

ANNUAL REPORT

For the fiscal year ended March 31, 2011

of

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Class B, C and D Certificates due March 15, 2019

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AIRPLANES LIMITED AND AIRPLANES U.S. TRUST

2011 ANNUAL REPORT

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1. INTRODUCTION

A. OVERVIEW OF CAPITAL STRUCTURE

Airplanes Limited (“**Airplanes Limited**”) is a special purpose, limited liability company formed on November 3, 1995 under the laws of Jersey, Channel Islands. Airplanes U.S. Trust (“**Airplanes Trust**”) is a Delaware statutory trust formed in November 1995. “**Airplanes Group**” refers to Airplanes Limited and Airplanes Trust, and in this Annual Report, we use “**we**,” “**us**” and “**our**” to refer to Airplanes Group and its subsidiaries and Airplanes Pass Through Trust. The “**board**” refers to the Board of Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust. We are in the business of leasing aircraft to aircraft operators around the world.

Until June 3, 2005 when we filed a Form 15 with the Securities and Exchange Commission (“**SEC**”), we were a reporting company under the Securities Exchange Act of 1934 and filed annual, quarterly and other periodic reports with the SEC. You can obtain electronic copies, free of charge, of all of these reports from our website, www.airplanes-group.com. For an explanation of the reasons for our filing of a Form 15, please refer to our press release dated June 3, 2005 as filed with the SEC on Form 8-K, which is available from our website.

On March 28, 1996, we established eight separate pass through trusts to issue and sell \$4,048 million in aggregate principal amount of subclass A-1, A-2, A-3, A-4 and A-5 and class B, C and D pass through certificates in an underwritten offering. We used the proceeds from this offering, together with the proceeds from the sale of the class E notes of Airplanes Limited and Airplanes Trust to GPA Group plc (now known as AerCap Ireland Limited), to acquire a portfolio of 229 aircraft from GPA Group and its subsidiaries. We use the rental payments that we receive from leasing the aircraft to pay interest and principal on this debt. On March 16, 1998, we established four additional pass through trusts to issue and sell \$2,437 million in aggregate principal amount of subclass A-6, A-7 and A-8 and class B certificates in connection with the refinancing of our subclass A-1, A-2 and A-3 and class B certificates. On November 20, 1998, General Electric Capital Corporation (“**GE Capital**”) acquired a majority of the class E notes from AerFi Group (previously known as GPA Group and now known as AerCap Ireland) and its subsidiaries. On November 15, 2010, GE Capital, as holder of all of the class E notes issued by Airplanes Trust, notified Airplanes Trust of its intention to surrender the Airplanes Trust class E notes held by it and thereby to discharge and release Airplanes Trust from any and all payment and other obligations thereunder. The discharge and release by GE Capital is described in more detail under “6G. Surrender of Class E Notes and Cessation of Office of Class E Note Director/Controlling Trustee”. The subclass A-5 certificates were fully repaid as of May 15, 1998. We established a new pass through trust on March 15, 2001 to issue and sell \$750 million in aggregate principal amount of subclass A-9 certificates. We used the proceeds from this offering to refinance our subclass A-4 and A-7 certificates and the corresponding subclass A-4 and A-7 notes. The subclass A-6 certificates were fully repaid on October 15, 2004 and the subclass A-8 certificates were fully repaid (save for accrued step-up interest and accrued interest thereon) on November 15, 2010.

AIRPLANES PASS THROUGH TRUST

“**Airplanes Pass Through Trust**” and the “**trust**” refer to all the pass through trusts created under the Airplanes Pass Through Trust Agreement dated March 28, 1996, as supplemented (the “**trust agreement**”) among Airplanes Limited, Airplanes Trust and Bankers Trust Company (now known as Deutsche Bank Trust Company Americas), as trustee (the “**trustee**”), except where it is clear that this term means only a particular pass through trust. The certificates issued by each pass through trust each represent a fractional undivided beneficial interest in two corresponding classes or subclasses of notes issued and cross-guaranteed by Airplanes Limited and Airplanes Trust pursuant to trust indentures dated as of March 28, 1996 (as amended or supplemented, the “**indentures**”) they entered into with Deutsche Bank Trust Company Americas, as trustee (the “**indenture trustee**”), and held by that trust. The two corresponding classes of notes and guarantees held by each trust are the principal sources of payment for the class or subclass of certificates issued by that trust.

AIRPLANES LIMITED

The sole purposes of Airplanes Limited are to (a) acquire, own, manage, maintain, lease, re-lease, modify and sell (subject to restrictions under its indenture) the aircraft, (b) finance and refinance these activities, including guaranteeing the obligations of its subsidiaries and of Airplanes Trust, (c) manage its interest rate and currency risks, and (d) engage in other activities related to the aircraft and their financing.

Airplanes Limited’s principal assets are the intercompany loans it has advanced to its subsidiaries and 95% of the capital stock of Airplanes Holdings Limited (“**Airplanes Holdings**”). As of March 31, 2011, Airplanes Holdings owned a total of 80 aircraft, three

airframes and eight engines directly and through its aircraft-owning subsidiaries, and owned a number of aircraft-leasing subsidiaries which lease aircraft from the aircraft-owning subsidiaries and sublease them to lessees. The remaining 5% of the capital stock of Airplanes Holdings is owned by GE Commercial Aviation Services Limited (“GECAS”).

Airplanes Limited has a board of directors, which is currently composed of four directors. As discussed in further detail under “6G. Surrender of Class E Notes and Cessation of Office of Class E Note Director/Controlling Trustee”, on January 19, 2011 Mr. Brian Hayden, who was appointed as class E note director of Airplanes Limited by GE Capital as holder of the majority of the class E notes issued by Airplanes Limited, resigned from office as class E note director.

AIRPLANES TRUST

The sole purposes of Airplanes Trust are to (a) acquire, own, manage, maintain, lease, re-lease, modify and sell (subject to restrictions under its indenture) the aircraft, (b) finance and refinance these activities, including guaranteeing the obligations of its subsidiaries and of Airplanes Limited, (c) manage its interest rate and currency risks and (d) engage in other activities related to the aircraft and their financing.

Airplanes Trust’s principal assets are the intercompany loans it has advanced to its subsidiaries and 100% of the capital stock of AeroUSA Inc., which as of March 31, 2011, owned four aircraft. The shares of AeroUSA and AeroUSA 3 Inc. are held by separate voting trusts with Wells Fargo Bank Northwest, acting as trustee, in order to satisfy the U.S. Federal Aviation Administration regulations regarding the U.S. citizenship of the owners of U.S. registered aircraft. Airplanes Trust has no ownership or leasehold interests in any real property.

AerCap, Inc. (formerly known as GPA, Inc.), a wholly-owned subsidiary of AerCap Holdings N.V., holds the residual ownership interest in all of the property of Airplanes Trust. In connection with the sale of the class E notes to GE Capital by GPA Group (now known as AerCap Ireland) and its subsidiaries in 1998, GPA, Inc. (now known as AerCap, Inc.) granted an option to GE Capital for it to purchase this residual ownership interest in Airplanes Trust for \$1.00. On November 15, 2010, GE Capital as holder of such option notified AerCap, Inc., AerCap Ireland and GECAS that GE Capital thereby waived, discharged and released all of their rights in, to or under such option and the residual ownership interest in Airplanes Trust and any and all other rights, title and interest in, to and under the agreement pursuant to which the option was granted. Upon repayment in full of all of the indebtedness of Airplanes Trust and the dissolution of Airplanes Trust, legal title to the AeroUSA shares and other property of Airplanes Trust will therefore revert to AerCap, Inc.

Airplanes Trust has four controlling trustees, who are the same individuals as those who currently serve as directors of Airplanes Limited, and a Delaware trustee, Wilmington Trust Company. As discussed in further detail under “6G. Surrender of Class E Notes and Cessation of Office of Class E Note Director/Controlling Trustee”, on November 9, 2010 Mr. Brian Hayden, who was appointed as class E note controlling trustee of Airplanes Trust by GE Capital as class E noteholder, resigned from office as class E note controlling trustee.

B. OVERVIEW OF CURRENT FINANCIAL CONDITION

SINCE DECEMBER 15, 2003 WE HAVE BEEN UNABLE TO MAKE PAYMENTS ON JUNIOR NOTES AND CERTIFICATES; AND WE DO NOT EXPECT TO BE ABLE TO REPAY IN FULL THE SUBCLASS A-9 NOTES AND CERTIFICATES.

We have been unable to meet all of the base case assumptions either in our original prospectus dated March 28, 1996 (the “**1996 Base Case**”) or in our prospectus dated March 8, 2001 (the “**2001 Base Case**”). On each payment date, we are currently only paying in full our administrative and lease expenses and certain other payments in the ordinary course of business, interest on the class A notes, hedging payments, and the “First Collection Account Top-Up”. We use any remaining cashflows towards payment of minimum principal on the subclass A-9 notes which at May 16, 2011 was \$481.7 million in arrears. We do not believe that we will ever be able to resume making payments of interest or principal on the class B, C and D notes, and we do not expect to be able to repay in full the subclass A-9 notes.

