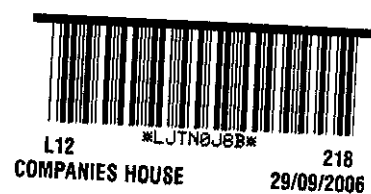


**AWAS (UK) Limited**

**Report and accounts**

**Year ended 30 November 2005**

**Company registration no. 4251130**



**AWAS (UK) Limited**

**Report and accounts**

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## **AWAS (UK) Limited**

### **Directors' report**

The directors present their report together with the audited financial statements for the year ended 30 November 2005.

### **Principal activity**

The principal activity of the company during the year was to provide administrative agency services to an affiliated company. Both the level of business during the year and the financial position at the end of the year were satisfactory. No significant changes in the company's primary business activity are anticipated.

### **Results and dividend**

The results for the year are shown in the profit and loss account on page 4. The directors do not recommend the payment of a final dividend (30 November 2004: \$nil) and the profit for the year of \$466,000 (2004: \$421,000) has been transferred to reserves.

### **Directors**

The directors of the company who served throughout the year are as stated below:

AP Jackson

JF Bloemen (appointed 30 June 2006)

CS Graham (resigned 31 July 2006)

DC Maunder (resigned 30 June 2006)

J Watkinson - alternate director for DC Maunder and AP Jackson (resigned 26 May 2006)

### **Directors' interests**

No director has any interest in the shares, nor is involved in any transactions or has had any interests in any material contracts of the company or any other UK group company at any time during the year ended 30 November 2005.

### **Auditors**

A resolution for a change in the auditor appointment will be proposed at the forthcoming Annual General Meeting.

## **AWAS (UK) Limited**

### **Directors' report (continued)**

#### **Statement of directors' responsibilities**

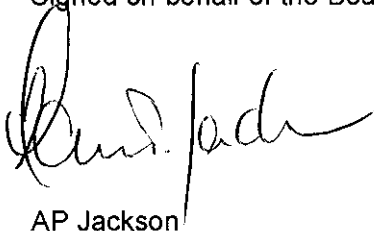
United Kingdom company law requires the directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the company and of the profit and loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By order of the board

Signed on behalf of the Board of Directors:

A handwritten signature in black ink, appearing to read 'AP Jackson', is written over a horizontal line.

AP Jackson  
Director

27 September 2006

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AWAS (UK) LIMITED

We have audited the financial statements of AWAS (UK) Limited for the year ended 30 November 2005 which comprise the profit and loss account, balance sheet and related notes 1 to 15. These 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 235 of the Companies Act 1985. 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 auditors' 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

As described in the Statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom company law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

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

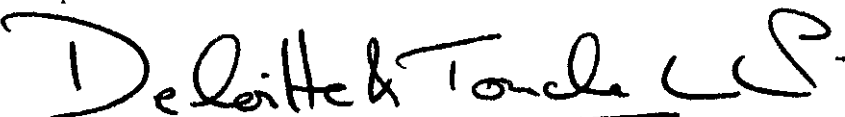
### Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the 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 financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 November 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP, London  
Chartered Accountants and Registered Auditors

29 September 2006

## AWAS (UK) Limited

### Profit and loss account for the year ended 30 November 2005

	Note	2005 US\$000	2004 US\$000
Turnover	1	7,283	6,521
Administrative expenses		(6,691)	(5,928)
<b>Operating profit</b>	2	592	593
Interest receivable and similar income	4	114	37
<b>Profit on ordinary activities before taxation</b>		706	630
Tax on profit on ordinary activities	5	(240)	(209)
<b>Profit after taxation and retained profit for the year</b>	11	466	421

The results for the current and prior year relate to continuing operations.

The company has no recognised gains or losses other than those disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

A reconciliation of the movement in shareholder's funds has been prepared in note 12 to the accounts.

The notes on pages 6 to 11 form part of these financial statements.

