

Financial statements International Aviation Leasing Limited

For the Year Ended 31 March 2010

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Company information

Company registration number	04635275
Registered office	Gloucestershire Airport Staverton Cheltenham Gloucestershire GL51 6SP
Directors	S W Bond S D Smith G B Williams
Secretary	S D Smith
Bankers	Bank of Scotland Corporate PO Box 39900, Level 7 155 Bishopsgate London EC2M 3YB
Solicitors	Hogan Lovells Atlantic House Holborn Viaduct London EC1A 2FG
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Hartwell House 55 - 61 Victoria Street Bristol BS1 6FT

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2010

Principal activities and business review

The principal activity of the company during the period was the provision of aircraft to suitable operators on long term operating leases

On 1st April 2009 an AS332L2 helicopter on lease to Bond Offshore Helicopters was lost while operating in the North Sea. The aircraft was adequately insured by the operator but the company will suffer the loss of future profits from the leasing of this aircraft which was replaced by the operator from an alternative supplier. Lease Income increased slightly to £10.5m despite the loss of one airframe, but Technical Support income fell 32% as a result of one fewer airframes during the year and significantly reduced flying in April and May on remaining aircraft leased to Bond Offshore Helicopters during a period of suspension of services following the accident. Income is analysed as follows

	2008	2009	2010
Lease Income	£7.8m	£10.3m	£10.5m
Technical Support Services	<u>£10.2m</u>	<u>£13.3m</u>	<u>£9.1m</u>
	<u>£18.0m</u>	<u>£23.6m</u>	<u>£19.6m</u>

Profitability was significantly affected by currency fluctuations. The company has the majority of its borrowings in foreign currencies which have been used to fund the purchase of helicopters. While the company has sufficient income in appropriate foreign currencies to match its annual liabilities on a long term basis, the revaluation of these facilities at the end of each financial year causes significant translational fluctuations in reported profits. The revaluation of these loans at this year end resulted in a benefit of £3.8m.

The reported profit for the year included a surplus of insurance proceeds over the book value of the Eurocopter AS332L2 helicopter which was lost in the North Sea.

Results and dividends

The profit for the year amounted to £9,846,243 (2009 loss of £10,251,012). Particulars of the dividend paid are detailed in note 7 to the financial statements.

Financial risk management objectives and policies

The company's financial risk management objectives and policies are detailed in note 14 to the financial statements.

Directors

The directors who served the company during the year were as follows

S W Bond
S D Smith
G B Williams

Report of the directors

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD



S D Smith
Secretary
5 NOVEMBER 2010



Report of the independent auditor to the members of International Aviation Leasing Limited

We have audited the financial statements of International Aviation Leasing Limited for the year ended 31 March 2010 which comprise the principal accounting policies, the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Report of the independent auditor to the members of International Aviation Leasing Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read "Mark Aldridge".

Mark Aldridge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Bristol
5 November 2010

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom generally accepted accounting policies, and have been applied consistently from the previous period

The financial statements have also been prepared on a going concern basis (see note 21)

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

Turnover shown in the profit and loss account represents amounts receivable for aircraft operating lease services and technical support arrangements provided during the period, net of Value Added Tax. Operating lease income is recognised in the period during which the aircraft is leased. The level of technical support fees is determined by the number of flying hours. Such fees are recognised at the point of flight.

Fixed assets

All fixed assets are initially recorded at cost. The cost includes all expenses that are directly attributable to bringing the asset into condition for use, including finance costs. Interest capitalised is calculated by reference to the rate of interest payable on borrowings drawn down to finance fixed asset acquisitions. Capitalisation of finance costs ceases when substantially all the activities that are necessary to get the tangible fixed assets ready for use are complete.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Aircraft - 15 years straight line

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling using the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction, or forward contract rate if applicable. Exchange differences are taken into account in arriving at the operating profit.