As a result of the overall strengthening of the aviation industry between 2005 and 2007 as discussed under “6B. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Background”, our lease rates in that period for some of the aircraft types in our portfolio improved over the rates we had obtained for these aircraft in the years immediately following the terrorist attacks in the U.S. on September 11, 2001 (“**9/11**”) although lease rates were still lower, and in some cases substantially

lower, than the rates assumed in the 2001 Base Case. Additionally, our aircraft downtime in that period generally lessened as a result of stronger demand and improved industry conditions in those years. However, because of earlier restructurings and the fact that not all of our leases came up for renewal in the period 2005-2007, we could not benefit fully from the temporary improvements in lease rates and values which we experienced even for some of our older aircraft in that period. Furthermore, 2008 and 2009 proved to be extremely difficult for most carriers with record high average fuel prices, exceptionally weak yields, the near collapse of the worldwide banking system which led to simultaneous recession in the EU, US and Japan, liquidation of a number of airlines worldwide such as Aloha, Eos, Skybus, Spain's Futura and the UK's XL Group, two of our Asian and one of our African lessees, and reorganizations or bankruptcies of other airlines. Despite improved industry conditions overall in 2010 and 2011 to date, the market for our portfolio of older, less technologically advanced aircraft remains extremely difficult and many of our lessees are in a weak financial condition with two lessees of 11 of our aircraft, Mexicana and Blueline, having ceased operations and entered bankruptcy during the year ended March 31, 2011. While the International Air Transport Association ("IATA") reported global losses by the aviation industry in 2008 and 2009, in its latest report issued in June 2011 it reported profits of \$18.0 billion by the aviation industry in 2010. IATA is also forecasting profits for the airline industry for 2011, although at \$4.0 billion, the forecast is substantially lower than the 2010 reported numbers. Profitability of the airline industry as a whole, however, no matter how high, is unlikely to make a significant difference to our cashflows given the age of our aircraft and the financial condition of the majority of our lessees. In addition, as a result of the sustained adverse market conditions for our aircraft over the past several years, the majority of our aircraft are highly likely to become obsolete earlier than the useful life expectancies assumed in the 2001 Base Case assumptions which negatively affects the lease rates and market values of these aircraft.

Where we are able to re-lease aircraft, the rates we are able to achieve currently and the lease rates we have been able to achieve in the past three years have generally been substantially lower than the rates generated in the 2005 – 2007 period, which, as noted above, were in some cases already substantially lower than the rates assumed in the 2001 Base Case. For new leases entered into in the last two years the lease rates have, in all cases, been substantially lower than the lease rates assumed in the 2001 Base Case. Even with rates compromised in this way, many of our lessees struggle to stay current and for some of our lessees the fallout from the difficult industry conditions in 2008-2009 is only being felt now. In the year ended March 31, 2011, the servicer repossessed or took early redelivery of 12 aircraft and restructured leases in respect of three aircraft. Subsequent to March 31, 2011 the servicer has entered into restructurings (or commenced negotiations for restructuring) in respect of leases of a further four aircraft, as discussed further under "2F. The Aircraft, Related Leases and Collateral—The Lessees".

Notwithstanding the lifting of certain restrictions on aircraft sales that were contained in our indentures prior to the consent solicitation we conducted in 2003 (the "**2003 consent solicitation**"), it has been very difficult, and will likely continue to be very difficult, for us to achieve sales as our aircraft age and newer, more fuel-efficient aircraft become available at more competitive prices due to overcapacity. Although we undertake a sale only where the servicer can demonstrate either that there is no realistic re-lease prospect for an aircraft, or that the expected sale proceeds will be greater than the net present value of estimated cashflows from continued leasing (including, *inter alia*, the estimated transition costs), assuming a lease could even be obtained, the sales that we have been able to achieve have not made a significant difference to our overall cashflows.

The weakness in both the leasing and the sale markets for our aircraft has required us to consider other alternatives for maximizing cashflow from our portfolio. For some aircraft we are able to obtain better returns by leasing or selling the airframe or its engines separately. In the year ended March 31, 2011 we sold two airframes and four engines, leased three other airframes under conditional sale agreements and leased eight engines to two lessees. For other aircraft, the most economic option may be to sell the aircraft as scrap, including as part of a consignment arrangement where we receive payments as parts of the aircraft are torn down and sold, although as of the date of this Annual Report we have not entered into any consignment arrangements.

However, even taking into account these alternatives, we had nine aircraft and two engines on the ground as at March 31, 2011. As at the date of this Annual Report we have sold three of these aircraft, signed a contract for the sale of one engine and the airframe of another of these aircraft, sold the other engine from such aircraft and signed a letter of intent for the sale of another of these off-lease aircraft.

The environment is thus deeply challenging for aircraft of the age and type comprising our portfolio and the revenue we are able to generate is accordingly limited and not sufficient to allow us to pay minimum principal on the subclass A-9 notes in full, or to pay any interest or minimum principal on the class B notes or any interest on the class C and class D notes. We therefore do not expect to generate revenues that will be sufficient to repay in full the subclass A-9 notes, or to pay any interest or principal on the class B, C or D notes.

Ratings

This vulnerability of the various classes of notes and corresponding certificates has been reflected in actions taken by the rating agencies which continue to re-evaluate structured aircraft financings.

Set out in the table below are the ratings of our certificates at June 15, 2011:-

<u>Certificate</u>	<u>Outstanding Principal Balance as at May 16, 2011</u>	<u>S&P</u>	<u>Fitch</u>	<u>Moody's (S&P equivalent)</u>
Subclass A-9	\$670.4m	CCC	CCC	B1 (B+)
Class B	\$226.8m	NR*	C	C (C)
Class C	\$349.8m	NR*	C	C (C)
Class D	\$395.1m	NR*	C	C (C)

* Ratings withdrawn.

On March 18, 2010 Standard & Poor's issued a press release stating that 35 "D" ratings on eight aircraft ABS deals and two U.S. franchise loan ABS deals had been withdrawn. As a result of this action, the "D" ratings on the class B, the class C and the class D certificates were withdrawn and these certificates are no longer rated by Standard & Poor's. On December 12, 2010 Moody's issued a press release stating that the class B and class C certificates had been downgraded from "Ca" to "C". On March 16, 2011 Standard & Poor's issued a press release affirming its rating of the subclass A-9 certificates. On May 18, 2011 Fitch issued a press release affirming its rating of the subclass A-9, class B, class C and class D certificates.

There can be no assurance that the rating agencies will not further downgrade any class or subclass of our certificates.

The ratings of the certificates address the likelihood of the timely payment of interest and the ultimate payment of principal and premium, if any, on the certificates. A rating is not a recommendation to buy, sell or hold certificates because ratings do not comment as to market price or suitability for a particular investor. A rating may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

C. RISK FACTORS

The following summarizes various risks and uncertainties which may materially affect the ability of Airplanes Limited and Airplanes Trust to pay interest, principal or any premium even on the subclass A-9 notes and hence our ability to pay interest, principal or any premium on the corresponding certificates in full at or before their final maturity date. These risks and uncertainties are not the only ones relevant to the certificates, the notes and guarantees, the trust or Airplanes Group.

This Annual Report contains forward-looking statements that involve risks and uncertainties. In most cases, you can identify these forward-looking statements by terms such as "may," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue" or similar terms that relate to the future or express uncertainty. Our actual results could differ materially from those anticipated in these forward-looking statements. In evaluating these statements, you should specifically consider various factors, including the risks outlined below, that may impact our results of operations.

RISKS RELATING TO PAYMENT ON THE NOTES AND CERTIFICATES

SUBORDINATION PROVISIONS RESTRICT THE RIGHTS OF JUNIOR NOTEHOLDERS AND CERTIFICATE HOLDERS.

In general, the rights and remedies with respect to a note event of default are exercisable only by the trustee of and the holders of the most senior class of notes outstanding, and then only to the extent that there is an event of default with respect to that senior class of notes. For example, a failure to make a required payment on a class of notes is a default only with respect to that class of notes and the corresponding certificates. Accordingly, if, as occurred on December 15, 2003, when we were unable to pay interest on the class B, C and D notes, an event of default occurs with respect to a class of notes which is not the most senior class outstanding, the holders of that class of notes (and thus, the corresponding certificates) will not be permitted to enforce their rights until all amounts owing

under any more senior class of notes outstanding and certain other amounts have been paid in full. The subclass A-9 notes are the most senior class of notes currently outstanding.

CERTIFICATEHOLDERS HAVE NO SECURITY INTEREST IN THE AIRCRAFT OR THE LEASES TO SECURE OUR REPAYMENT OF THE CERTIFICATES.

None of the certificateholders, the trustee or the security trustee has any security interest, mortgage, charge or similar interest in any aircraft in our portfolio or in the related leases. If an actionable event of default occurs, neither the certificateholders nor anybody acting on their behalf can sell the aircraft or exercise other remedies with respect to the aircraft or the leases to repay the principal and interest, which they would have been able to do if they had held a security interest in the aircraft or the leases. Airplanes Limited and Airplanes Trust have, however, pledged to the security trustee, as security for the notes and their other obligations, one-third of the ordinary share capital of each of AeroUSA, Airplanes Holdings and their subsidiaries, cash balances in the accounts and investments made with our cash balances.

THE TRUST HAS LIMITED SOURCES OF INCOME.

The trust is a pass through trust. The principal assets of the trust are the notes and guarantees, and its only sources of payment on the certificates are payments by Airplanes Limited and Airplanes Trust on those notes and guarantees, including proceeds from any disposition of them. If Airplanes Limited and Airplanes Trust do not make payments on the notes and guarantees to the trust, the trust has no other funds to make payments to certificateholders on the certificates. The certificates and notes are not guaranteed by the trustee, the security trustee, the indenture trustee, the servicer, the administrative agent, the cash manager or any of their affiliates, and certificateholders cannot look to them or anyone else to repay them if the trust defaults in payment on the certificates.

AIRPLANES LIMITED AND AIRPLANES TRUST HAVE LIMITED SOURCES OF INCOME.