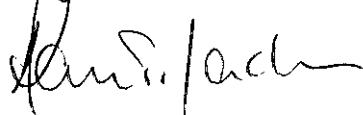
# AWAS (UK) Limited

## Balance sheet at 30 November 2005

	Note	2005 US\$000	2004 US\$000
<b>Tangible fixed assets</b>	6	231	272
<b>Current assets</b>			
Debtors	7	1	8
Amounts owed by group entities		3,074	1,919
Cash at bank and in hand		744	740
		3,819	2,667
<b>Creditors: amounts falling due within one year</b>	8	(2,173)	(1,502)
<b>Net current assets</b>		1,646	1,165
<b>Total assets less current liabilities</b>		1,877	1,437
<b>Provisions for liabilities and charges</b>	9	(332)	(358)
<b>Net assets</b>		1,545	1,079
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account	11	1,545	1,079
<b>Equity shareholder's funds</b>	12	1,545	1,079

These financial statements were approved by the Board of Directors on 27 September 2006.

Signed on behalf of the Board of Directors:



AP Jackson  
Director

# **AWAS (UK) Limited**

## **Notes to the accounts for the year ended 30 November 2005**

### **1. Accounting policies**

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

#### **Functional currency**

The accounts are prepared in US dollars, the currency of the primary economic environment in which the company operates.

#### **Turnover**

Turnover represents administrative agency fees from an affiliated company accounted for on an accruals basis.

#### **Segmental reporting**

The Company has only one class of business as described in the Directors' Report and operates in one geographic market, United Kingdom.

#### **Pension cost and other post-retirement benefits**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. The contributions payable are calculated as an average 10% of gross salaries and wages.

#### **Foreign currencies**

All monetary assets and liabilities denominated in currencies other than US dollars are translated into US dollars at the rates ruling at the balance sheet date. Transactions in currencies other than US dollars are recorded at the rates ruling at the dates of the transactions. All translation differences are taken through the profit and loss account.

#### **Taxation**

Corporation tax is provided at amounts expected to be paid / recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Full provision has been made for deferred tax assets and liabilities arising from timing differences. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## **AWAS (UK) Limited**

### **Notes to the accounts for the year ended 30 November 2005 (continued)**

#### **1. Accounting policies (continued)**

##### **Fixed assets and depreciation**

Depreciation is provided to write-off the cost less the estimated residual value of tangible fixed assets by equal instalments over their useful economic lives as follows:

Fixtures, fittings and equipment	5 – 13 years
----------------------------------	--------------

##### **Cash flow statement**

The company's ultimate parent undertaking produces a cash flow statement. Accordingly, the company, which is a wholly-owned subsidiary, has elected to avail itself of the exemption provided in FRS 1 (Revised 1996) *Cash Flow Statements* and not produce a cash flow statement.

## AWAS (UK) Limited

### Notes to the accounts for the year ended 30 November 2005 (continued)

#### 2. Operating profit

Operating profit is stated after crediting/(charging) the following:

	2005 US\$000	2004 US\$000
Depreciation	60	28
Auditors' remuneration	-	-

Auditors' remuneration for current and prior year was borne by a related company.

#### 3. Information regarding directors and employees

None of the directors received any remuneration for their services as a director (2004: \$nil).

##### Employees

	2005 No.	2004 No.
Average number of persons employed in administration by the company in the year:	14	12

	2005 US\$000	2004 US\$000
Staff costs incurred during the year in respect of these employees:		
Wages and salaries	3,446	3,007
Social security costs	497	426
Other pension costs	261	253
	<u>4,204</u>	<u>3,686</u>

#### 4. Interest receivable and similar income

	2005 US\$000	2004 US\$000
Interest receivable from group companies	80	27
Other interest receivable	34	10
	<u>114</u>	<u>37</u>

# AWAS (UK) Limited

## Notes to the accounts for the year ended 30 November 2005 (continued)

### 5. Tax on profit on ordinary activities

The tax charge for the year is as follows:

	2005 US\$000	2004 US\$000
<b>(a) Analysis of tax charge for the year</b>		
UK corporation tax charge for the year	219	198
Under/(over) provision in prior year	21	11
	<hr/>	<hr/>
Tax on profit on ordinary activities	240	209
	<hr/>	<hr/>

### (b) Factors effecting the tax charge

The current year UK taxation charge is higher than the standard UK tax rate of 30%. The main differences are explained below:

Profit on ordinary activities before tax	706	630
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard rate	212	189
<b>Effects of:</b>		
Expenses not deductible for tax purposes	7	9
Adjustments to tax charge in respect of prior periods	21	11
	<hr/>	<hr/>
Current tax charge	240	209
	<hr/>	<hr/>

### 6. Fixed assets

	Fixtures, fittings and equipment US\$000
<b>Cost:</b>	
At 1 December 2004	309
Additions	20
Disposals	(3)
	<hr/>
At 30 November 2005	326
	<hr/>
<b>Depreciation:</b>	
At 1 December 2004	37
Charge for the year	58
	<hr/>
At 30 November 2005	95
	<hr/>
<b>Net book value:</b>	
At 30 November 2005	231
	<hr/>
At 30 November 2004	272
	<hr/>

# AWAS (UK) Limited

## Notes to the accounts for the year ended 30 November 2005 (continued)

### 7. Debtors

	2005 US\$000	2004 US\$000
Other debtors	1	8

### 8. Creditors: amounts falling due within one year

	2005 US\$000	2004 US\$000
UK corporation tax	124	96
Accruals	2,049	1,406
	2,173	1,502

### 9. Provisions for liabilities and charges

	2005 US\$000	2004 US\$000
At the beginning of the year	358	315
Payment for the year	(26)	43
At the end of the year	332	358

Provisions for liabilities and charges represent provisions for employee entitlements.

### 10. Called up share capital

	2005 £	2004 £
<b>Authorised:</b>		
1,000 ordinary shares of £1	1,000	1,000
<b>Allotted, called up and fully paid:</b>		
1 ordinary share of £1	1	1

### 11. Profit and loss account

	2005 US\$000	2004 US\$000
At beginning of year	1,079	658
Retained profit for the year	466	421
At end of year	1,545	1,079

## AWAS (UK) Limited

### Notes to the accounts for the year ended 30 November 2005 (continued)

#### 12. Reconciliation of movement in equity shareholder's funds

	2005 US\$000	2004 US\$000
Profit for the financial year	466	421
Opening shareholder's funds	1,079	658
	<hr/>	<hr/>
Closing shareholder's funds	1,545	1,079
	<hr/>	<hr/>

#### 13. Related party transactions

Amounts owed by group entities have no fixed term of repayment.

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose transactions with entities that are part of the same group on the grounds it is over 90% owned by a parent undertaking which includes the company in its own published consolidated financial statements.

There were no other related party transactions requiring disclosure.

#### 14. Parent entity

The ultimate parent undertaking and controlling entity and the largest group of which the company was, at 30 November 2005, a member and for which group accounts are prepared was Morgan Stanley, which is incorporated in the United States of America. Copies of Morgan Stanley's financial statements can be obtained from the Securities and Exchange Commission.

The parent undertaking of the smallest group of companies for which group accounts are drawn up and of which the company is a member is AWAS Aviation Holdings LLC ("AWAH"), a United States company. Copies of its accounts can be obtained from 445 Park Avenue, 20<sup>th</sup> Floor, New York, NY 10022, United States of America.

#### 15. Subsequent events

On 24 March 2006, Morgan Stanley sold its interest in the AWAS Group of entities. In conjunction with this sale, AWAS Aviation Holdings, LLC ("AWAH") transferred its interest in the Company to AWAS Aviation Acquisitions Limited ("AAAL"), an Irish Company. AAAL's ultimate parent company is Terra Firma Investments (GP) 2 Limited, a company incorporated in Guernsey.