intangible assets	12	61,764	103,863
Deferred tax assets	15	3,181	7,296
Other non-current assets	13	58,876	37,069
Total non-current assets		6,014,744	5,601,202
Unrestricted cash	16	632,263	298,664
Restricted cash	16	168,284	409,985
Other current assets	13	47,694	112,491
Derivative financial assets	21	2,987	-
Trade and other receivables	14	17,984	44,870
Prepayments		1,337	1,597
Total current assets		870,549	867,607
Total assets		6,885,293	6,468,809
Equity			
Share capital	17	923,152	623,152
Additional paid in capital	17	929,680	936,806
Capital contribution	17	575,462	575,462
Reserves	17	(299,462)	(412,242)
Total equity		2,128,832	1,723,178
Liabilities			
Loans and borrowings	18	3,189,708	2,783,284
Borrowings from shareholders	22	40,024	34,728
Deferred tax liabilities	15	153,216	137,759
Provisions	19	505,698	459,975
Non-current trade and other payables	20	135,625	129,313
Total non-current liabilities		4,024,271	3,545,059
Loans and borrowings	18	491,454	880,194
Trade and other payables	20	100,382	114,508
Derivative financial liabilities	21	3,015	39,858
Provisions	19	132,863	157,866
Current tax		4,476	8,146
Total current liabilities		732,190	1,200,572
Total liabilities		4,756,461	4,745,631
Total equity and liabilities		6,885,293	6,468,809

The accompanying notes on pages 43-83 form an integral part of these consolidated financial statements.

On behalf of the board

Raymond C. Sisson
Director

Simon Glass
Director

Date 25 February 2011

Consolidated statement of cash flows
For the year ended 30 November 2010
In thousands of US Dollars

	2010	2009
Cash flows from operating activities		
Profit/(Loss) for the period	112,780	(3,785)
Adjustments for:		
Depreciation	227,015	226,382
Asset Impairment	15,875	292,685
Gain on disposal of fixed assets	(5,471)	(133)
Movement in favourable and unfavourable lease provisions	1,573	(8,023)
Unrealised gain in value of derivatives	(22,082)	(13,217)
Net finance costs	231,506	216,763
Amortisation of fair value discounts and financing fees	48,478	26,353
Income tax	18,551	(108,210)
Changes in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	25,375	(13,014)
Decrease/(increase) in other assets	23,332	(42,354)
Increase in trade and other payables	10,271	418
Increase in provisions	43,732	82,257
Decrease in other liabilities	(11,118)	(17,339)
Net cash from operating activities	719,817	638,783
Cash flows from investing activities		
Movement in restricted cash	241,701	42,704
Acquisition of property, plant and equipment	(468,111)	(378,720)
Proceeds from sale of aircraft	89,944	265,253
Deposits paid for the purchase of aircraft	(286,417)	(121,582)
Net cash used in investing activities	(422,883)	(192,345)
Cash flows from financing activities		
Proceeds from shareholder financing	278,762	428,564
Proceeds from borrowings	1,839,804	295,759
Cash interest paid	(172,343)	(200,720)
Payment of transaction costs related to loans and borrowings	(50,607)	(5,251)
Interest received	1,511	6,849
Repayment of shareholder financing	(32,314)	-
Repayment of borrowings	(1,828,148)	(756,049)
Net cash from/(used in) financing activities	36,665	(230,848)
Net increase in cash and cash equivalents	333,599	215,590
Cash and cash equivalents at beginning of the period	298,664	83,074
Cash and cash equivalents at 30 November	632,263	298,664
Supplemental disclosure:		
Cash paid for interest	172,343	216,232
Cash paid for taxes	1,664	416

The accompanying notes on pages 43-83 form an integral part of these consolidated financial statements.

On behalf of the board



Raymond C. Sisson
Director



Simon Glass
Director

Date 25 February 2011



Consolidated statement of changes in equity
For the year ended 30 November 2010
In thousands of US Dollars

	Share Capital	Additional Paid In Capital	Capital Contribution	Profit and Loss Reserves	Total Equity
At 30 November 2008	623,152	189,204	575,462	(408,457)	979,361
Total comprehensive income for the year					
Loss for the year	-	-	-	(3,785)	(3,785)
Transactions with shareholders, recorded directly in equity					
Other reserves contributed	-	747,602	-	-	747,602
Other reserve	-	-	-	-	-
At 30 November 2009	623,152	936,806	575,462	(412,242)	1,723,178
Total comprehensive income for the year					
Profit for the year	-	-	-	112,780	112,780
Transactions with shareholders, recorded directly in equity					
Other reserves converted to Share Capital	300,000	(247,932)	-	-	52,068
Other reserve	-	240,806	-	-	240,806
At 30 November 2010	923,152	929,680	575,462	(299,462)	2,128,832

All equity is attributable to the holders of the ordinary shares in the company.

The accompanying notes on pages 43-83 form an integral part of these consolidated financial statements.

On behalf of the board

Raymond C. Sisson
Director

Simon Glass
Director

Date 25 February 2011

Notes to the consolidated financial statements

1. Reporting entity

AWAS Aviation Capital Limited (the “Company”) is a company incorporated and domiciled in the Republic of Ireland. The address of the Company’s registered office is Riverside One, Sir John Rogerson’s Quay, Dublin 2, Ireland. These consolidated financial statements of the Company as at 30 November 2010 and for the year ended 30 November 2010 comprise of the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities.

The Company is a wholly-owned subsidiary of Carmel Capital SARL (“Carmel Capital”) which is a subsidiary of the Company’s ultimate parent, TFCP Holdings Limited, a company registered in Guernsey.

2. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Companies Acts 1963 to 2009.

IFRSs applied by the Group in the preparation of these consolidated financial statements are those that were effective at 30 November 2010.

New standards and interpretations adopted during the year

During the year ended 30 November 2010 the Group considered the impact of the amendments to IAS 16 – Property, Plant and Equipment (the “Standard”). The Group has determined that the disposal of aircraft are not routine transactions as anticipated by the amendment to the Standard. Consequently, the Group is not required to transfer items of property, plant and equipment, which it sells in the course of its ordinary activities and which it has held for rental to others, to inventories at their carrying amount when they cease to be rented and become held for sale. Associated changes required under IAS 18 Revenue and IAS 7 cashflow statement have therefore not been applied.

As a consequence of the listing of the Group’s Senior Secured Notes due 2016 on the Global Exchange Market of the Irish Stock Exchange, the Group applied IFRS 8 ‘Operating Segments’. For management and reporting purposes the Group’s activities are organised in one reportable segment based on information provided internally to the Chief Operating Decision Maker (the “CODM”). The CODM is considered to be the Company’s Board of Directors. The principal activities of the Group involve the acquisition and leasing of commercial jet aircraft and associated aircraft disposals.

IFRS 3 (Revised) “Business Combinations” did not impact these financial statements, however it may impact on any future acquisitions by the Group. The revised standard requires acquisition costs to be expensed as incurred rather than included in the cost of the transaction and in the determination of goodwill. It also brings about changes to current accounting treatment in relation to contingent consideration and various aspects of accounting for business combinations.



Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(a) Statement of compliance (continued)

IAS 27 (Revised) "Consolidated and Separate Financial Statements" which must be adopted with IFRS 3 (Revised) moves IFRS to the economic entity model. The economic entity approach treats all providers of equity capital as the entity's shareholders, even when they are not shareholders in the parent company. Adoption of the revised standard will impact the accounting for any future "minority interests" in the Group as well as the treatment of any sale of part of the Group to a third party.

IFRS 5 "Non Current Assets Held for Sale and Discontinued Operations" will require all of a subsidiary's assets and liabilities to be classified as held for sale if a potential disposal sale plan results in loss of control. The revised standard did not impact these financial statements, however it will impact the accounting for any divestment of an interest in a subsidiary that results in the Group losing control of that subsidiary.

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for future reporting periods, and have not been applied in preparing these consolidated financial statements:

- IFRS 2 Amendment: Group Cash-Settled Share-based Payment Transactions
- IAS 32 Amendment: Classification of Rights Issues
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
- IAS 24 Revised: Related Party Disclosures
- IFRIC 14 Amendment: Prepayment of a Minimum Funding Requirement (relating to IAS 19)

None of these are expected to have a significant impact on the consolidated financial statements of the Group.

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. They have been prepared under the historical cost convention as modified by the valuation of certain financial assets and liabilities at fair value through the consolidated statement of comprehensive income or through equity.

Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(c) Estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 11 – Property, plant and equipment
- Note 12 – Intangible assets
- Note 15 – Deferred tax assets and liabilities
- Note 20 – Trade and other payables
- Note 23 – Commitments and contingent liabilities

(d) Functional and presentation currency

These financial statements are presented in United States Dollars (“USD”), which is the functional currency of the Company and all the companies in the Group. All financial information presented in USD has been rounded to the nearest thousand. The Directors of the Company believe that USD most faithfully represents the economic effects of the underlying transactions, events and conditions.

(e) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(f) Foreign currency transactions

Transactions in foreign currencies are translated to USD at exchange rates at the dates of the transactions.

(g) Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Fair value of non-derivative financial instruments, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised through profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

The fair value of interest rate swaps and interest rate caps are based on market valuations received from external parties.

Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(g) Financial instruments (continued)

Derivative financial instruments (continued)

Certain derivatives embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit and loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the profit and loss.

(h) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Aircraft that management intends to hold and lease are stated at cost less accumulated depreciation and impairment charges, if applicable. Depreciation is calculated on a straight line basis to the aircrafts' estimated residual value over the estimated useful life of the aircraft asset, which is up to 35 years from the date of manufacture.

Residual values are determined based on estimated values at the end of the useful lives of the aircraft assets, which are supported by estimates received from independent appraisers.

In accordance with IAS 16, the Group's aircraft that are to be held and used are reviewed for impairment whenever events or changes in circumstance indicate that the carrying value of the aircraft may not be recoverable. An impairment review involves consideration as to whether the carrying value of an aircraft is not recoverable and is in excess of its fair value; in these circumstances a loss is recognised as a write down of the carrying value of the aircraft to its fair value.

The carrying amount of an item of property, plant, and equipment includes the cost of replacing the part of such an item when that cost is incurred if the recognition criteria (future benefits and measurement reliability) are met. The costs of the day-to-day servicing of property, plant and equipment are recognised through profit or loss as incurred.

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives.



Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

The estimated useful lives for the current and comparative periods are as follows:

• passenger aircraft and engines	25 years
• freighter aircraft	35 years
• computer equipment	3 years
• fixtures and fittings	5-8 years
• other assets	5-8 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(i) Intangible assets

Deferred maintenance asset

Under all of the Group's leases the lessees are responsible, at their own cost and expense, to service, repair, maintain, overhaul and test, or cause the same to be done for the aircraft.

IFRS 3 requires an intangible asset to be recognised in a business combination, apart from goodwill, if it arises from contractual or other legal rights (regardless of whether those rights are transferable or separable from the acquired entity or from other rights and obligations).

Accordingly, the Group recognises an intangible asset at acquisition representing the fair value of the lessee's contractual obligation to perform expected planned major maintenance activities up to the date of the business combination. When the lessee undertakes the planned major maintenance activity, the intangible asset is reclassified as a capitalised maintenance part of the cost of the aircraft and amortised over its remaining expected useful life.

(j) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell, except for certain items that continue to be measured in accordance with usual accounting policies. These include inventories, financial assets, deferred tax assets and employee benefit assets.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to the various items specified in 2(h) above as they continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised through profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(k) Maintenance advances and liabilities

Maintenance advances and liabilities comprise of maintenance advances, lessor contributions, repossession accruals and re-lease accruals.

Maintenance advances

In many aircraft operating lease contracts, the lessee has the obligation to make periodic payments which are calculated with reference to the utilisation of airframes, engines and other major life-limited components during the lease (supplemental amounts). In such contracts, upon lessee presentation of invoices evidencing the completion of qualifying work on the aircraft, the Group reimburses the lessee for the work, up to a maximum of the supplemental amounts received with respect to such work.

The Group records supplemental amounts as maintenance advances. Amounts not refunded during the lease are recorded as lease revenue at lease termination.

When aircraft are sold the portion of the accrued liability not specifically assigned to the buyer is derecognised from the statement of financial position as part of the gain or loss on sale of the aircraft.

Lessor contributions

At the beginning of each new lease, lessor contributions representing contractual obligations on the part of the Group to contribute to the lessee's cost of the next planned major maintenance event, expected to occur during the lease, are established. The Group regularly reviews the level of lessor contributions to cover its contractual obligations under current lease contracts and makes adjustments as necessary.

Lessor contributions represent a lease incentive and are recorded as a charge against lease rental income over the life of the associated lease.

When aircraft are sold the portion of the accrued liability not specifically assigned to the buyer is derecognised from the statement of financial position as part of the gain or loss on sale of the aircraft.

Repossession provision

The repossession provision represents the Group's best estimate of the costs associated with the repossession, preparation and transition of an aircraft to a new lessee including any estimated costs related to heavy maintenance overhaul costs not covered by collected maintenance advances. Repossession provisions are recognised when the Group believes it is probable that a loss will be incurred, the amount is reasonably estimable and it has entered into a contractual obligation to incur such maintenance work.

Re-lease provision

Re-lease provisions represent the Group's best estimate of the costs associated with the preparing and transitioning of an aircraft from one lessee to another. Re-lease provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be reliably measured.



Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(l) Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense through profit or loss when they are due.

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(n) Revenue

The Group, as a lessor, leases aircraft principally under operating leases and records rental income on a straight line basis over the life of the lease as it is earned. The Group accounts for lease rental income under lease agreements that include step rent clauses on a straight line basis over the lease term. In a few cases, lease agreements provide for rentals based on usage. The usage may be calculated based on hourly usage or on the number of cycles operated, depending on the lease contract. The Group accounts for lease rentals under such agreements on a basis that represents the time pattern in which the revenue is earned. For past-due rentals on all leases, an impairment provision may be established on the basis of management's assessment of collectability and to the extent such past due rentals exceed related security deposits held. Impairment charges are expensed through profit and loss.

Most of the Group's lease contracts require payment in advance. Rentals received, but unearned under these lease agreements, are recorded as deferred revenue in accrued expenses and other liabilities.

In certain contracts, the lessee is required to re-deliver the aircraft in a similar maintenance condition (normal wear and tear excepted) as when accepted under the lease, with reference to major life-limited components of the aircraft. To the extent that such components are redelivered in a different condition than at acceptance, there is normally an end-of-lease compensation adjustment for the difference at re-delivery. Amounts received as part of these re-delivery adjustments are recorded as lease rental income at lease termination.

In instances where the purchase of aircraft or the allocated fair value in a business combination includes consideration which can be allocated to the value of an acquired lease containing above market terms, such allocated costs are recognised as an intangible lease premium asset and amortised on a straight line basis over the term of the related lease as a reduction of lease rental income.

(o) Finance income and expenses

Finance income comprises of interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise of interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.



Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(p) Lease payments

Payments made under operating leases are recognised as an expense through profit or loss on a straight line basis over the term of the lease. Lease incentives are recognised as a reduction of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(q) Income tax expense

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the consolidated financial statements

2. Significant accounting policies (continued)

(r) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(s) Low interest and interest free loans

Low interest and interest free loans are measured on initial recognition at fair value. Fair value of below-market loans is the present value of the expected future cashflows, discounted using a market related rate. Any difference between the cost and the fair value of the instrument upon initial recognition is recognised as a gain or a loss, unless the loan is from a shareholder or related party acting on behalf of the shareholder in its capacity as a shareholder, then the resulting credit is reflected in equity, as the substance of the low interest and/or interest free terms represent a contribution by the shareholder.

The difference between the amount initially recognised as a liability in respect of loan interest and/or interest free loans and the amount ultimately repayable is recognised as a finance expense through profit and loss using the effective interest method.



Notes to the consolidated financial statements

3. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for financial and non-financial assets and liabilities. Fair value is the amount at which an instrument could be exchanged in an arm's length transaction between informed and willing parties, other than as part of a forced liquidation sale. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property, plant and equipment is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The Group uses an average of three independent, professional valuations as an estimate of fair value of aircraft.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Cash and cash equivalents

Carrying amount approximates to fair value due to the short-term nature of these instruments. Cash and cash resources comprise cash and cash equivalents and restricted cash.

Derivatives – interest rate swaps and caps

Interest rate swap and interest rate cap contracts held by the Group are designated as financial instruments through profit and loss and valued based on market valuations received from external parties.

Due to the prevailing market conditions, the determination of the fair value of derivatives reflects a consideration of the probability of non-performance or default by the relevant counterparties.

Derivatives – embedded derivatives

Embedded derivatives are fair valued using option pricing models, and by reference to market rates provided by external parties.