The principal assets of Airplanes Limited and Airplanes Trust are shares of their direct subsidiaries and intercompany loans to their direct and indirect subsidiaries. Airplanes Limited and Airplanes Trust do not directly own any of the aircraft and are dependent on payments and distributions from their subsidiaries for their cashflow. If their subsidiaries do not make principal or interest payments to Airplanes Limited and Airplanes Trust on the intercompany loans, or if their subsidiaries do not make any distributions to them, Airplanes Limited and Airplanes Trust would have less cash available to make payments to the trust on the notes or guarantees. Also, if withholding or other taxes are imposed on payments or distributions to Airplanes Limited and Airplanes Trust, or if other significant tax liabilities arise, Airplanes Limited and Airplanes Trust would have less cash available to make payments to the trust. In these circumstances, the trust's cashflows would be further reduced.

AIRPLANES LIMITED AND AIRPLANES TRUST HAVE OTHER CLAIMS THAT RANK SENIOR TO THE NOTES AND GUARANTEES.

Airplanes Limited and Airplanes Trust have guaranteed a significant number of their respective subsidiaries' obligations to lessees. Payments on these guarantees will be treated as lease expenses and will rank ahead of other payment obligations of Airplanes Limited and Airplanes Trust.

CLAIMS ON OUR SUBSIDIARIES ARE EFFECTIVELY SENIOR TO THE CLAIMS OF CERTIFICATEHOLDERS ON AIRPLANES LIMITED AND AIRPLANES TRUST, AND OUR SUBSIDIARIES MAY HAVE MATERIAL CONTINGENT LIABILITIES UNKNOWN TO US.

Any claims on the subsidiaries of Airplanes Limited and Airplanes Trust are effectively senior to the notes and guarantees because the subsidiaries would generally have to make payments on those claims before making payments or distributions to Airplanes Limited and Airplanes Trust. These claims include any payment obligations to lessees and other contingent liabilities, such as liabilities to third parties from operating and leasing the aircraft. There may also be liabilities of this type that arose before we acquired our subsidiaries from GPA Group (now AerCap Ireland) in 1996 of which we are not aware. If the subsidiaries are called upon to pay any of these contingent liabilities, our cashflows would be further reduced.

THERE IS NO PUBLIC MARKET FOR THE CERTIFICATES.

The certificates have a limited trading market which may harm certificateholders' ability to sell them or depress the price at which certificateholders sell them. The certificates are listed only on the Luxembourg Stock Exchange (and the class C and class D

certificates are currently suspended from trading as a result of the default in the payment of interest on such certificates). No one has an obligation to make a market in the certificates. We have not and do not intend to seek approval for quotation through any automated quotation system. Future trading prices for the certificates depend on many factors, including general economic conditions, our financial condition, performance and prospects and the market's then current perception of the commercial aircraft industry and the operating lease business generally.

RISKS RELATING TO AIRPLANES GROUP AND THIRD PARTIES

WE HAVE A HISTORY OF INCURRING NET LOSSES IN OUR OPERATIONS.

Airplanes Group has incurred net losses since its inception and expects to continue to incur substantial and increasing net losses. See "6. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a further discussion of these net losses.

WE HAVE NO MANAGEMENT RESOURCES AND DEPEND ON SERVICE PROVIDERS TO OPERATE OUR BUSINESS AND COLLECT OUR REVENUES.

We have no employees or executive management resources of our own and rely solely on the servicer, administrative agent, cash manager and other service providers for all aircraft servicing, leasing, re-leasing, sales and other executive and administrative functions relating to our portfolio. If these service providers do not perform their contractual obligations to us, our operations may suffer, thereby further adversely affecting our cashflows. We may find it difficult to recover damages for any of these third parties' poor performance pursuant to their contracts and may not be able to terminate these contracts by ourselves. In particular, our rights to terminate the servicing agreement are very limited. We cannot guarantee that we will continue our arrangements with the existing service providers or that they will continue their relationship with us until the final maturity date of the certificates. If a service provider resigns or if we terminate any service provider, we may be unable to find a suitable replacement that we can engage on suitable terms, which would harm our operations and further impede our cashflows. The appointment of replacement service providers may also cause the rating agencies to further lower or withdraw the ratings on the certificates. You should refer to "10. Directors and Trustees of Airplanes Group" for more detailed information on the responsibilities we have delegated to the service providers.

THE SERVICER WILL NOT BE LIABLE TO US FOR LOSSES WE INCUR IN CONNECTION WITH ITS PERFORMANCE OF THE SERVICES.

The servicer will not be liable to us for losses we incur in connection with its performance of the services, except where a court has finally adjudicated that the losses have been directly caused by the servicer's willful misconduct or gross negligence. In addition, we have agreed to indemnify the servicer on an after-tax basis for a broad range of losses in connection with its performance of the services. Any such indemnification payments would rank senior to payments on the notes and certificates.

WE HAVE DEPENDED ON SWAP COUNTERPARTIES IN MANAGING INTEREST RATE RISKS BUT ARE NOW UNABLE TO FIND SWAP COUNTERPARTIES WILLING TO ENTER INTO NEW SWAPS WITH US. IF WE ARE UNABLE TO HEDGE OR IF OUR COUNTERPARTIES DEFAULT, THERE MAY BE A MISMATCH BETWEEN OUR FIXED AND FLOATING RATE ASSETS AND LIABILITIES WHICH COULD FURTHER REDUCE OUR CASHFLOWS.

We have historically managed interest rate risks arising from any mismatch between fixed and floating rate lease rental receipts and our floating rate interest obligations (the only interest obligations we are currently able to pay) through interest rate swaps and other derivative instruments. This strategy for managing interest rate risks was dependent upon our ability to enter into interest rate swaps with eligible counterparties and on the counterparties fulfilling their contractual obligations. Because of our financial condition, we are no longer able to find counterparties willing to enter into swaps with us and as a result of this we have been purchasing interest rate caps. Our last swap matured on April 15, 2010 and as a result we currently only hold interest rate caps. Our inability now to enter into swaps and the risk of default by an existing cap counterparty may result in a mismatch between our floating rate interest obligations and our fixed and floating rate lease receipts, which could further reduce our cashflows.

GECAS, THE SERVICER, MAY HAVE CONFLICTS OF INTEREST IN MANAGING OUR PORTFOLIO AS A RESULT OF ITS OTHER AIRCRAFT MANAGEMENT ACTIVITIES.

In addition to acting as the servicer for Airplanes Group, GECAS manages a large portfolio of aircraft owned by its affiliates, including the GE group of companies, and third parties, including other securitization vehicles such as Lease Investment Flight Trust,

Aircraft Finance Trust and Genesis Funding Ltd. GECAS also arranges aircraft or engine financings and other lease transactions and GE Capital, an affiliate of GECAS, is the owner of a majority of the class E notes – see “6G. Surrender of Class E Notes and Cessation of Office of Class E Note Director/Controlling Trustee”. GECAS may therefore face conflicts of interest in managing and marketing our portfolio for re-lease or sale. The aircraft it manages for itself or others may compete with our aircraft when they are being marketed for re-lease or sale. These conflicts will arise as decisions affecting some aircraft that GECAS is managing or that GECAS or one of its affiliates owns may be adverse to other aircraft also managed by GECAS. The servicing agreement provides that the standard of care applicable in cases where such conflicts arise requires that GECAS not discriminate between aircraft on an unreasonable basis. For a fuller description of the standard of care, see “10B. Directors and Trustees of Airplanes Group—The Servicer”. While GECAS has agreed to perform the services for us with reasonable care and diligence at all times, GECAS may give preference to its affiliates and other third parties under the terms of its other marketing and servicing arrangements. In addition, GECAS is not obliged to inform us of any conflicts of interest of which it is aware. If, as a result of a conflict of interest, GECAS makes a decision potentially adverse to us, it could have a material adverse effect on the servicing of our aircraft, which may cause additional reductions in our cashflows. See “10B. Directors and Trustees of Airplanes Group—The Servicer” for more information on the activities of the servicer.

THE ADMINISTRATIVE AGENT AND CASH MANAGER MAY HAVE CONFLICTS OF INTEREST BECAUSE OF THEIR PARENT COMPANIES’ OTHER AIRCRAFT MANAGEMENT ACTIVITIES AND OWNERSHIP INTERESTS.

AerCap N.V. and AerCap Ireland, parent companies of the administrative agent and the cash manager, manage a large portfolio of aircraft owned by themselves, their affiliates and third parties. AerCap Ireland and its subsidiary also act as the servicer for AerCo Limited (“AerCo”), Aircraft Lease Securitisation Limited (“ALS”) and Aircraft Lease Securitisation II Limited (“ALS II”), three securitization vehicles similar to Airplanes Group, and AerCap Ireland currently holds all of the class E-1 and E-2 notes issued by AerCo, all of the class E-1 and E-2 notes issued by ALS and all of the class E-1 notes issued by ALS II. Subsidiaries of AerCap Ireland also act as administrative agent and cash manager for AerCo and as administrative agent for ALS and ALS II. As a result, the administrative agent and the cash manager of Airplanes Group may from time to time have conflicts of interest in performing their obligations to Airplanes Group. While the roles of the administrative agent and the cash manager are more limited than those of the servicer, any conflicts of interest that they cannot resolve could have a further adverse impact on our cashflows.

OUR LEGAL COUNSEL MAY HAVE CONFLICTS OF INTEREST IN NEGOTIATING SOME OF OUR AGREEMENTS BECAUSE THEY ALSO REPRESENT PARTIES WITH WHICH WE DEAL.

Airplanes Group and AerCap Ireland are represented by the same Jersey and Irish legal counsel, and we anticipate that this multiple representation will continue. Our legal counsel may face conflicts of interest when negotiating agreements between Airplanes Group and AerCap Ireland. If a significant dispute does arise in the future between Airplanes Group and AerCap Ireland or any of their respective affiliates, we anticipate that we will retain separate counsel to represent us.

THE DIRECTORS AND CONTROLLING TRUSTEES OF AIRPLANES GROUP MAY HAVE CONFLICTS OF INTEREST.

The Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust as well as the directors of subsidiaries of Airplanes Group may have conflicts of interest that arise as a result of their other relationships in the aviation industry. One of the Directors and Controlling Trustees, who is also a director of certain Airplanes Group subsidiaries, is also a director of another aircraft securitization/leasing vehicle whose business activities are similar to the business activities of Airplanes Group.

GE Capital, as the holder of a majority in aggregate principal amount of the class E notes issued by Airplanes Limited is entitled to appoint one director of Airplanes Limited, who is not required to be independent of GE Capital or its affiliates. As of March 31, 2011 GE Capital had not exercised such right following the resignation of Mr. Brian Hayden on January 19, 2011.

RISKS RELATING TO THE AIRCRAFT

THE COMMERCIAL AIRCRAFT MARKET IS CYCLICAL. DECREASED DEMAND FOR OR EXCESS SUPPLY OF AIRCRAFT CAN DEPRESS AIRCRAFT VALUES AND LEASE RATES, WHICH MAY CAUSE US TO BE UNABLE TO RE-LEASE OR SELL AIRCRAFT ON FAVORABLE TERMS.

The market for commercial jet aircraft is cyclical and can produce sharp increases or decreases in aircraft values and lease rates depending on the level of supply and demand. The factors discussed under “6B. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Background”, describe the effects on our cashflows of the downturn in the airline industry

following the 9/11 terrorist attacks and our inability to benefit in any significant way from any general improvement in industry conditions.

The conditions in the aircraft market depend upon, among other things, the business cycle for lessees and buyers, as well as general economic conditions worldwide or in specific regions. In addition to the specific challenges posed by a portfolio of older aircraft the condition of the market at the time when any of our aircraft are being marketed for re-lease or sale can further adversely affect our ability to re-lease or sell those aircraft on satisfactory terms. Moreover, certain aircraft types such as our turboprop, B737 and MD-83 aircraft, are difficult to place regardless of general market conditions.

GEOPOLITICAL EVENTS SUCH AS WAR OR TERRORIST ATTACKS AS WELL AS THE OUTBREAK OF A PANDEMIC DISEASE OR THE OCCURRENCE OF NATURAL DISASTERS COULD ADVERSELY AFFECT THE AIRLINE INDUSTRY AND IMPAIR OUR ABILITY TO RE-LEASE OR SELL AIRCRAFT.

Effects of Terrorist Attacks and Geopolitical Conditions

As a result of the 9/11 terrorist attacks in the United States and subsequent terrorist attacks outside the United States, airlines and airports have increased security restrictions, airline costs for aircraft insurance and enhanced security measures have increased and airlines have faced and continue to face increased difficulties in acquiring war risk and other insurance at reasonable costs.

Although the Aircraft Transportation Safety and System Stabilization Act (the “**ATSA**”) adopted in the United States and similar programs instituted by the governments of some other countries provide for limited state coverage for certain aviation insurance, there can be no assurances that these programs will continue or that any such government will pay under these programs in a timely fashion.

The uncertain situation in Iraq and tensions involving Iran continue, and either or both may lead to further instability in the Middle East or elsewhere. The terrorist attacks in Mumbai in November 2008 and in Pune in February 2010 heightened tensions between India and Pakistan, while Pakistan itself has become increasingly unstable following the death of Osama Bin Laden in May 2011. The recent uprisings in Tunisia, Egypt, Libya and other countries in the Middle East and North African region have resulted in political and economic uncertainty and instability in the region. At March 31, 2011, Airplanes Group had two aircraft on-lease to one lessee, representing 3.5% of our portfolio by appraised value as of January 31, 2011, in the Middle East and North African region. In its June 2011 press release IATA cited the unrest this year in the Middle East and North Africa as one of the contributory factors to its significant downward revision of industry net profits for 2011 as compared with its previous forecast in March 2011.

The foiled terrorist attack on cargo aircraft at the end of October 2010 has highlighted the need for vigilant cargo security controls. Following the attempted attacks the Transportation Security Administration (“**TSA**”) immediately enhanced protocols for screening inbound cargo and deployed inspectors to Yemen and Somalia to assist governments in enhancing their cargo screening procedures, according to IATA. These additional security measures may have an adverse financial impact on airlines carrying cargo.

Terrorist attacks and adverse geopolitical and macro economic conditions negatively affect the airline industry. Such negative effects may include: (1) higher costs to airlines due to increased security measures; (2) losses in passenger revenue due to the inconvenience of additional security measures; (3) increased price and reduced availability of jet fuel as well as difficulty in obtaining fuel hedges; (4) higher financing costs and difficulty in raising financing; (5) significantly higher costs of aircraft insurance coverage for future claims caused by acts of war, terrorism, sabotage, hijacking and other similar perils, and the extent to which such insurance will continue to be available or may exclude events such as dirty bombs, bio-hazardous materials and electromagnetic pulsing, which may damage or destroy aircraft; (6) inability of airlines to reduce their operating costs and conserve financial resources, taking into account the increased costs incurred as a consequence of the terrorist attacks and geopolitical conditions, including those referred to above; and (7) the grounding of aircraft by airlines in attempts to reduce their operating costs.

While robust market conditions may be sufficient to allow the airline industry as a whole to withstand these effects, certain airlines, such as many of our lessees, can be challenged in this environment and their financial condition suffers accordingly. Consequently, our lessees’ ability to make rental and other lease payments or obtain the types and amounts of insurance required by the applicable leases (which may in turn lead to aircraft groundings) is affected and these terrorist attacks and adverse geopolitical and macro economic conditions may further impair the financial condition of our lessees which may result in additional lease restructurings and aircraft repossessions, may increase our cost of re-leasing or selling the aircraft and may further impair our ability to re-lease the aircraft or lease the aircraft on a timely basis and/or at favorable rates and may further reduce the value received for the aircraft upon any disposition. These results could have a further negative impact on our cashflows.

Effects of War or Armed Hostilities

War or armed hostilities in the Middle East, North Africa, North Korea, India, Pakistan or elsewhere, or the fear of such events, especially following the death of Osama Bin Laden, could reasonably be expected to deter travel to and within these areas. The situation in Iraq continues to be uncertain and tension over Iran's nuclear programs, and recent political instability in North Africa and the Middle East, may lead to further instability in the region. Potential consequences for airlines include increased security restrictions on air travel, increased costs for, and restricted availability of, aircraft war risk and other insurance and fuel, enhanced security measures and a decline in passenger demand for air travel, with the potential for us of additional lessee restructurings or repossessions. There can be no assurance that the government of the United States or any other country will take further action to assist the aviation industry in the manner provided pursuant to the ATSA or otherwise. These results could have a further negative impact on our cashflows.

Effects of Pandemic Diseases

The 2003 outbreak of Severe Acute Respiratory Syndrome ("SARS") was linked to air travel early in its development and had a severe impact on the aviation industry, causing a sharp reduction in passenger bookings, cancellation of many flights and employee layoffs. In addition, since 2003, there have been several outbreaks of avian influenza, or bird flu, beginning in Asia and, most recently, spreading to certain parts of Africa and Europe. Although human cases of avian influenza so far have been limited in number, the World Health Organisation continues to monitor the threat that a human influenza pandemic could develop from the avian influenza virus. Further the outbreak of Swine Flu in Mexico in 2009 had a significant short-term impact on air travel to and within the region. Additional outbreaks of SARS or other epidemic diseases or the fear of such epidemics, could negatively affect passenger demand for air travel, the aviation industry and ultimately could have a further negative impact on our cashflows.

Effects of Natural Disasters such as Volcanic Eruptions, Earthquakes and Tsunamis

Due to the presence of volcanic ash over Northern Europe and the Atlantic from Iceland's Eyjafjallajökull volcano, a large number of flights were grounded throughout a large part of Northern Europe at various times during April and May 2010. Many other flights were delayed and/or rerouted to avoid the ash, resulting in additional fuel costs and disruption to schedules. This had a severe impact on the European aviation industry. IATA has estimated that the industry lost \$400 million per day while flights were grounded. More recent eruptions during May 2011 from Iceland's Grimsvötn volcano were, according to Icelandic meteorological official reports, "unlikely to have nearly as significant an impact as the 2010 Eyjafjallajökull eruptions." IATA has reported that it is encouraged by the improved coordination of European authorities thus far in managing its airspace in light of the Grimsvötn eruptions. More recently, flights in Australia, New Zealand and South America are being disrupted due to volcanic ash from eruptions from Chile's Puyehue volcano. Additional volcanic eruptions and grounding of flights could negatively affect passenger demand for air travel, the aviation industry and ultimately could have a further negative impact on our cashflows.

On March 11, 2011 an earthquake hit Oshika peninsula on the east coast of Japan, followed by a tsunami. The disaster left thousands dead, inflicted extensive material damage to buildings and infrastructure and caused core damage to a nuclear power station which the International Atomic Energy Agency has rated a level 7 incident, the Agency's highest level, indicating major off-site consequences for health and the environment. According to IATA, Japan's air travel market represents 6.5% of worldwide scheduled air passenger travel. According to IATA, the disruption caused by the March 2011 earthquake and tsunami in Japan led to domestic air travel falling by 31% below previous year levels in April 2011 and a reduction of 20% in Japan's international air traffic resulted in an estimated 1% impact on overall air travel volumes on international markets in April 2011. The potential impact of this earthquake and tsunami, in addition to the risk of further earthquakes and the continuing concerns about health risks resulting from the release of radioactive material, could negatively affect passenger demand for air travel or cause government-imposed travel restrictions and ultimately could have a further negative impact on our cashflows.

AIRCRAFT VALUES AND LEASE RATES FOR AIRCRAFT MAY FLUCTUATE SIGNIFICANTLY BECAUSE OF FACTORS OUTSIDE OUR CONTROL.