Principal accounting policies

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2010 £	2009 £
Turnover	1	19,636,635	23,653,467
Cost of sales		(12,314,986)	(16,199,192)
Gross profit		7,321,649	7,454,275
Other operating charges	2	3,490,633	(18,639,581)
Operating Profit/(Loss)	3	10,812,282	(11,185,306)
Profit on disposal of fixed assets		4,980,436	-
Interest receivable		112,411	94,319
Interest payable and similar charges	5	(2,843,360)	(3,203,450)
Profit/(Loss) on ordinary activities before taxation		13,061,769	(14,294,437)
Tax on Profit/(Loss) on ordinary activities	6	(3,215,526)	4,043,425
Profit/(Loss) for the financial year	17	9,846,243	(10,251,012)

All of the activities of the company are classed as continuing

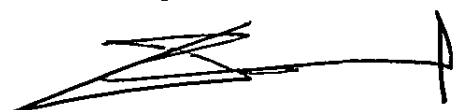
The company has no recognised gains or losses other than the results for the year as set out above

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	8	65,917,855	75,770,242
Current assets			
Debtors	9	6,246,875	4,154,103
Cash at bank		334,807	2,844,974
		6,581,682	6,999,077
Creditors: amounts falling due within one year	10	10,254,108	13,915,589
Net current liabilities		(3,672,426)	(6,916,512)
Total assets less current liabilities		62,245,429	68,853,730
Creditors' amounts falling due after more than one year	11	57,977,800	73,784,643
Provisions for liabilities			
Deferred taxation	13	3,931,742	1,079,443
		335,887	(6,010,356)
Capital and reserves			
Called-up equity share capital	16	50,000	50,000
Profit and loss account	17	285,887	(6,060,356)
Shareholders' funds/(Deficit)	18	335,887	(6,010,356)

These financial statements were approved by the directors and authorised for issue on 5 November 2010, and are signed on their behalf by



S W Bond
Director



S D Smith
Director

Company Registration Number 04635275

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the principal activity of the company, which is conducted wholly within the United Kingdom, and is categorised as follows

	2010 £	2009 £
Operating lease income	10,498,770	10,311,498
Maintenance income	9,137,865	13,341,969
Total	<u>19,636,635</u>	<u>23,653,467</u>

2 Other operating charges

	2010 £	2009 £
Administrative expenses	332,862	291,414
Net (gain)/loss on foreign currency translation	(3,823,495)	18,348,167
Other operating charges	<u>(3,490,633)</u>	<u>18,639,581</u>

3 Operating loss

Operating profit/(loss) is stated after charging

	2010 £	2009 £
Depreciation of owned fixed assets	3,464,000	3,383,525
Auditor's remuneration		
Audit fees	10,000	14,160
Accountancy fees	3,000	3,000
Net (gain)/loss on foreign currency translation	<u>(3,823,495)</u>	<u>18,348,167</u>

4 Directors and employees

The company received a management charge from Bond Aviation Group Limited amounting to £290,136 (2009 £242,016). This reflects the directors' time costs relating to International Aviation Leasing Limited and other costs incurred by Bond Aviation Group Limited that are considered to be attributable to International Aviation Leasing Limited. The management charge is included within 'other operating charges'.

5 Interest payable and similar charges

	2010 £	2009 £
Interest payable on bank borrowing	2,750,549	3,096,125
Other similar charges payable	92,811	107,325
	<u>2,843,360</u>	<u>3,203,450</u>

Interest and similar charges on borrowings that were drawn down in order to acquire the assets that the company makes available under operating leases have been categorised as costs of sales in the profit and loss account. These costs totalled £2,750,549 (2009 £3,096,125) during the year.