Notes to the consolidated financial statements

4. Lease revenue

<i>In thousands of USD</i>	2010	2009
Lease rental income	730,900	763,013
Total revenues	730,900	763,013

Lease rental income is derived mainly from leasing commercial jet aircraft to various operators around the world. The distribution of lease rental income by geographic region is as follows:

	2010	2010	2009	2009
	USD '000	%	USD '000	%
Europe	229,809	31	233,508	31
Asia / Pacific	261,999	36	247,702	32
North America and Caribbean	138,329	19	136,500	18
Africa / Middle East	34,682	5	52,414	7
Latin America	66,081	9	92,889	12
Total revenues	730,900	100	763,013	100

Lease rental income from the top five customers represented 22% of total revenues for the year ended 30 November 2010 (2009: 17%). No customer accounted for more than 7% of revenues in the year to 30 November 2010 (2009: 4%). At 30 November 2010, there are 15 aircraft (2009: 22) subject to lease contracts with customers which are scheduled to expire during the year ending 30 November 2011.

At 30 November 2010, 14 lease contracts had lessee early termination rights (2009: 10), 9 lease contracts had purchase option rights (2009: 9), and 3 lease contracts had lessor early termination rights (2009: 6).

During the year ended 30 November 2010, leases were terminated for which the Group held maintenance advances at lease expiry. These end of lease compensation adjustments, lessee maintenance contributions and release of maintenance advances totalled USD 55.4 million (2009: USD 55.3 million) and are recorded as lease rental income. Lease revenue includes a charge associated with the amortisation of lease incentive assets of USD 46.1 million for the year ended 30 November 2010 (2009: USD 25.1 million).

Lease rental income amounting to approximately USD 22 million (2009: USD nil) has been pledged as part of the collateral provided in respect of the Senior Secured Notes issued by the Group during the year.

At 30 November 2010 the Group had contracted to receive the following minimum cash lease rentals under non-cancellable operating leases:

<i>In thousands of USD</i>	2010	2009
Due within one year	733,534	666,589
Due between one and two years	649,126	598,594
Due between two and three years	545,020	526,779
Due between three and four years	413,638	428,681
Due after four years	908,278	959,818
Total	3,249,596	3,180,461



Notes to the consolidated financial statements

5. Other income

<i>In thousands of USD</i>	2010	2009
Other income	1,914	6,546
Total other income	1,914	6,546

Other income relates mainly to the application to revenue of security deposits as per the end of lease process, and settlements received from counterparties as part of our normal aircraft leasing and acquisitions/disposal activities.

6. Other expense

<i>In thousands of USD</i>	2010	2009
Other expense	15,457	-
Total other expense	15,457	-

Other expenses comprise of non-recurring charges, which are predominantly non-cash, associated with the restructuring of leases, forward-orders of aircraft, and settlements reached with counterparties as part of our normal aircraft leasing and acquisitions/disposal activities.

7. General and administrative expenses

<i>In thousands of USD</i>	2010	2009
Compensation and benefit expenses	35,421	33,152
Legal and professional fees	6,285	11,750
Office expenses	4,710	5,608
Travel expenses	4,142	3,942
Administrative expenses	17,254	15,798
Total general and administrative expenses	67,812	70,250

The Group had 120 persons in employment as at 30 November 2010 (2009: 124). The average number of employees during the period was 119 (2009: 123).

Costs of PRSI in respect to employees in Irish subsidiaries amounted to USD 1.5 million (2009: USD 2.3 million).

At 30 November 2010 the Group had contracted to pay the following minimum lease rentals under non-cancellable operating leases relating to office space:

<i>In thousands of USD</i>	Lease expense	Sub-lease income
2011	1,807	205
2012	1,512	-
2013	1,524	-
2014	1,537	-
2015	1,311	-
Thereafter	12,241	-
Total	19,932	205

Notes to the consolidated financial statements

7. General and administrative expenses (continued)

The Group incurred office lease rental expense for the period ended 30 November 2010 of USD 3.1 million (2009: USD 3.9 million). Contracted sub-lease rental income relates to office space in New York.

8. Statutory Information

<i>In thousands of USD</i>	2010	2009
The profit for the year has been arrived at after charging: Directors' remuneration:		
Fees	58	36
Other emoluments	1,012	2,767
	<u>1,070</u>	<u>2,803</u>
Auditor's remuneration:		
Audit of the Group Financial Statements	959	1,227
Other assurance services	506	265
Tax advisory services	1,151	1,273
Other non-audit services	-	-
	<u>2,616</u>	<u>2,765</u>
Depreciation and amortisation of:		
Property, plant and equipment	227,015	226,382
Impairment of property, plant and equipment	15,875	292,685
	<u>242,890</u>	<u>519,067</u>

9. Finance income and expense

<i>In thousands of USD</i>	2010	2009
Interest income	1,940	3,446
Finance income	<u>1,940</u>	<u>3,446</u>
Interest expense on financial liabilities		
- External	(229,483)	(230,881)
- Internal	(50,704)	(16,371)
Unrealised gain on derivatives	22,082	13,217
Net foreign exchange (loss) / gain	(1,737)	691
Finance expense	<u>(259,842)</u>	<u>(233,344)</u>
Net finance income and expense	<u>(257,902)</u>	<u>(229,898)</u>

Internal interest expense includes a charge of USD 32.3 million relating to the acceleration of interest as a result of the repayment of certain shareholder loans. This charge is offset in equity by an equal amount recognised as Additional Paid In Capital upon the receipt of a new shareholder loan for a similar amount.

External interest also includes a charge of USD 22.8 million due to the accelerated recognition of deferred financing costs on the early refinancing of certain debt facilities during the year.



Notes to the consolidated financial statements

10. Income tax expense included in the determination of profit or loss for the year

<i>In thousands of USD</i>	2010	2009
Current tax expense		
Current period	(171)	2,244
Adjustment for prior periods	(1,750)	(112)
	(1,921)	2,132
Deferred tax expense		
Origination and reversal of temporary differences	20,472	(110,529)
	20,472	(110,529)
Total income tax expense/(benefit)	18,551	(108,397)

<i>In thousands of USD</i>	2010	2009
Reconciliation of effective tax rate		
Profit/(Loss) for the period	112,780	(3,785)
Total income tax expense/(benefit)	18,551	(108,397)
Profit/(Loss) excluding income tax	131,331	(112,182)
Income tax using the Company's domestic tax rate 12.5%	16,417	(14,023)
State taxes	-	1,891
Income taxable at different rate	(132)	1,047
Tax arising on permanent items	397	553
Adjustment to prior period	1,194	(260)
Abatement of deferred tax liabilities	-	(113,760)
Impairment of deferred tax asset	1,713	16,155
Utilisation of losses not recognised	(1,038)	-
Total income tax expense/(benefit)	18,551	(108,397)

Notes to the consolidated financial statements

11. Property, plant and equipment

<i>In thousands of USD</i>	Aircraft and engines	Capitalised maintenance	Other assets	Total
Cost or deemed cost				
Balance at 30 November 2008	6,157,315	127,928	9,891	6,295,134
Capitalised maintenance	-	68,901	-	68,901
Additions	463,494	-	1,964	465,458
Disposals	(261,203)	(7,253)	(1,192)	(269,648)
Balance at 30 November 2009	6,359,606	189,576	10,663	6,559,845
Capitalised maintenance	-	32,195	-	32,195
Additions	606,214	-	831	607,045
Disposals	(174,699)	(21,204)	(11)	(195,914)
Balance at 30 November 2010	6,791,121	200,567	11,483	7,003,171
Depreciation				
Balance at 30 November 2008	(929,726)	(21,686)	(1,764)	(953,176)
Depreciation for the year	(208,359)	(16,341)	(1,682)	(226,382)
Impairment charge	(263,416)	(29,269)	-	(292,685)
Disposals	42,492	50	-	42,542
Balance at 30 November 2009	(1,359,009)	(67,246)	(3,446)	(1,429,701)
Depreciation for the year	(209,381)	(15,826)	(1,808)	(227,015)
Impairment charge	(15,875)	-	-	(15,875)
Disposals	82,199	6,588	11	88,798
Balance at 30 November 2010	(1,502,066)	(76,484)	(5,243)	(1,583,793)
Carrying amounts				
At 30 November 2009	5,000,597	122,330	7,217	5,130,144
At 30 November 2010	5,289,055	124,083	6,240	5,419,378

As of 30 November 2010 the Group owned 203 aircraft and 2 spare engines held for lease on an operating basis (2009: 208 aircraft and 2 spare engines). During the year ended 30 November 2010, the Group disposed of 11 aircraft and no engines (2009: sold 12 aircraft and 2 engines) and received insurance proceeds in relation to total loss damage to 1 aircraft. In addition the Group purchased 7 aircraft (2009: 5).

The Group's obligations under its secured bank loans and the Senior Secured Notes are secured by charges over, amongst other things, some of the Group's aircraft and related assets.