Factors outside our control, some of which are described below, which affect our business include:

- general economic conditions affecting lessee operations as discussed above, including passenger demand and the cost of fuel and other expenses;
- geopolitical events, including war, prolonged armed conflicts and acts of terrorism;

- outbreaks of communicable, pandemic diseases;
- natural disasters, such as earthquakes, volcanic eruptions and tsunamis;
- the supply of and demand for used aircraft;
- manufacturer production levels and prices for new aircraft;
- interest rates, currency exchange rates and credit availability;
- retirement and obsolescence of aircraft models;
- re-introduction into service of aircraft previously in storage;
- airline restructurings and bankruptcies;
- governmental regulations including new Airworthiness Directives (“ADs”) and environmental regulations; and
- lack of capacity in the aircraft traffic control system.

Additional factors outside our control that may lead to sharp increases or decreases in aircraft values (which affect potential sales prices) or lease rates for specific aircraft include:

- manufacturer production levels and competition between aircraft manufacturers, such as the current competition between The Boeing Company and Airbus Industrie, which has led to an increased supply of new aircraft at lower prices;
- manufacturers merging or leaving the aircraft industry, such as the merger between Boeing and McDonnell Douglas and the bankruptcy of Fokker NV., which led to the termination of production of MD and Fokker aircraft and a resulting decrease in the values and lease rates for our MD and Fokker aircraft;
- the maintenance and operating history of the aircraft;
- the number of operators using a particular type of aircraft (which may be reduced by bankruptcy or industry consolidation) and the supply of that type of aircraft;
- legal or regulatory requirements that prevent or diminish the opportunity or ability to re-lease or sell that type of aircraft or make it more expensive to do so;
- the discovery of manufacturing defects in an aircraft model; and
- new regulatory requirements relating to an aircraft model.

INCREASES IN THE PRICE OF FUEL COULD ADVERSELY AFFECT AIRLINES AND IMPAIR OUR ABILITY TO RE-LEASE OR SELL AIRCRAFT.

Fuel costs represent a major expense to companies operating within the airline industry. Fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events and currency exchange rates. As a result, fuel costs are not within the control of our lessees unless hedged and significant increases materially and adversely affect their operating results. Fuel prices in July 2008 reached a record high of \$147 per barrel which had a material adverse impact on airlines’ profitability for 2008 (including that of our lessees) and resulted in repossessions of aircraft from certain lessees and restructurings with certain other lessees. Due to the competitive nature of the airline industry, airlines were not able to fully pass on increases in fuel prices to their customers by increasing fares. In addition, not all airlines were able to manage this risk by appropriately hedging their exposure to fuel price fluctuations. Although in the latter part of 2008 and early 2009 fuel prices dropped significantly to a low of approximately \$30 per barrel, they have since increased, averaging approximately \$79 per barrel in 2010. IATA is forecasting an average of approximately \$110 per barrel for 2011, but the political unrest in North Africa and the fear of political unrest spreading to the large oil exporting countries in the Middle East is resulting in steadily rising fuel prices such that the average price per barrel at the date of this Annual Report is in excess of \$110.

While the reduction in the supply of oil from North Africa is compensated by production increases from certain OPEC members, if political unrest spreads to any of the larger oil exporting countries in the Middle East, fuel prices could rise beyond peak levels of 2008. In addition, natural disasters such as hurricanes can significantly affect fuel availability and prices. For example, hurricanes in the United States Gulf Coast have caused significant disruptions to oil production, refinery operations and pipeline capacity in the region and to oil production resulting in higher fuel prices. If fuel costs return to the high levels experienced in 2008 or become even higher due to adverse supply and demand conditions, future terrorist attacks, acts of war, armed hostilities or natural disasters or for any other reason, this will cause our lessees to incur higher costs and to generate lower net revenues, resulting in a further adverse impact on their financial positions, and in some cases resulting in bankruptcies. Consequently, these conditions may (i) further affect our lessees' ability to make rental and other lease payments, (ii) result in additional lease restructurings, grounding of aircraft, aircraft repossessions and airline bankruptcies, (iii) increase our costs of servicing and marketing the aircraft, (iv) further impair our ability to re-lease our aircraft or re-lease or otherwise dispose of our aircraft on a timely basis and/or at favorable rates and (v) further reduce the value receivable for our aircraft upon any disposition. Our lessees may be disproportionately affected by rises in the price of fuel as most of our aircraft are older, less fuel efficient types and the values of such aircraft are also disproportionately affected by high fuel prices. Fuel price rises could thus have a further negative impact on our cashflows.

CONTINUED INDUSTRY ECONOMIC LOSSES AND FURTHER AIRLINE REORGANIZATIONS COULD IMPAIR OUR ABILITY TO RE-LEASE OR SELL AIRCRAFT.

The last three years have seen a number of bankruptcies, liquidations or consolidations of airlines which resulted in large numbers of aircraft becoming available for lease or purchase at reduced values. Further bankruptcies, liquidations or consolidations of airlines may result in even larger numbers of aircraft becoming available for lease or purchase at further reduced lease values or sale prices and further reduce the number of potential lessees and operators of particular models of aircraft, either of which would result in inflated supply levels and consequently decreased aircraft values for any such models and lease rates in general. Historically, airlines involved in reorganizations have undertaken substantial fare discounting to maintain cashflows and to encourage continued customer loyalty. Fare discounting leads to lower yields for all airlines, including certain of our lessees. Bankruptcies and reduced demand generally have led to the grounding of significant numbers of aircraft and negotiated reductions in aircraft lease rentals, including in respect of certain of our aircraft, with the effect of depressing aircraft market values. In addition, requests for additional labor concessions can result in significant labor disputes which can lead to strikes, slowdowns or otherwise adversely affect labor relations. Additional reorganizations or liquidations by airlines under Chapter 11 or Chapter 7 of the U.S. Bankruptcy Code or other bankruptcy or reorganization laws or further rejection or abandonment of aircraft by airlines in a Chapter 11 proceeding under the U.S. Bankruptcy Code or equivalent laws in other countries could exacerbate current depressed aircraft values and aircraft lease rentals for our aircraft types. Grounded aircraft and lower market values have already had an adverse effect on our ability to sell certain of our aircraft or re-lease other aircraft at favorable rates. Additional grounded aircraft and even lower market values would further adversely affect our ability to sell certain of our aircraft or re-lease other aircraft at favorable rates or at all which would have a further negative impact on our cashflows.

THE CONCENTRATION OF AIRCRAFT TYPES IN OUR PORTFOLIO COULD MAGNIFY THE IMPACT OF DECLINES IN LEASE RATES OR AIRCRAFT VALUES.

As of March 31, 2011, the B737-400 and the A320-200 models of aircraft each comprised more than 20% of our portfolio by appraised value as of January 31, 2011, each of the B767-300ER and B737-500 models of aircraft comprised more than 10% of our portfolio by appraised value as of January 31, 2011 and, in addition, the DHC8-300 model of aircraft comprised more than 5% of our portfolio by appraised value as of January 31, 2011. Furthermore, at March 31, 2011, widebody aircraft comprised more than 15% and turboprop aircraft comprised more than 5% of our portfolio by appraised value as of January 31, 2011. The concentration on particular models or types of aircraft magnifies the adverse impact to our cashflows of a decline in lease rates or aircraft values for these models or types of aircraft and of specific governmental or technical regulations imposed on those aircraft types or other external factors relevant to particular aircraft types. In this connection, we have seen (x) an increase in the price of fuel adversely impact the attractiveness of certain aircraft types, in particular MD-80s, which are considered to be less fuel-efficient, (y) decreasing popularity of turboprop aircraft, the cessation of production of MD-80s and B757s, and the bankruptcy of Fokker, and (z) ADs with respect to a number of aircraft types, including MD-80s and B737s, all as described more fully below in "2E. The Aircraft, Related Leases and Collateral—Compliance with Governmental and Technical Regulation". These events have caused, and are likely to continue to cause, our overall lease rates and aircraft values to significantly decrease and may cause us to incur significant costs. Given the preference for newer, more technologically advanced aircraft, the market for our aircraft, in particular, our less attractive types of aircraft such as MD-80s and B737 classics, is unlikely ever to recover to previous levels.

THE APPRAISED BASE VALUES OF THE AIRCRAFT ARE HIGHER THAN THE CURRENT MARKET VALUE OF THE AIRCRAFT.

The appraised base values of our aircraft are determined based on the assumption that there is an “open, unrestricted stable market environment with a reasonable balance of supply and demand” and take into account long-term trends, including current expectations of particular models becoming obsolete more quickly, as a result of airlines switching to different models or manufacturers ceasing production, and expected declines in lease rates. Accordingly appraised base values for an aircraft are hypothetical and do not reflect the market for such aircraft at a specific time. You should not therefore rely on appraised base values as an indication of the price that we could obtain if we sold an aircraft. As of the date of this Annual Report the appraised base value of each of our aircraft, even though substantially less than the appraised base value assumed in the 1996 Base Case, is higher and, in almost all cases, significantly higher than what we understand to be their likely current market value. For our accounting policy in respect of the determination of the appropriate carrying value of our aircraft see Note 4(c) of our consolidated financial statements attached as Exhibit 1 hereto.

Since we are no longer able to pay class A principal adjustment amount and since we are no longer required to sell our aircraft at or above a specified target price, the appraised base values of our aircraft are now of little significance except as a basis for providing statistical information on the portfolio and for complying with certain technical provisions in the indentures.

WE MAY BE UNABLE TO REPOSSESS, RE-LEASE OR SELL THE AIRCRAFT IF THE LESSEES DO NOT DISCHARGE LIENS ON THE AIRCRAFT.