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	2010 £	2009 £
Current tax		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	363,227	(2,692,798)
Total current tax	<u>363,227</u>	<u>(2,692,798)</u>
Deferred tax		
Origination and reversal of timing differences	2,852,299	(1,350,627)
Tax on loss on ordinary activities	<u>3,215,526</u>	<u>(4,043,425)</u>

(b) Factors affecting current tax charge

	2010 £	2009 £
Profit / (loss) on ordinary activities before taxation	<u>13,061,769</u>	<u>(14,294,437)</u>
Profit/(loss) on ordinary activities by rate of tax	3,657,295	(4,002,442)
Expenses not deductible for tax purposes	11,163	36,244
Capital allowances for period in excess of depreciation	(3,040,855)	888,232
Utilisation of tax losses	(363,227)	2,692,798
Unrelieved tax losses	-	377,152
Other timing differences	57,523	8,016
Indexation Allowance	(321,899)	-
Payments received for tax losses	363,227	(2,692,798)
Total current tax (note 6(a))	<u>363,227</u>	<u>(2,692,798)</u>

7 Dividends

Dividends on shares classed as equity

	2010 £	2009 £
Paid during the year		
Ordinary shares	<u>3,500,000</u>	<u>400,000</u>

Dividends on shares classed as financial liabilities

	2010 £	2009 £
Paid during the year		
Variable sub-ordinated cumulative redeemable non-voting preference shares	<u>18,831</u>	<u>102,841</u>
	<u>18,831</u>	<u>102,841</u>

8 Tangible fixed assets

	Aircraft and equipment £	Assets under the course of construction £	Total £
Cost			
At 1 April 2009	92,627,516	196,912	92,824,428
Disposals	(8,702,560)	—	(8,702,560)
At 31 March 2010	<u>83,924,956</u>	<u>196,912</u>	<u>84,121,868</u>
Depreciation			
At 1 April 2009	17,054,186	—	17,054,186
Charge for the year	3,464,000	—	3,464,000
Disposals	(2,314,173)	—	(2,314,173)
At 31 March 2010	<u>18,204,013</u>	<u>—</u>	<u>18,204,013</u>
Net book value			
At 31 March 2010	<u>65,720,943</u>	<u>196,912</u>	<u>65,917,855</u>
At 31 March 2009	<u>75,573,330</u>	<u>196,912</u>	<u>75,770,242</u>

Interest and finance costs of £Nil (2009 £120,488) were capitalised within fixed assets during the year. At the balance sheet date, finance costs totalling £1,785,702 (2009 £1,785,702) had been capitalised within the cost of fixed assets.

9 Debtors

	2010 £	2009 £
Amounts owed by group undertakings	6,225,262	4,111,712
Other debtors	10,815	11,068
Prepayments and accrued income	10,798	31,323
	<u>6,246,875</u>	<u>4,154,103</u>

10 Creditors: amounts falling due within one year

	2010 £	2009 £
Bank loans	5,984,876	6,973,210
Trade creditors	–	642,214
Amounts owed to group undertakings	363,227	930,582
Shares classed as financial liabilities	–	750,000
Other loans	1,178,340	496,727
Accruals and deferred income	2,727,665	4,122,856
	<u>10,254,108</u>	<u>13,915,589</u>

11 Creditors: amounts falling due after more than one year

	2010 £	2009 £
Bank loans	57,738,657	73,039,581
Other loans	239,143	745,062
	<u>57,977,800</u>	<u>73,784,643</u>

12 Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows

	2010 £	2009 £
Amounts repayable		
In one year or less or on demand	7,163,216	7,469,937
In more than one year but not more than two years	6,224,020	7,469,937
In more than two years but not more than five years	28,453,026	21,167,930
In more than five years	23,300,754	45,146,776
	<u>65,141,016</u>	<u>81,254,580</u>

The bank loans are secured by a fixed charge over the Aircraft acquisitions they are being used to finance and a floating charge over all the company's assets. The interest charged on these loans varies between 3.8% and 4.93%.

The company has entered into a guarantee in respect of the bank borrowings of Bond Offshore Helicopters Limited. The related borrowings of Bond Offshore Helicopters Limited at 31 March 2010 were £1,800,000 (2009 £2,190,000).

13 Deferred taxation

The movement in the deferred taxation provision during the year was

	2010 £
Provision brought forward	1,079,443
Profit and loss account movement arising during the year	2,852,299
Provision carried forward	<u>3,931,742</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2010 £	2009 £
Excess of taxation allowances over depreciation on fixed assets	4,913,923	1,873,067
Tax losses available	(1,301,184)	(1,170,150)
Other timing differences	319,003	376,526
	<u>3,931,742</u>	<u>1,079,443</u>

14 Derivatives

The company enters into derivatives such as forward currency contracts and currency swap contracts. The purpose of these transactions is to manage the currency risk arising from the company's operations and financing arrangements.