Notes to the consolidated financial statements

11. Property, plant and equipment (continued)

For the financial year end 30 November 2010 in accordance with IAS 36 – Impairment of Assets (“IAS 36”) there were no indicators of impairment for the majority of the Group’s aircraft. The directors recognised a non-cash impairment charge of USD 15.8 million, the impairment related to the deterioration in the expected recoverable amounts for certain aircrafts.

During the year ending 30 November 2009 the directors identified principally the continuing significant disruption in the credit markets as a triggering event for an impairment test in accordance with IAS 36 – Impairment of Assets (“IAS 36”).

For the purposes of recognition and measurement of an impairment loss, each aircraft is tested individually by comparing its carrying amount to the higher of value in use and fair value less cost to sell. Value in use is determined as the total cash flows expected to be generated by an aircraft, discounted at 6.5% per annum (2009: 6.5%). Fair value is determined as an average of three professional valuations obtained from independent appraisers. In cases where the carrying value of the aircraft was not recoverable an impairment charge was recognised, to the extent that the carrying value exceeded the higher of value in use and fair value less cost to sell. As a result of the test a non-cash impairment charge of USD 292.7 million was recognised in the year ended 30 November 2009.

Geographic concentration:

(calculated based on net book value of the aircraft)

	2010	2010	2009	2009
	USD '000	%	USD '000	%
Europe	1,321,104	26	1,396,904	28
Asia / Pacific	2,131,134	40	1,902,734	38
North America & Caribbean	1,222,733	23	1,091,079	22
Africa & Middle East	123,489	2	151,169	3
Latin America	490,595	9	458,711	9
Total	5,289,055	100	5,000,597	100

Notes to the consolidated financial statements

12. Intangible assets

Deferred maintenance asset:

As a result of the Group's application of acquisition accounting principles in accordance with IFRS 3, an intangible asset of USD 332.2 million was recognised on acquisition representing the fair value of the lessee's contractual obligations to perform expected planned major maintenance activities under the current leases.

Similarly, an intangible asset of USD 89.8 million was recognised at the date of Pegasus acquisition representing the fair value of the lessee's contractual obligations to perform expected planned major maintenance activities under the current leases.

<i>In thousands of USD</i>	Cost
Balance at 30 November 2008	174,664
Release of lessee obligations	(1,900)
Transferred to property plant and equipment as capitalised maintenance	(68,901)
Balance at 30 November 2009	103,863
Release of lessee obligations	(9,904)
Transferred to property plant and equipment as capitalised maintenance	(32,195)
Balance at 30 November 2010	61,764

Upon termination of a lease contract the lessee is released from its contractual obligations to perform planned major maintenance activities. In most instances this release of the lessee obligation is offset by an equal amount of maintenance advances collected from the lessee that the Group is not required to return to the lessee. Similarly, the lessor is released of its obligation to make a lessor contribution to maintenance claims, therefore lessor contributions and the related deferred maintenance balances are released from the balance sheet.

Upon completion of maintenance activity the asset is reclassified as property, plant and equipment in accordance with IAS 16 and amortised over the remaining useful life of the aircraft. The intangible asset is not amortised in periods prior to transfer to property, plant and equipment.



Notes to the consolidated financial statements

13. Other assets

<i>In thousands of USD</i>	2010	2009
Deferred lease incentive cost	40,400	81,708
Favourable lease provision	-	19,658
Security deposits	1,264	1,550
Other	6,030	9,575
Total other current assets	47,694	112,491
Deferred lease incentive cost	58,876	37,069
Total other non-current assets	58,876	37,069

The lease incentive asset represents amounts of lessor contributions to the cost of maintenance events during current leases. The asset is amortised over the respective lease terms and recorded as a reduction of lease rental income.

Notes to the consolidated financial statements

14. Trade and other receivables

<i>In thousands of USD</i>	2010	2009
Trade receivables	23,070	46,407
Notes and other receivables	-	3,732
Allowance for doubtful debts	(5,086)	(5,269)
	17,984	44,870

Receivables represent rent, maintenance and other charges related to the lease of aircraft to lessees.

The table below presents credit and default risk relating to the Group's trade and other receivables by gross carrying amount:

<i>In thousands of USD</i>	Neither past due nor impaired 2010	Past due and not impaired 2010	Impaired 2010	Total 2010
Measured at amortised cost:				
Trade receivables	6,144	11,840	5,086	23,070
Other receivables	-	-	-	-
	6,144	11,840	5,086	23,070

<i>In thousands of USD</i>	Neither past due nor impaired 2009	Past due and not impaired 2009	Impaired 2009	Total 2009
Measured at amortised cost:				
Trade receivables	14,947	26,191	5,269	46,407
Other receivables	3,732	-	-	3,732
	18,679	26,191	5,269	50,139



Notes to the consolidated financial statements

15. Deferred tax assets and liabilities

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

<i>In thousands of USD</i>	Assets	Liabilities	Net
	2010	2010	2010
Property, plant and equipment	-	(107,323)	(107,323)
Employee entitlements	1,089	-	1,089
Other items	262	-	262
Interest	-	(112,636)	(112,636)
Trade losses	68,573	-	68,573
Tax assets / (liabilities)	69,924	(219,959)	(150,035)
Set Off	(66,743)	66,743	-
Net tax assets / (liabilities)	3,181	(153,216)	(150,035)

<i>In thousands of USD</i>	Assets	Liabilities	Net
	2009	2009	2009
Property, plant and equipment	-	(46,984)	(46,984)
Derivatives	9,456	-	9,456
Employee entitlements	1,208	-	1,208
Other items	226	-	226
Imputed Interest	-	(119,400)	(119,400)
Trade losses	25,031	-	25,031
Tax assets / (liabilities)	35,921	(166,384)	(130,463)
Set Off	(28,625)	28,625	-
Net tax assets / (liabilities)	7,296	(137,759)	(130,463)

In assessing the ability to realise the deferred tax assets, directors consider whether it is probable that some portion or all of the deferred tax assets will not be realised. All available evidence is considered and weighed to determine whether derecognition of a deferred tax asset is needed or should be removed. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Accordingly, the Company derecognised its deferred tax asset by an additional USD 1.7 million (USD 60.7 million in total) for the year ended 30 November 2010 as management believes it is probable that the Group will not realise this benefit.

Whilst the amount of the deferred tax asset is considered realisable, it could be significantly reduced in the near term if estimates of future taxable income during the carry-forward period are reduced due to the impact of a prolonged dislocation in the capital markets and negative changes in economic conditions, and their consequences for air travel generally and specifically demand for aircraft.

Notes to the consolidated financial statements

16. Cash and cash equivalents

<i>In thousands of USD</i>	2010	2009
Unrestricted bank balances	632,263	298,664
Bank balances subject to withdrawal restrictions	168,284	409,985
Cash and cash equivalents	800,547	708,649

The average effective interest rate on deposits was 0.38% (2009: 0.18%).

Cash and cash equivalents subject to withdrawal restrictions represent cash securing the Group's obligations under third party credit facilities. Amounts received from lessees in respect of aircraft subject to certain funding arrangements may be required to be held in segregated accounts to support, amongst other things, certain maintenance related payments including major airframe overhauls, engine overhauls, engine life limited parts replacements, auxiliary power unit overhauls and landing gear overhauls; as well as interest and principal payments on the related debt facility.

Bank balances subject to withdrawal restrictions as at 30 November 2010 include USD 91.9 million being part of the proceeds of the Senior Secured notes, held in escrow, in relation to specified undelivered aircraft in the Senior Secured Notes. These aircraft are due for delivery in 2011.

Unrestricted cash represents cash held in the bank accounts related to the Group's share of proceeds from asset sales, lease rental income and equity. The increase in this balance year on year is due to the refinancing of facilities and the new term loan, both of which resulted in a decrease in the requirements of cash balances to be restricted.



Notes to the consolidated financial statements

17. Capital and reserves

Consolidated reconciliation of movement in capital and reserves

<i>In thousands of USD</i>	Share Capital	Additional Paid In Capital	Capital Contri- bution	Profit and Loss Reserves	Total Equity
At 30 November 2008	623,152	189,204	575,462	(408,457)	979,361
Total comprehensive income for the year					
Loss for the year	-	-	-	(3,785)	(3,785)
Transactions with share- holders, recorded directly in equity					
Other reserves contributed	-	747,602	-	-	747,602
Other reserve	-	-	-	-	-
At 30 November 2009	623,152	936,806	575,462	(412,242)	1,723,178
Total comprehensive income for the year					
Profit for the year	-	-	-	112,780	112,780
Transactions with share- holders, recorded directly in equity					
Other reserves converted to Share Capital	300,000	(247,932)	-	-	52,068
Other reserve	-	240,806	-	-	240,806
At 30 November 2010	923,152	929,680	575,462	(299,462)	2,128,832

The authorised share capital of the Company at 30 November 2010 comprised of 500,000,000 ordinary shares of USD 1 par value each and 45,888,262,735 ordinary shares of USD 0.01 par value each (30 November 2009: 200,000,000 and 45,888,262,735 respectively).