Liens which secure the payment of airport taxes, customs duties, air navigation charges, landing charges, crew wages, repairer’s charges or salvage may attach to the aircraft in the normal course of operations. The sums which these liens secure may be substantial and could exceed the value of the aircraft. In some jurisdictions, a holder of aircraft liens may have the right to detain, sell or cause the forfeiture of the aircraft. While our lessees are generally required to discharge all liens arising during the term of their leases, their failure to discharge any liens may impair our ability to repossess, re-lease or sell the aircraft if the lessee defaults. If lessees do not comply with their obligations under the leases to discharge such liens Airplanes Group may, in some cases, find it necessary to pay the claims secured by such liens in order to repossess the aircraft. Such payments would be a required expense of Airplanes Group and would be paid by us prior to payments on the notes.

OUR LESSEES MAY FAIL TO MAINTAIN REGISTRATION OF OUR AIRCRAFT, WHICH MAY AFFECT THEIR ABILITY TO MAKE PAYMENTS TO US.

All aircraft in operation must be duly registered with an appropriate aviation authority. If any lessee fails to maintain a valid registration of an aircraft, the lessee operator or, in some cases, the owner or lessor may be subject to penalties which may result in a lien being placed on the aircraft. Loss of registration could also have other adverse effects, including grounding of the aircraft and loss of insurance.

THE AVAILABILITY OF NEWER, MORE TECHNOLOGICALLY ADVANCED AIRCRAFT IMPAIRS OUR ABILITY TO RE-LEASE OR SELL AIRCRAFT.

The availability of newer, more technologically advanced aircraft adversely affects our ability to re-lease or sell our aircraft because lessees and buyers of used aircraft tend to favor these newer, more technologically advanced models. Within the last number of years demand for older narrowbody Stage 3 aircraft, which make up a significant proportion of our portfolio, has been adversely affected by the availability of new generation narrowbody Stage 3 aircraft. This has been exacerbated by the current industry downturn and by the rate of production of new aircraft where overcapacity in the industry as a whole has increased the availability of new generation aircraft, thereby further depressing demand for and, as a consequence, lease rates and values of, older generation aircraft. Although this risk is common to all aircraft lessors, it is particularly significant for us because we have a comparatively older portfolio (the weighted average age of the portfolio at March 31, 2011 by appraised value as at January 31, 2011 is 19.63 years) and except for those aircraft which are already the subject of sale contracts or conditional sale agreements we will need to remarket all of our aircraft at least once before the final maturity date of the certificates.

Our ability to manage these technological risks through modifications to aircraft is limited by the significant costs of modifications and by the restrictions imposed on modifications to aircraft under the indentures.

Certain countries have regulations and policies restricting or prohibiting the import of aircraft above a certain age. For example, a number of countries have age restrictions varying from 10 to 22 years. Certain other countries are considering introducing regulations

and policies restricting or prohibiting the import of aircraft above a certain age and also certain airlines have adopted their own policies imposing age restrictions. Due to the prospective nature of many of these restrictions and prohibitions certain of our aircraft which are the subject of existing leases by airlines in some of these countries have not been subject to these age restrictions and prohibitions; however, given the average age of our fleet, these restrictions and prohibitions further limit our ability to re-lease our aircraft.

In addition, due to industry conditions over most of the past several years, the majority of our aircraft are highly likely to become obsolete earlier than the useful life expectancies assumed in the 2001 Base Case and we do not believe that we will be able to realize the residual values assumed in the 2001 Base Case at the end of the useful lives of our aircraft.

INCREASED REGULATION OF THE AIRCRAFT INDUSTRY MAY CAUSE US TO INCUR MORE EXPENSES OR MAY IMPAIR OUR ABILITY TO RE-LEASE OR SELL AIRCRAFT.

The aircraft industry is heavily regulated. Governmental regulations, especially in North America and Europe, impose increasingly strict noise and emissions levels and enhanced safety and security requirements for aircraft, such as fire safety insulation, traffic collision avoidance systems and emergency locator transmitters. Because our portfolio is composed entirely of older aircraft and we have a heavy concentration of some types of aircraft, increasingly stringent noise or emissions regulations that disproportionately affect older aircraft or particular types of aircraft, could have a further material adverse impact on our results. We could incur significant costs in order to comply with these regulations and aircraft that fail to comply with noise or emissions regulations could be prohibited from flying into some jurisdictions, which would adversely affect their values and lease rates. We may also incur significant costs in connection with U.S. Federal Aviation Administration (“FAA”) regulations and regulations in jurisdictions where our aircraft are registered or operate. For examples of some of the more significant regulations and their estimated costs see “2E. The Aircraft, Related Leases and Collateral—Compliance with Governmental and Technical Regulation.”

EXISTING OR PROPOSED ENVIRONMENTAL REGULATIONS COULD ADVERSELY AFFECT AIRLINES AND IMPAIR OUR ABILITY TO RE-LEASE OR SELL AIRCRAFT.

Significant new requirements with respect to noise standards, emission standards and other aspects of aircraft or their operation could cause the value of an aircraft type to decrease and further limit our ability to re-lease or sell aircraft. Governmental regulations relating to noise and emissions levels may be imposed not only by the jurisdictions in which the aircraft are registered, possibly as part of the airworthiness requirements, but also in other jurisdictions where the aircraft operate.

Compliance with current or future regulations, taxes or duties imposed to deal with environmental concerns could cause our lessees to incur higher costs and to generate lower net revenues, resulting in an adverse impact on their financial positions. Consequently, such compliance may affect our lessees’ ability to make rental and other lease payments and reduce the value received for the aircraft upon any disposition, which could have a further negative impact on our cashflows.

RISKS RELATING TO THE LEASES AND CASHFLOW FROM LEASE PAYMENTS

OUR OPERATIONAL AND FINANCIAL RESTRICTIONS AFFECT OUR ABILITY TO COMPETE AND GENERATE CASHFLOW.

The indentures and constitutive documents of Airplanes Limited and Airplanes Trust impose restrictions on how we operate our business. These restrictions limit our ability to compete against other lessors who are not subject to similar restrictions or who have greater financial resources than we do. For example, we are not permitted to grant concessionary rental rates to airlines in return for equity investments in the airlines. There are also restrictions on potential lessees and limits on leasing to lessees in particular geographic regions. Although, as a result of the 2010 consent solicitation we are now able to relax some of these restrictions without obtaining a rating agency confirmation, many competing aircraft lessors do not operate under similar restrictions or have a stronger financial position or other strengths and therefore have a competitive advantage over us when negotiating leases and sales.

Following the 2003 consent solicitation, we amended the indentures to permit sales below a specified target price where the board of directors of Airplanes Limited or the controlling trustees of Airplanes Trust, as applicable, have unanimously confirmed that such a sale is in the best interests of Airplanes Group and the noteholders and certain other conditions are met.

Whilst amendment of the indentures has removed a contractual restriction on our ability to sell aircraft, it is very difficult to achieve sales in the current market environment for our aircraft and for some aircraft types we are, and have been, only able to sell the

aircraft for scrap and for other aircraft we may only be able to sell one or more engines or the airframe. While we have been able to generate cash sales proceeds for aircraft where the board has unanimously concluded that a sale is the best economic option for an aircraft or where aircraft have little, if any, economic future, the proceeds from such sales have not made a significant difference to our cashflows.

OUR CASHFLOWS WILL BE FURTHER ADVERSELY AFFECTED IF WE CANNOT RE-LEASE OR SELL AIRCRAFT QUICKLY AND ON FAVORABLE TERMS.

We may not be able to re-lease the aircraft upon expiration or termination of the leases without incurring significant downtime. If we cannot quickly re-lease or sell the aircraft, or if we cannot obtain favorable sales prices or lease rates and lease terms for the aircraft, our cashflows will be further adversely affected. Our ability to re-lease aircraft at acceptable lease rates or sell aircraft on acceptable terms may suffer because of a number of factors, including:

- economic conditions generally and those affecting the airline industry in particular, including the price of fuel;
- the supply of competing aircraft and demand for particular aircraft types;
- increased bargaining power of lessees as they join global alliances with other airlines;
- reduced number of potential lessees as airlines consolidate or file for bankruptcy;
- competition from other lessors; and
- restrictions on our flexibility imposed by the indentures.

The following table shows the number and type of aircraft and engines as of March 31, 2011 that we must remarket during the next five years. The table assumes that (1) no lease terminates early, (2) there are no sales of aircraft, airframes or engines, (3) letters of intent for sale or lease existing as of March 31, 2011 will result in sales or leases, as the case may be. The 2011 numbers in the table below include two of the nine aircraft and both engines which were off-lease at March 31, 2011. They do not include six aircraft which were off-lease at that date which were subject to letters of intent or contracts for sale, one aircraft which was off-lease at that date which was subject to a contract for lease, one aircraft and three airframes which were subject to conditional sale agreements, one aircraft which was on-lease at that date which was subject to a letter of intent for conditional sale, one aircraft on-lease which was subject to an insurance claim and two other aircraft on-lease which were subject to letters of intent or contracts for sale. Additional aircraft, airframes or engines may need to be remarketed if they become available through early terminations, if letters of intent do not result in leases or sales or if new leases are for short terms.