The board reviews and agrees policies for managing currency risks. Currency contracts are used to reduce exposure to exchange risk associated with the purchase of aircraft in Euros. Sales invoices are raised in foreign currencies to hedge the exchange rate risk arising from ongoing costs that are incurred in foreign currencies. Forward currency contracts are used to fix the sterling cost of its liabilities in whole or in part. The amount of currency hedged at the year end amounted to £1,613,771 (2009: £Nil).

On 30 December 2008 the company agreed an interest swap agreement to fix the interest on bank borrowings amounting to £23,959,290. The swap agreement expires on 31 December 2010 and the fair value of the contract at the year end was £358,252 (2009: £499,230 (in favour of the bank)).

The directors prepare cash flow forecasts and monitor to actual to budget to ensure that the company has sufficient resources to meet its liabilities as they fall due. This process seeks to manage liquidity risk.

No transactions of a speculative nature are undertaken. It is the company's policy, and has been throughout the year under review, that no trading in financial instruments be undertaken.

15 Related party transactions

As a wholly-owned subsidiary of Bond Aviation Group Limited, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by Bond Aviation Group Limited on the grounds that the group accounts are publicly available.

16 Share capital

Authorised share capital

	2010 £	2009 £
50,000 Ordinary shares of £1 each	50,000	50,000
200,000 Voting preference shares of £1 each	200,000	200,000
750,000 Non-voting preference shares of £1 each	750,000	750,000
	<u>1,000,000</u>	<u>1,000,000</u>

Allotted and called up

	2010		2009	
	No	£	No	£
Ordinary shares of £1 each	50,000	50,000	50,000	50,000
Non-voting preference shares of £1 each	—	—	750,000	750,000
	<u>50,000</u>	<u>50,000</u>	<u>800,000</u>	<u>800,000</u>

	2010 £	2009 £
Amounts presented in equity		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Amounts presented in liabilities		
750,000 Non-voting preference shares of £1 each	<u>—</u>	<u>750,000</u>

On 22 July 2009, 750,000 Non-voting Preference shares were redeemed by the Company

17 Profit and loss account

	2010 £	2009 £
Balance brought forward	(6,060,356)	4,590,656
Profit/(Loss) for the financial year	9,846,243	(10,251,012)
Equity dividends	(3,500,000)	(400,000)
Balance carried forward	<u>285,887</u>	<u>(6,060,356)</u>

18 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit/(Loss) for the financial year	9,846,243	(10,251,012)
Equity dividends	(3,500,000)	(400,000)
Net increase/(reduction) to shareholders' funds	<u>6,346,243</u>	<u>(10,651,012)</u>
Opening shareholders' funds	(6,010,356)	4,640,656
Closing shareholders' funds/(deficit)	<u>335,887</u>	<u>(6,010,356)</u>

19 Capital commitments

At 31 March 2010, amounts contracted for but not provided in the financial statements totalled £Nil (2009 £Nil)

20 Ultimate parent company

On 4 April 2008, the entire share capital of the company was acquired by Bond Aviation Group Limited. As such, International Aviation Leasing Limited is now a 100% owned subsidiary of Bond Aviation Group Limited which is considered to be the ultimate parent undertaking.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Bond Aviation Group Limited. The accounts are available at Bond Aviation Group Limited, Gloucestershire Airport, Staverton, Cheltenham, Gloucestershire, GL51 6SP.

21 Going concern

At 31 March 2010, the company had net current liabilities of £3,672,426 (2009 £6,916,512). Going forward, it has a committed income stream from its long-term operating lease contracts with Bond Offshore Helicopters Limited, a company related by common ownership. The directors have prepared detailed budgets and forecasts that show this income stream should allow the company to repay its liabilities as they fall for a period of at least one year from the date of approval of the financial statements. Therefore, the financial statements have been prepared on a going concern basis.