The issued share capital of the Company at 30 November 2010 comprised of 464,269,739 ordinary shares of USD 1 each issued and fully paid, and 45,888,262,735 ordinary shares of USD 0.01 each issued and fully paid (30 November 2009 164,269,739 and 45,888,262,735 issued and fully paid respectively).

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

The sole shareholder has all powers and full voting rights as permitted under the applicable company laws.

The movement in other reserves represents a contribution by Carmel Capital to the group as a shareholder.

Capital contribution:

On 29 November 2008 Carmel Capital contributed USD 575.5 million as Capital Contribution through a conversion of a USD 525 million loan to equity. Interest accrued on the loan in amount of USD 77 million was cancelled and the amount of USD 50.4 million (USD 77 million net of deferred tax USD 26.6 million) contributed to the Company as a Capital Contribution.

Notes to the consolidated financial statements

17. Capital and reserves (continued)

Additional paid in capital:

Movements

In millions of USD

	Amount Received	Additional Paid in Capital	Movement		
			Loan Liability	Deferred Tax	Unwind of interest through APIC
Balance at 30 November 2007	-	-	-	-	-
Other reserve	218.9	189.2	2.7	26.4	-
Balance at 30 November 2008	218.9	189.2			-
Other reserve	865.6	747.6	11.3	106.5	-
Balance at 30 November 2009	1,084.5	936.8			-
Other reserve converted to share capital	(300.0)	(247.9)	(4.3)	(35.4)	(12.4)
Other reserve					
- Received	278.8	240.8	3.6	34.4	-
- Repaid	(32.3)		(0.5)	(4.0)	-
Balance at 30 November 2010	1,031.0	929.7			

During the year ended 30 November 2008 the Group received a convertible interest free loan of USD 218.9 million from, Carmel Capital, its shareholder. The loan matures in year 2058 with no repayments required before maturity. In accordance with IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") imputed interest (net of deferred tax) of USD 189.2 million was transferred to other reserves at the inception of the loan.

During the year ended 30 November 2009, loans from Carmel Capital with an aggregate value of USD 865.6 million were provided to the Group in cash, and/or converted from existing loans to being interest free and repayable to the extent outstanding in 50 years. The loans have been recorded at their fair value of USD 11.3 million and the difference between their 'cost' of USD 865.6 million and fair value net of deferred tax reflected as a credit to other reserves in the amount of USD 747.6 million representing a contribution from the shareholder.

During the year ended 30 November 2010, the Group was released from an obligation to repay a loan from Carmel Capital, with an aggregate value of USD 300 million for no consideration and on the same day USD 300 million of the Group's existing reserves were converted to ordinary shares in the Company. The accounting treatment for the contribution of the loan results in an increase in equity overall of USD 52.1 million. This is due to certain balances previously classified as liabilities comprising, loan interest accrual, loan liability and deferred tax being reclassified as equity.



Notes to the consolidated financial statements

17. Capital and reserves (continued)

During the year ended 30 November 2010, Carmel Capital advanced the Group an additional USD 278.8 million in interest free loans, with no repayments due until loan maturity in 2059 and 2060. The fair value of these loans when advanced and converted respectively, were recognised as loan balances in the amount of USD 3.6 million net of deferred tax. The difference between cost and fair value of these loans is recognised as an interest expense over their expected 50 year term. Loan repayments of USD 32.3 million were made during the year, the difference between the amounts repaid and the loan carrying amounts are included as additional interest in finance costs.

Capital risk management:

Historically, the Group has financed its operations through a mixture of equity and debt, comprising of lines of credit, credit facilities and, on and after October 18, 2010, Senior Secured Notes. The Groups third-party indebtedness increased during the 2010 financial year to USD 3,734.3 million from USD 3,706.0 million in the previous. The Groups total equity increased by USD 405.6 million during the 2010 financial year to USD 2,128.8 million with over USD 240.8 million in new equity, invested in line with the expected equity requirements at the time the forward order was placed some years ago, and the balance arising as a result of the amendment of the terms of certain shareholder financings made in prior years such that these are now recorded as equity in the financial statements, more appropriately reflecting the nature of the shareholder's investment in the business. The Groups Debt to Equity ratio of 1.8:1 times as of November 30, 2010 reflected an improvement over the year compared to 2.2:1 times as of November 30, 2009.

18. Loans and borrowings

The contractual terms of the Group's interest-bearing loans and borrowings are:

<i>In thousands of USD</i>	2010	2009
Secured bank loans (repayable by instalment)		
Principal	3,741,005	3,729,381
Accrued and unpaid interest	21,835	13,646
Fair value discounts	(28,543)	(37,013)
Total secured bank loans	3,734,297	3,706,014
Debt issuance costs	(53,135)	(42,536)
Net loans and borrowings	3,681,162	3,663,478
<i>In thousands of USD</i>	2010	2009
Non-current liabilities		
Secured bank loans	3,231,847	2,810,286
Debt issuance costs	(42,139)	(27,002)
Non-current loans and borrowings	3,189,708	2,783,284
Current liabilities		
Current portion of secured bank loans	502,450	895,728
Debt issuance costs	(10,996)	(15,534)
Current loans and borrowings	491,454	880,194

Notes to the consolidated financial statements

18. Loans and borrowings (continued)

Amortisation of debt issuance costs in financing costs were USD 40.0 million during the period ended 30 November 2010 (2009: USD 17.5 million). The unamortised debt issuance costs at 30 November 2010 amortise over the term of the related borrowing which matures in November 2022. In prior years debt issuance costs were presented in the other asset section of the financial statements.

Movements

In thousands of USD

	Total
Balance at 30 November 2008	4,148,161
Advanced during the year	295,759
Amortisation of fair value discounts	8,861
Interest accrued but not paid	-
Repayment during the year	(746,767)
Balance at 30 November 2009	3,706,014
Advanced during the year	1,839,804
Amortisation of fair value discounts	8,438
Interest accrued but not paid	8,189
Repayment during the year	(1,828,148)
Balance at 30 November 2010	3,734,297

Terms and conditions of outstanding loans at 30 November 2010 were as follows:

<i>In thousands of USD</i>	Average Nominal interest rate	Year of maturity	2010
Floating rate loans			
Non recourse obligations	1.93	2011-2019	784,287
Lines of credit and recourse	6.13	2011-2019	741,808
Fixed rate loans			
Non recourse obligations	5.39	2011-2020	1,387,340
Recourse	6.40	2014-2022	820,862
Total interest-bearing liabilities			3,734,297

Terms and conditions of outstanding loans at 30 November 2009 were as follows:

<i>In thousands of USD</i>	Average Nominal interest rate	Year of maturity	2009
First priority JP Morgan USD	LIBOR+1.75	2013	710,640
Second priority JP Morgan USD	LIBOR+6.00	2013	158,091
Floating rate loans			
Non-recourse obligations	2.20	2010 – 2019	1,289,776
Lines of credit and recourse	2.25	2010 – 2019	300,395
Fixed rate loans			
Non-recourse obligations	5.62	2010 – 2018	1,168,950
Lines of credit and recourse	4.73	2016 – 2019	78,162
Total interest-bearing liabilities			3,706,014



Notes to the consolidated financial statements

18. Loans and borrowings (continued)

In June 2010 AWAS entered into a Term Loan Credit Agreement, which is included in floating rate loans, in respect of a USD 530.0 million, senior secured term loan (the "Term Loan"), repayable in June 2016. A substantial part of the proceeds of such loans were used to prepay two secured aircraft facilities which were with JP Morgan. The Term Loan is secured by a portfolio of aircraft, assignments of leases and various share pledges. The Term Loan bears interest at LIBOR plus a margin of 5.75% with a LIBOR floor of 2.0%.

In October 2010 the Group issued USD 600 million Senior Secured Notes which carry a fixed rate of interest of 7.00% and mature in 2016. These Notes are included in fixed rate recourse loans. The Notes amortise on a semi-annual basis with the final payment of principal of USD 283.2 million in October 2016. These notes are guaranteed, on a joint and several basis, by the subsidiary guarantors that hold either the ownership or lease interest in the collateral and certain other guarantors. The notes and guarantees are secured by first-priority interests in the collateral. Notes rank equally in right of payment with all of our existing and future unsubordinated indebtedness.