AIRPLANES GROUP EXPECTED REMARKETING REQUIREMENT AS OF MARCH 31, 2011

Aircraft Type	Year Ending December 31,				
	2011	2012	2013	2014	2015
A320-200	1	1	2	2	6
ATR42-300	—	3	—	—	—
B737-300	—	—	—	1	1
B737-300SF	—	—	—	1	1
B737-400	2	5	4	4	2
B737-500	2	3	5	—	—
B767-300ER	—	—	—	2	1
DHC8-100.....	—	—	1	—	—
DHC8-300.....	2	4	2	1	—
MD-83.....	7	1	1	1	—
Total.....	14	17	15	12	11

Aircraft Type	Year Ending December 31,				
	2011	2012	2013	2014	2015
Engine Type	Year Ending December 31,				
	2011	2012	2013	2014	2015
CFM56.....	2	6	—	—	—
Total.....	2	6	—	—	—

Our longest lease is scheduled to expire in August 2016. Therefore except for those aircraft which are already the subject of sale contracts or conditional sale agreements we will be required to remarket all of our aircraft at least once before the final maturity date of the certificates. We currently expect that the majority of our fleet will prove difficult to re-lease because of the factors noted above, including the age of the aircraft, and in particular turboprop and less fuel-efficient aircraft. If we cannot on a timely basis re-lease the aircraft that are coming off lease or can only re-lease them at lease rates lower than the lease rates assumed in our 2001 Base Case, our cashflows will be further reduced with the potential consequences described above under “1C. Introduction Risk Factors—Risks Relating to Payment on the Notes and Certificates”. As at the date of this Annual Report, aside from the four aircraft, one airframe and three engines currently off-lease and the three airframes and two aircraft which are on-lease and subject to conditional sale agreements and the one aircraft which is on-lease and subject to a contract for sale, there are 13 aircraft and two engines which are scheduled to come off-lease before March 31, 2012. Our forecasts assume that future lease rates for most of these aircraft will be substantially lower than currently contracted rates and that the lease rates for all of these aircraft will be substantially lower than the lease rates assumed in our 2001 Base Case. In light of the difficulties we foresee in re-leasing these aircraft, we will also carefully consider the recommendation of the servicer as to whether in any particular case, a sale, if achievable, would maximise the cashflow generation for the particular aircraft, although, as described elsewhere in this Annual Report, due to the age and type of aircraft in our portfolio, sales opportunities have been limited and with the overall weakness in the airline industry which has existed over most of the past ten years, and particularly in the period 2008-2009, are expected to continue to be limited.

LESSEES MAY NOT BE ABLE TO OBTAIN REQUIRED LICENSES, CONSENTS AND APPROVALS.

A number of lessees require specific licenses, consents or approvals for different aspects of their leases. These include consents from governmental or regulatory authorities to make payments under the leases and to the import, re-export or de-registration of the aircraft. If they cannot obtain the required governmental licenses, consents and approvals, if these requirements are increased by subsequent changes in applicable law or administrative practice, or if the licenses, consents or approvals are withdrawn, we may be unable to re-lease or sell our aircraft.

LESSEES MAY NOT PERFORM REQUIRED AIRCRAFT MAINTENANCE, CAUSING THE AIRCRAFT VALUES AND LEASE RATES TO DECLINE.

The standard of maintenance observed by our lessees and the condition of the aircraft at the time of lease or sale may also affect the values and lease rates for our aircraft. If a lessee fails to perform required or recommended maintenance on an aircraft during the term of the lease or does not comply with all applicable governmental requirements, the aircraft could be grounded and we may incur substantial costs to restore the aircraft to an acceptable maintenance condition before we can offer the aircraft for re-lease or sale. Also, an increasing number of lessees no longer provide any cash maintenance reserves. If the lessees do not perform their maintenance obligations in any month, or if the maintenance costs for any month exceed the maintenance payments made by the lessees or are more than our maintenance reserves, we will have to fund these maintenance costs out of cashflow from the leases for that month. As a result, our cashflows may be further reduced in any month as a result of significant maintenance costs, especially as the aircraft continue to age.

OUR AIRCRAFT INSURANCE MAY NOT BE AVAILABLE OR MAY NOT BE ADEQUATE TO COVER THE LOSSES OR LIABILITIES WE INCUR.

Our lessees are required under the leases to maintain property and liability insurance covering their operation of the aircraft and to indemnify us against any damages. Although we believe that the required levels of insurance are prudent and reasonable in the context of industry experience and practice, we cannot guarantee that losses and liabilities from one or more aviation accidents and other catastrophic events will not exceed the insurance coverage limits. If the proceeds of insurance held by the lessees or contingent policies held by us do not cover the losses or liabilities we incur, or if our lessees default in fulfilling their insurance or indemnification obligations, we would have to cover these losses or liabilities.

The longer term effects of the 9/11 terrorist attacks have included, among other things, increased insurance premiums required by the insurance markets. Airlines worldwide continue to experience difficulties in maintaining war insurance cover and some other types of insurance cover in the amounts required under their leases with us and other lessors. These insurance issues have been mitigated in certain jurisdictions by a number of temporary government schemes and the emergence of a limited available insurance market, however, failure by a lessee to obtain adequate insurance cover as required under its lease could result in the relevant aircraft being grounded.

OUR HEDGING POLICY MAY NOT ADEQUATELY MANAGE OUR INTEREST RATE RISKS, INCLUDING THE ASSOCIATED LESSEE CREDIT RISKS, AND WE MAY NOT BE ABLE TO PURCHASE AN ADEQUATE PORTFOLIO OF SWAPTIONS IF REQUIRED TO MITIGATE OUR INTEREST RATE RISKS, INCLUDING THE ASSOCIATED LESSEE CREDIT RISKS. IN THIS CASE, THERE COULD BE A MISMATCH BETWEEN OUR FIXED AND FLOATING RATE ASSETS AND LIABILITIES.

We have historically managed our interest rate risks, including the associated lessee credit risks, through the use of interest rate swaps although for the reasons explained under “7. Quantitative and Qualitative Disclosures About Market Risks”, we now only purchase interest rate caps. In the past we have also hedged the associated lessee credit risks through the use of swaptions. Following consultation with the rating agencies in the year ended March 31, 2002, it is not currently proposed to purchase any further swaptions primarily due to our current cashflow performance.

If we are ever required by the rating agencies to purchase swaptions, the premium would be payable at two points in the priority of payments under the indentures. Fifty percent of any swaption premium in any month is a “minimum hedge payment” and would be payable fourth in the order of priority of payments under the indentures (ahead of class A minimum principal amount). The other 50% of the premium is expended as a “supplemental hedge payment” and would be payable seventeenth in the order of priority of payments under the indentures but given our current cashflow performance we do not believe we would ever be able to make such payment.

WITHHOLDING TAXES MAY BE IMPOSED ON LEASE RENTALS, INCREASING OUR COSTS.

We have tried to structure our leases so that withholding taxes either do not apply to lease payments or, if withholding taxes do apply, the lessees are obliged to pay corresponding additional amounts so that we always receive the full lease payment. However, if withholding taxes must be paid and we cannot recover additional amounts from the lessees, that would further reduce our cashflows.

RISK OF LESSEE DEFAULT

LESSEES IN WEAK FINANCIAL CONDITION COULD FAIL TO MAKE LEASE PAYMENTS.

There is a significant risk that lessees in weak financial condition (which tend to be the airlines that favour operating leases) may default on their obligations under the leases. If lessees do not make rent and maintenance payments or are significantly in arrears, our cashflows will be further reduced. The ability of each lessee to perform its obligations under its lease depends primarily on its financial condition, which may be affected by many factors beyond its control, including competition, fare levels, passenger demand, currency exchange rates, operating costs (including in particular fuel and labor costs), cost and availability of financing, and environmental and other governmental regulation. Because a substantial portion of business and, especially, leisure airline travel is discretionary, the general economic conditions of the geographic regions where our lessees operate also affect their ability to meet their lease obligations. Since all of our leases require lease payments in U.S. dollars, any weakness in the local currency in which a lessee operates against the U.S. dollar could also adversely affect its ability to pay us.

The downturn in the airline industry in the period immediately following the 9/11 terrorist attacks resulted in a number of airlines experiencing severe financial difficulties. Some carriers, including some of our lessees, filed for bankruptcy, while others, including many of our lessees, announced large losses or faced severe financial difficulties. During this period, the servicer agreed to rental holidays, rental restructurings, the early return of aircraft and similar measures for a number of lessees. Since the beginning of 2008 and another period of difficult industry conditions, the servicer has undertaken a number of aircraft repossessions and lease restructurings. These lease restructurings generally consist of short and longer term deferrals of rent and other lease payments and/or the reduction of current lease rentals.

You should expect that a number of our lessees will be or continue to be in arrears on their rental or maintenance payments at any particular time. The current level of defaults and arrears may not even be representative of future defaults and arrears, and defaults and

arrears may increase if the airline industry faces continued difficulties. Some regions where our lessees are based, such as Europe and Russia, may be more susceptible than others to the impact of any economic downturn. See “2F. The Aircraft, Related Leases and Collateral—The Lessees” below for a more detailed discussion of the regional concentrations of our lessees and economic conditions which may impact further their financial condition and ability to perform their obligations to us.

Most of our existing lessees are in a weak financial position and suffer liquidity problems, and this is likely to be the case in the future and with future lessees as well. In a portfolio the size of our portfolio it should be expected that some lessees will be slow in paying or will fail to make in full their payments under the leases. Also, as a result of a variety of factors that may be specific to a lessee or industry-wide, as discussed elsewhere in this section, the financial position of certain lessees could be weakened, which in turn could cause an increase in delayed, missed or reduced rental payments. Continuation of the current economic climate, any future terrorist attacks, continued or future armed hostilities in the Middle East, North Korea, Europe or elsewhere, another outbreak of a pandemic disease or the further grounding of additional flights as a result of natural disasters such as Iceland’s volcanic eruptions could greatly exacerbate the weakened financial condition of various of the lessees and further increase the risk of delayed, missed or reduced rental payments.

LESSEES OPERATING IN EMERGING MARKETS MAY BE SUBJECT TO A GREATER RISK OF DEFAULT.