Both facilities contain various customary financial and non-financial loan covenants including:

- Financial information obligations
- Limitations on activities which would negatively impact concentration limits such as regional location of lessors and types of aircraft in the portfolio
- LTV maintenance ratio covenant

The aggregate repayment amounts of loans for each of the fiscal years subsequent to 30 November 2010 is as follows:

<i>In thousands of USD</i>	Per Statement of financial position		Contractual Cashflow*	
	2010	2009	2010	2009
Due within one year	486,936	912,015	670,193	1,074,577
Due between one and two years	410,431	527,016	573,507	568,062
Due between two and three years	524,432	461,469	668,053	461,650
Due between three and four years	482,326	714,552	599,226	875,566
Due after four years	1,836,880	1,114,329	2,026,797	1,267,658
Total	3,741,005	3,729,381	4,537,776	4,247,513

*Contractual cashflows include both scheduled payments of principal and interest.

At 30 November 2010, the Group had additional lines of recourse credit with a combined borrowing limit of USD 132.5 million (2009: USD 299 million). These lines are used to fund deposits with respect to the purchase of aircraft. Interest ranges from LIBOR plus 1.5% to LIBOR plus 4.85%. At 30 November 2010 the Group has borrowed USD 111.3 million on these lines (2009: USD 70.7 million).

Notes to the consolidated financial statements

19. Provisions for liabilities and charges

Maintenance advances & liabilities

In thousands of USD

	2010	2009
Long term maintenance reserves	505,698	459,975
Current maintenance reserves	132,863	157,866
	638,561	617,841

In thousands of USD

	Balance at 30 November 2009	Additions	Releases Drawdowns	Balance at 30 November 2010
Maintenance advances	399,388	162,488	(147,730)	414,146
Lessor Contributions	192,263	42,561	(37,850)	196,974
Repossessions provisions	3,273	9,687	(4,493)	8,467
Re-lease provisions	6,428	9,578	(10,021)	5,985
Heavy maintenance	16,489	14,986	(18,486)	12,989
Total	617,841	239,300	(218,580)	638,561

In thousands of USD

	Balance at 30 November 2008	Additions	Releases Drawdowns	Balance at 30 November 2009
Maintenance advances	374,288	162,534	(137,434)	399,388
Lessor Contributions	141,532	79,226	(28,495)	192,263
Repossessions provisions	7,404	35,844	(39,975)	3,273
Re-lease provisions	3,473	7,764	(4,809)	6,428
Heavy maintenance	26,011	35,041	(44,563)	16,489
Total	552,708	320,409	(255,276)	617,841

20. Trade and other payables

In thousands of USD

	2010	2009
Unfavourable lease liability	-	18,085
Employee benefits and relocation accruals	17,197	13,564
Deferred lease revenue	41,239	40,460
Deposits held – current	9,638	10,281
Other liabilities and accruals	32,308	32,118
Total current trade and other payables	100,382	114,508

Non-current liabilities

In thousands of USD

	2010	2009
Deposits held	135,625	129,313
Total non-current trade and other payables	135,625	129,313

Rental security deposits relate to cash security received with respect to 149 aircraft and 2 spare engines. In addition, the Group holds security on lease obligations in the form of letters of credit in the amount of USD 84.8 million as of 30 November 2010 (2009: USD 84.3 million). Security deposits are refundable at the end of the contract lease period after all lease obligations have been met by the lessee.



Notes to the consolidated financial statements

20. Trade and other payables (continued)

Employee benefits and relocation accruals

Certain entities within the Group sponsor employee defined contribution superannuation and 401(K) schemes in various countries. The total expense to the Group in 2010 was USD 2.1 million (2009: USD 2 million).

The Group also has an employee bonus plan. The total expense included in selling, general and administrative expenses related to the bonus plan was USD 9.2 million during the period ended 30 November 2010 (2009: USD 8.2 million). As of 30 November 2010 USD 10 million (2009: USD 10 million) had been accrued and included in accrued expenses and other liabilities.

21. Financial instruments and financial risk management

The Group utilises financial instruments to reduce exposures to market risks throughout its business. Equity, borrowings and cash and cash equivalents are used to finance the Group's operations. Derivative financial instruments are contractual agreements with a value which reflects price movements in an underlying asset. The Group uses derivative financial instruments, principally interest rate swaps, to manage interest rate risks and achieve the desired profile of borrowings.

The main risks attaching to the Group's financial instruments are disclosed in note 24.

a) Fair value of financial assets and liabilities

The carrying value and fair value of the Group's financial assets by class and category were as follows:

<i>In thousands of USD</i>	Instruments at fair value through profit and loss 2010	Loans and receivables 2010	Carrying amount 2010	Fair Value 2010
Cash and cash equivalents	-	632,263	632,263	632,263
Restricted cash	-	168,284	168,284	168,284
Derivative financial assets	2,987	-	2,987	2,987
Trade and other receivables	-	17,984	17,984	17,984
Financial assets 2010	2,987	818,531	821,518	821,518
External borrowings	-	3,681,162	3,681,162	3,681,162
Borrowings from shareholder	-	40,024	40,024	40,024
Derivative financial liabilities	3,015	-	3,015	3,015
Financial liabilities 2010	3,015	3,721,186	3,724,201	3,724,201

Notes to the consolidated financial statements

21. Financial instruments and financial risk management (continued)

a) Fair value of financial assets and liabilities (continued)

<i>In thousands of USD</i>	Instruments at fair value through profit and loss	Loans and receivables	Carrying amount	Fair Value
	2009	2009	2009	2009
Cash and cash equivalents	-	298,664	298,664	298,664
Restricted cash	-	409,985	409,985	409,985
Trade and other receivables	-	44,870	44,870	44,870
Financial assets 2009	-	753,519	753,519	753,519
External borrowings	-	3,663,478	3,663,478	3,666,156
Borrowings from shareholder	-	34,728	34,728	34,728
Derivative financial liabilities	39,858	-	39,858	39,858
Financial liabilities 2009	39,858	3,698,206	3,738,064	3,740,742

b) Derivative financial Instruments

The objective of the Group's interest rate risk management policy is to adopt a risk averse position with respect to changes in interest rates and to match when feasible lease income subject to fixed / variable rates to loan financing.

Accordingly, the Group employs derivative financial instruments, principally interest rate swap and cap contracts, to hedge the current and expected future interest rate payments on the Group's variable rate debt. Interest rate swaps are agreements in which a series of interest rate flows are exchanged with a third party over a prescribed period. The notional amount on a swap is not exchanged. Under the swap transactions the Group makes fixed rate payments and receives floating rate payments to convert the floating rate borrowings to fixed rate obligations to better match the largely fixed rate cash flows from the leasing of aircraft. An interest rate cap is designed to hedge a company's maximum exposure to upward interest movements. It establishes a maximum total dollar interest amount that will be paid out over the life of the cap. The Group pays an initial premium and will receive payments each settlement period in which the interest rate exceeds the strike price.

The counterparties to these agreements are highly rated financial institutions. In the event that the counterparties fail to meet the terms of the interest rate swap contracts, the Group's exposure is limited to the interest rate differential on the notional amount at each settlement period over the life of the agreements. The Group does not anticipate any non-performance by the counterparties.

As at 30 November 2010 the Group was contracted to two swaps with notional amounts of USD 27.5 million and USD 201.9 million for which the Group pays a fixed rate of 1.94% and 1.78% respectively, and receives the respective USD LIBOR floating rate. The swaps mature on 9 February 2015 and 10 June 2016 respectively. The Group also has a contracted interest rate cap with a notional amount of USD 201.9 million and a strike price of 2.0%, maturing on 10 June 2016.



Notes to the consolidated financial statements

21. Financial instruments and financial risk management (continued)

b) Derivative financial Instruments (continued)

During the year ended 30 November 2010 the change in the fair value of the swaps recorded in finance expense was a USD 23.9 million gain (2009: USD 13.2 million gain). The fair value liability of the interest rate swaps at 30 November 2010 was based on observable market prices and was a liability of USD 3.0 million (2009: USD 39.8 million). The change in fair value of the cap recorded as a finance expense was USD 1.2 million loss. The fair value of the interest rate cap at 30 November 2010 was based on observable market prices and was an asset of USD 3.0 million.

22. Related party transactions

The Group considers TFCP Holdings Limited, its subsidiaries and all entities controlled by TFCP Holdings Limited as related parties.

Related party loan (repayable other than by instalment)

In thousands of USD

	2010	2009
Proceeds initially recognised as a liability	12,827	14,022
Accreted and unpaid interest	27,197	20,706
	40,024	34,728

Non-current liabilities

Related party loan	40,024	34,728
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Movements

In thousands of USD

	Total
Balance at 30 November 2008	469,036
Advanced during the year	428,564
Conversion to equity reserves and principal	(854,402)
Interest accrued but not paid	16,382
Repayment during the year	(24,852)
Balance at 30 November 2009	34,728
Advanced during the year	278,762
Conversion to equity reserves and principal	(247,644)
Unwind of interest through Additional Paid in Capital	(12,372)
Interest accrued but not paid	18,864
Repayment during the year	(32,314)
Balance at 30 November 2010	40,024

Notes to the consolidated financial statements

22. Related party transactions (continued)

During the year ended 30 November 2009, Carmel Capital advanced the Group an interest free loan, with no repayments due until its maturity in 2059, in the amount of USD 428.6 million, additionally a previously advanced loan in the amount of USD 437.1 million (including USD 95 million of accrued but unpaid interest) on which interest accrued at a rate of 9.16% and which was repayable on demand was converted to an interest free basis with no repayments due until 2059. The fair value of these loans when advanced and converted respectively, were recognised as loan balances in the amount of USD 11.3 million net of deferred tax (USD 2.7 million in 2008). The difference between cost and fair value of these loans is recognised as an interest expense over their expected 50 year term. During the year ended 30 November 2009 the unwind of this discount that was recognised as interest expense amounted to USD 16.4 million.

During the year ended 30 November 2010, Carmel Capital advanced the Group an additional USD 278.8 million in interest free loans, with no repayments due until loan maturity 2059 - 2060. The fair value of these loans when advanced and converted respectively, were recognised as loan balances in the amount of USD 3.6 million net of deferred tax. The difference between cost and fair value of these loans is recognised as an interest expense over their expected 50 year term. Loan repayments of USD 32.3 million were made during the year, the difference between the amounts repaid and the loan carrying amounts are included as additional interest in finance costs. Also during the year ended 30 November 2010 USD 300.0 million was converted from interest free loans to equity, resulting in a reduction in the loan balance of USD 4.3 million.

Terms and conditions of outstanding loans were as follows:

<i>In thousands of USD</i>	Amount Repayable on Maturity	Year of Maturity	30 November 2010
Carmel Capital Loan – AAIL	404,800	2058	22,271
Carmel Capital Loan – AACL Tranche 1	213,000	2057	8,228
Carmel Capital Loan – AACL Tranche 2	166,858	2059	6,445
Carmel Capital Loan – AACL Tranche 3	246,448	2060	3,080
	<hr/> 1,031,106		<hr/> 40,024

The loans above are interest free and have no scheduled repayment due until the year of maturity, when the entire principal balance outstanding is due and payable. Early repayments are permitted. Interest has been imputed on this loan at a rate of 9.16% and is recorded as accrued and unpaid interest.

There were no transactions and there are no outstanding balances relating to key management personnel and / or entities over which they have control or significant influence.



Notes to the consolidated financial statements

22. Related party transactions (continued)

Significant subsidiaries

	Shareholding	Country of incorporation
AWAS Aviation Acquisitions Limited*	100%	Ireland
AWAS Aviation Trading Limited**	100%	Ireland
AWAS (Ireland) Limited ***	100%	Ireland
AWAS Aviation Investments Limited **	100%	Ireland
AWAS Aviation Finance Limited*	100%	Ireland
The registered address of the above entities is: Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland		
AWAS Capital Inc. ****	100%	USA
Pegasus Aviation Finance Company*****	100%	USA
AWAS Acquisitions Inc.	100%	USA
The registered address of the above entities is: 2711 Centerville Road, Suite 400 Wilmington, Delaware 19808, USA		
AWAS Consolidated Holdings Limited	100%	Cayman
AWAS Aviation Holdings Limited**	100%	Cayman
Cricket Square, Hutchins Drive, PO Box 2681 Grand Cayman, KY1-1111, Cayman Islands		

* - shareholdings held via AWAS Aviation Investments Limited

** - shareholding held via AWAS Consolidation Holdings Limited

*** - shareholdings held via AWAS Aviation Acquisitions Limited

**** - shareholdings held via AWAS Holdings Inc.

***** - shareholdings held via AWAS Acquisitions Inc.

The principal activity of the above entities is the sale and leasing of aircraft and provision of administrative services to related parties.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, which includes directors and certain members of the Senior Management Team, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

<i>In thousands of USD</i>	2010	2009
Short term employee benefits	5,964	4,943
Post employment benefits	282	278
	6,246	5,221

Notes to the consolidated financial statements

23. Commitments and contingent liabilities

a) Capital Commitments:

At 30 November 2010, the Group had committed to purchase 115 new aircraft, scheduled to deliver from 2011 through 2017. All of these purchase commitments to purchase new aircraft are based upon master agreements with each of Airbus S.A.S. ("Airbus") and Boeing Company ("Boeing").

The Airbus aircraft (models A320, A330 and A350XWB) and the Boeing aircraft (models 737 and 787) are being purchased pursuant to agreements executed by Group companies and Airbus or Boeing. These agreements establish the pricing formulas, (which include certain price adjustments based upon inflation and other factors), and various other terms with respect to the purchase of aircraft. Under certain circumstances, there is the right to alter the mix of aircraft type ultimately acquired.

The Directors anticipate that a portion of the aggregate purchase price for the purchase of aircraft will be funded by incurring additional debt. The exact amount of the indebtedness to be incurred will depend upon the actual purchase price of the aircraft, which can vary due to a number of factors, including inflation, and the percentage of the purchase price of the aircraft which must be financed.

b) Contingent Loss:

A contingent loss exists at 30 November 2010 in relation to unpaid Eurocontrol charges incurred by operators of the Group's aircraft.

Eurocontrol's Central Route Charges Office bills and collects charges from users of en-route services on behalf of Eurocontrol Member States pursuant to a Multilateral Agreement ("the Agreement"). The Agreement, which came into force on January 1, 1986, stipulates that the party liable for the payment of Eurocontrol charges is the operator of the aircraft at the time the relevant flight was performed. If the identity of the operator is unknown and the owner fails to prove that another party is the operator, then the owner will be treated as the operator.

The Agreement provides that where a debtor has not paid the amount due, measures may be taken by Eurocontrol to enforce recovery. The measures available to Eurocontrol are subject to national law in each of the Eurocontrol Member States and in some jurisdictions include the ability to arrest and detain an aircraft pending recovery of unpaid charges. The Group as owner of the aircraft may become liable for Eurocontrol costs in the event that an operator defaults on their Eurocontrol obligations.

No accrual has been made at 30 November 2010 in relation to contingent losses pertaining to Eurocontrol charges as any potential loss is not considered probable at this time and the amount of any potential loss cannot be reasonably estimated.



Notes to the consolidated financial statements

23. Commitments and contingent liabilities (continued)

c) Guarantees:

The Company has guaranteed the obligations of its subsidiary, AWAS Aviation Trading Limited ("AATL") under aircraft purchase agreements between AATL and The Boeing Company, and Airbus. The Company has also guaranteed the obligations of multiple subsidiaries, special purpose borrower entities, under loan facilities for the financing of pre-delivery payments owed to Boeing and Airbus.

The Company has guaranteed the obligations of its subsidiary, AWAS Finance Luxembourg Sàrl ("AFLS"), under that Term Loan Credit Agreement, June 2010, between AFLS, as the borrower, and various lenders.

Finally, the Company has guaranteed certain of the obligations of multiple subsidiary, special purpose borrower entities under limited recourse loan facilities for the acquisition financing of multiple aircraft in the AWAS fleet.

d) Revenue audits:

A subsidiary entity, Ansett Worldwide Aviation Sales Limited (in voluntary liquidation), is subject to an audit from the Hong Kong Revenue Department as part of the closure of the entity. The Group expects that the eventual outcome to the audit will not result in any material adverse tax expense.

24. Risks and uncertainties

Asset risk

The Group bears the risk of re-leasing or selling the aircraft in its fleet at the end of their lease terms. If demand for aircraft decreases market lease rates may fall, and should such conditions continue for an extended period, it could affect the market value of aircraft in the fleet and may result in an impairment charge. The directors have employed personnel with appropriate experience of the aviation industry to manage the fleet and remarket or sell aircraft as required in order to reduce this risk.

The Group is highly dependent upon the continuing financial strength of the commercial airline industry. A significant deterioration in this sector could adversely affect the Group through a reduced demand for aircraft in the fleet and/or reduced market rates, higher incidences of lessor default and an increase in aircraft on the ground. The Group periodically performs reviews of its carrying values of aircraft and associated assets, trade receivables, notes receivables and the recoverable amount of deferred tax assets and the sufficiency of accruals and provisions, substantially all of which are susceptible to the above risks and uncertainties.

Notes to the consolidated financial statements

24. Risks and uncertainties (continued)

Interest rate risk

Interest rate risk is the risk (variability in value) borne by an interest-bearing financial instrument, such as a loan or a bond, due to variability of interest rates. The Group has entered into derivative contracts for some of its loan facilities which swap variable interest rates for fixed; therefore any increase or decrease in interest rates on the loan will lead to a decrease or increase in the differential on the swap. The Group's limited recourse floating rate loans partially offset the floating rate nature of our lease rental contracts, with an increase in interest rates will be expected to be offset by higher rentals earned.

The effect on profit before tax of a 50 and 100 basis point change in interest rate, assuming all other variables would be held constant, would be as follows:

<i>In thousands of USD</i>	50 BPS	100 BPS
2010	453	903
2009	689	1,378

Whereas, a decrease of 50 and 100 basis points change in interest rates, would have had the equal but opposite effect, on the basis that all other variables remain constant.

The Group also has loans and borrowings that bear fixed interest rates determined at the inception of the agreement. A significant change in interest rates could have a material adverse impact on the fair value of the Group's loans and borrowings. However, the company records these loans at the amortised cost and therefore, the company's future performance would not be impacted by any future rate changes.

Credit risk

The Group is subject to the credit risk of its lessees as to collection of rental payments under its operating leases. Credit risk is defined as the unexpected loss in cash and earnings if the counterparty is unable to pay its obligations in due time. The effective monitoring and controlling of airline customer credit risk is a competency of a dedicated Risk Management team.

Creditworthiness of each new customer is assessed and the Group seeks security deposits in the form of cash or Letter of Credit to mitigate overall financial exposure to its lessees. The assessment process takes into account qualitative and quantitative information about the customer such as business activities, senior management team, financial fitness, resources and performance, and business risks, to the extent that this information is publicly available or otherwise disclosed to the Group.

The Group holds significant cash balances which are invested on a short-term basis and are classified as cash and cash equivalents. These deposits and other financial instruments give rise to credit risk on amounts due from counterparties. Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty. The Group typically does not enter into deposits with a duration of more than 6 months.



Notes to the consolidated financial statements

24. Risks and uncertainties (continued)

Credit risk (continued)

The value of trade receivables, notes receivables and intangible lease assets and liabilities are highly dependent upon the financial strength of the commercial aviation industry as described in market risk section. Defaults by one or more of the Group's major customers could have a material adverse effect on our cash flow and earnings and our ability to meet our debt obligations.

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

<i>In thousands of USD</i>	Note	2010	2009
Unrestricted cash	16	632,263	298,664
Restricted cash	16	168,284	409,985
Derivative financial assets	21	2,987	-
Trade and other receivables	14	17,984	44,870
Total		821,518	753,519

Receivables represent rent, maintenance and other charges related to the lease of aircraft to lessees.

Defaults by one or more of our major customers could have a material adverse effect on the Group's cash flow and earnings and the group's ability to meet its debt obligations.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

<i>In thousands of USD</i>	2010	2009
Africa and Middle East	1,122	-
Asia/Pacific	4,783	25,423
Europe	13,702	13,998
Latin America	1,591	2,213
North America and Caribbean	1,872	4,773
Total	23,070	46,407

The Group's most significant customer, an Asian airline, accounts for none of the receivables balances at 30 November 2010 and 30 November 2009.

Notes to the consolidated financial statements

24. Risks and uncertainties (continued)

Liquidity risk

The Group has funded a significant part of its operations with debt financing. The ability of the Group to continue to operate is dependent upon its ability to meet its payment obligations and adhere to covenant requirements under the respective loan agreements, which are dependent, among other things, upon the factors outlined above.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

<i>In thousands of USD 2010</i>	Carrying Amount	Contractual Cashflows	12 months or less	1 – 2 years	2 – 3 years	3 – 4 years	After 4 years
Non-derivative financial liabilities							
External borrowings	3,734,297	(4,526,053)	(666,808)	(570,638)	(665,773)	(597,494)	(2,025,340)
Borrowings from shareholder	40,024	(1,031,106)	-	-	-	-	(1,031,106)
	3,774,321	(5,557,159)	(666,808)	(570,638)	(665,773)	(597,494)	(3,056,446)
Derivative financial assets/(liabilities)							
Interest rate swaps	(3,015)	(11,723)	(3,385)	(2,869)	(2,280)	(1,732)	(1,457)
Interest rate caps	2,987	-	-	-	-	-	-
	(28)	(11,723)	(3,385)	(2,869)	(2,280)	(1,732)	(1,457)
Non-derivative financial liabilities							
<i>In thousands of USD 2009</i>	Carrying Amount	Contractual Cashflows	12 months or less	1 – 2 years	2 – 3 years	3 – 4 years	After 4 years
External borrowings	3,706,014	(4,209,307)	(1,041,368)	(563,066)	(461,650)	(875,566)	(1,267,657)
Borrowings from shareholder	34,728	(1,084,658)	-	-	-	-	(1,084,658)
	3,740,742	(5,293,965)	(1,041,368)	(563,066)	(461,650)	(875,566)	(2,352,315)
Derivative financial assets/(liabilities)							
Interest rate swaps	(39,858)	(38,205)	(33,209)	(4,996)	-	-	-
	(39,858)	(38,205)	(33,209)	(4,996)	-	-	-



Notes to the consolidated financial statements

24. Risks and uncertainties (continued)

Liquidity risk (continued)

It is not expected that the cash flows in the maturity analysis could occur significantly earlier, or at significantly different amounts.

As explained in note 18, the Group has principal repayments due under its existing loans from external parties which fall due during the next 12 month period. These will be financed via operational cash flows (rental and disposal/acquisition of aircraft activities), new debt financing and potentially new equity.

As a result of its growth strategy, at 30 November 2010, the Group had committed to purchase 115 new aircraft, scheduled to deliver from 2011 through 2017. The directors anticipate that a significant portion of the aggregate purchase price for the aircraft will be funded by incurring additional debt. The exact amount of the indebtedness to be incurred will depend upon the actual purchase price of the aircraft, which can vary due to a number of factors, including inflation, and the percentage of the purchase price of the aircraft which will be financed.

If the Group cannot meet its obligations or if it breaches certain covenants under the various debt arrangements, it may be subject to contract breach damages suits, it may be required to restrict or apply all cashflows from aircraft pledged as collateral for certain debt facilities to meet principal and interest payments, and/or to paydown such debt facilities on an accelerated basis.

25. Subsequent events

There were no significant events subsequent to 30 November 2010. Additional funds received in from Carmel Capital in December 2010 of USD 82.7 million.

26. Comparative amounts

Comparative amounts have been regrouped/restated, where necessary, on the same basis as those for the current year.

27. Unaudited Pro-forma Condensed Financial Information

During the year the Group issued USD 600 million Senior Secured Notes (the "Notes"). The Notes are secured by a portfolio of 60 aircraft including four aircraft expected to be delivered during 2011. The Notes are also jointly and severally guaranteed on a senior secure basis by certain subsidiaries of the company, including AWAS Aviation Acquisitions Limited ("AAAL") together hereinafter the Guarantor Group.

Notes to the consolidated financial statements

27. Unaudited Pro-forma Condensed Financial Information (continued)

This note sets out certain pro-forma financial information concerning the financial condition and results of the Guarantor Group.

Financial Position	Guarantor Group	Non-Guarantor	Elimination	Total Group
<i>In thousands of USD 2010</i>	2010	Group	2010	2010
		2010		
Total assets	1,448,955	5,436,338	-	6,885,293
Total Equity and liabilities	1,448,955	5,436,338	-	6,885,293
Results of Operations	Guarantor	Non-Guarantor	Elimination	Total Group
<i>In thousands of USD 2010</i>	Group	Group	2010	2010
	2010	2010		
Revenue	304,491	484,822	(56,499)	732,814
Expenses	(150,013)	(197,551)	3,983	(343,581)
Results from Operating Activities	154,478	287,271	(52,516)	389,233
Net finance costs	(51,636)	(258,782)	52,516	(257,902)
Profit/(Loss) before income tax	102,842	28,489	-	131,331
Income tax expense	(14,829)	(3,722)	-	(18,551)
Profit/(Loss) after income tax	88,013	24,767	-	112,780

28. Approval of financial statements

The directors approved these financial statements on 25 February 2011.