Emerging markets often comprise countries that have under-developed legal systems and economies that are vulnerable to economic and political problems, such as significant fluctuations in gross domestic product, interest and currency exchange rates, civil disturbances, government instability, nationalization and expropriation of private assets and the imposition of taxes or other charges by governments. The resulting instability may adversely affect the ability of lessees that operate in these markets to meet their lease obligations and these lessees may be more likely to default than lessees that operate in developed economies. For a description of regions, see “2C. The Aircraft, Related Leases and Collateral—Portfolio Information”.

THE SERVICER MAY NOT BE ABLE TO TERMINATE LEASES OR REPOSSESS AIRCRAFT WHEN A LESSEE DEFAULTS, CAUSING US TO INCUR UNEXPECTED REPOSSESSION COSTS.

If there is an event of default under a lease, we have the right to terminate the lease and repossess the aircraft. However, it may be difficult, expensive and time-consuming for us to enforce our rights in some circumstances, especially if the lessee contests the termination or is bankrupt or under court protection. Delays resulting from proceedings to repossess an aircraft add to the period when the aircraft is not generating cashflow for us. In addition, we may incur significant costs in trying to repossess an aircraft and in performing maintenance and other work necessary to make the aircraft available for re-lease or sale, including retrieval or reconstruction of aircraft records. The efforts of the servicer to repossess an aircraft following a lessee’s default may also be limited by the laws of the local jurisdiction which may delay or prevent repossession. If the servicer does terminate a lease and repossess the aircraft, for all the reasons discussed above, re-leasing the aircraft will be challenging.

OUR LESSEES MAY BE BANNED FROM EUROPEAN AIRSPACE, WHICH MAY AFFECT THEIR ABILITY TO MAKE PAYMENTS TO US.

The European Union (the “EU”) and its Member States are working with aviation safety authorities in other countries to raise aviation safety standards across the world. To improve aviation safety in Europe the EU, in consultation with Member States’ aviation safety authorities, has the ability to ban airlines considered to not meet EU safety standards from operating in European airspace. Such bans may be blanket bans affecting all airlines based in a particular country or may be in respect of specific airlines. The EU can also impose restrictions on the operations in Europe of specific airlines. Whilst any such ban or restriction may not impact an airline which operates wholly outside the EU, if any of our lessees operate aircraft within the EU or fly aircraft into the EU and become subject to such EU bans or restrictions, this may affect such lessee’s ability to generate revenue and thus to make rental and other lease payments to us, which could have a further negative impact on our cashflows.

One of our African lessees, which leases one aircraft representing 3.54% of our portfolio by appraised value as of January 31, 2011, has recently been banned by the EU from operating the majority of its fleet, including the aircraft leased from us, in European airspace and for the reasons described above, the servicer is monitoring this lessee closely. In addition, two of our lessees based in Indonesia are subject to an EU ban applying to the majority of Indonesian airlines. These two airlines lease six aircraft, three airframes and six engines from us, representing 10.41% of our portfolio by appraised value as of January 31, 2011. These aircraft, airframes and engines are, however, leased by these two lessees for the purpose of their Asian operations which are outside Europe and are not therefore currently affected by such ban.

RISKS RELATING TO TAX

OWNING THE CERTIFICATES MAY HAVE TAX CONSEQUENCES FOR CERTIFICATEHOLDERS AND MAY REDUCE CERTIFICATEHOLDERS' INCOME.

Ownership of the certificates may subject certificateholders to withholding of income taxes in the United States, Jersey or other jurisdictions in which Airplanes Group, its aircraft-owning and aircraft-leasing subsidiaries and the lessees are organized, reside or operate. The tax consequences of the purchase and holding of the certificates depend to some extent upon certificateholders' individual circumstances.

PRE-1998 AEROUSA LOSSES MAY NOT BE AVAILABLE TO OFFSET FUTURE TAXABLE INCOME OF AEROUSA, AS A RESULT OF WHICH AEROUSA MAY HAVE TO PAY ADDITIONAL U.S. FEDERAL INCOME TAX.

AeroUSA had net operating loss carryforwards for U.S. federal income tax purposes when GE Capital acquired all of the class E notes on November 20, 1998. As a result of that acquisition, AeroUSA's pre-1998 net operating loss carryforwards may only be utilized to offset up to \$452,000 of taxable income per year. To the extent that the pre-1998 net operating loss carryforwards are not available to offset taxable income of AeroUSA in future years, AeroUSA will be required to pay additional U.S. federal income tax which will reduce the amount available to pay to Airplanes Trust and which will have a further negative impact on the cashflows of Airplanes Trust.

AEROUSA MAY INCUR ADDITIONAL TAX LIABILITIES AS A RESULT OF FILING CONSOLIDATED TAX RETURNS WITH GENERAL ELECTRIC COMPANY ("GE") OR AERCAP, INC. THERE WILL BE A NEGATIVE IMPACT ON THE CASHFLOWS OF AIRPLANES GROUP IF AEROUSA INCURS ANY SUCH LIABILITIES.

AeroUSA and its wholly owned subsidiary, AeroUSA 3 Inc. (together, the "**AeroUSA group**"), filed U.S. federal consolidated tax returns and certain state and local tax returns with GPA, Inc. (now known as AerCap, Inc.) and its subsidiaries (together, the "**AerCap U.S. tax group**") through November 20, 1998. From November 20, 1998 through November 15, 2010 (see further discussion below), the AeroUSA group has filed U.S. federal consolidated tax returns and certain state and local tax returns with GE and its subsidiaries (together, the "**GE U.S. tax group**"). As a member of the consolidated tax groups, the AeroUSA group was jointly and severally liable for the applicable U.S. federal or state and local tax liabilities of the AerCap U.S. tax group for the period through November 20, 1998 and of the GE U.S. tax group for the period from November 20, 1998 through November 15, 2010. There are no ongoing U.S. federal, state and local tax audits with respect to taxes previously reported by the AerCap U.S. tax group.

GE, AeroUSA and Airplanes Trust entered into a tax sharing agreement pursuant to which GE agreed to indemnify members of the AeroUSA group against any U.S. federal, state or local tax liabilities of any member of the GE U.S. tax group (other than an AeroUSA group member) which are imposed on the AeroUSA group that are related to any tax period or portion of a tax period beginning after November 20, 1998 and are tax liabilities that the AeroUSA group would not have incurred if they were not members of the GE U.S. tax group. Furthermore, under this tax sharing agreement, (1) AeroUSA agreed to pay GE (in cash if a payment is then due by the GE U.S. tax group to a tax authority, otherwise in the form of subordinated non-interest bearing notes) its share of tax liabilities based on the amount of tax liabilities that the AeroUSA group would have incurred if it were not included in the GE U.S. tax group and (2) GE agreed to pay AeroUSA, at the time such tax savings are realized, an amount equal to any tax savings by any member of the GE U.S. tax group (other than a member of the AeroUSA group) for any tax period after November 20, 1998 (which arrangements have now ceased with effect from November 15, 2010, as described further below) as a result of any tax asset generated by the AeroUSA group. Similar provisions contained in a tax sharing agreement between GPA Group (now known as AerCap Ireland), GPA, Inc. (now known as AerCap, Inc.), AeroUSA and Airplanes Trust which terminated on November 20, 1998 remain applicable in respect of tax periods ending on or before November 20, 1998.

The receipt by Airplanes Trust or AeroUSA of any amounts from GE, AerCap Ireland or AerCap, Inc., as applicable, pursuant to the tax sharing agreements will depend upon the financial condition and liquidity of GE, AerCap Ireland or AerCap, Inc., as applicable, at the time any claim is made. To the extent any tax claims are successfully made against the AeroUSA group and those amounts are not indemnified by GE, AerCap Ireland or AerCap, Inc. under the relevant tax sharing agreements, those claims will have a negative impact on the cashflows of Airplanes Group. In addition, because the notes and certificates are not secured directly or indirectly by the aircraft or the leases, substantially all of the assets of the AeroUSA group, including the aircraft, would be available for attachment and satisfaction of any of those claims.

AEROUSA MAY INCUR ADDITIONAL TAX LIABILITIES AS A RESULT OF THE DECONSOLIDATION FROM GE.

On November 15, 2010 GE Capital, as holder of class E notes issued by Airplanes Trust in the principal amount of \$52,668,807, notified Airplanes Trust that GE Capital thereby discharged and released Airplanes Trust from any and all payment and other obligations under such class E notes with the intent and for the purpose of discharging the indebtedness and other contractual obligations that such class E notes represent and cancelling those class E notes. As a result, the provisions of the tax sharing agreement with GE described above have now effectively ceased for periods from November 16, 2010 going forward and AeroUSA and AeroUSA 3 will no longer file consolidated tax returns with GE from November 16, 2010 going forward. Pre-acquisition tax losses, if any, would most likely be limited under U.S. Internal Revenue code section 382 and not be available to offset future profits. Therefore if AeroUSA generates taxable profits in the future, it may have to pay federal and state taxes which would therefore reduce the amount available to pay to Airplanes Trust and which would have a further negative impact on the cashflows of Airplanes Trust.

AIRPLANES LIMITED, AIRPLANES HOLDINGS AND AIRPLANES HOLDINGS' NON-U.S. SUBSIDIARIES MAY BE SUBJECT TO U.S. FEDERAL INCOME TAX AS A RESULT OF ACTIONS OF THE SERVICER OR ADMINISTRATIVE AGENT OR, IN THE CASE OF AIRPLANES HOLDINGS AND ITS IRISH TAX RESIDENT AIRCRAFT OWNING SUBSIDIARIES, BECAUSE THEY MAY NOT BENEFIT FROM THE U.S.-IRISH TAX TREATY.

Whether Airplanes Limited, Airplanes Holdings and Airplanes Holdings' non-U.S. subsidiaries will be subject to U.S. federal income tax may depend on the manner in which the activities of the servicer and administrative agent are performed, and in the case of Airplanes Holdings and its Irish tax resident aircraft owning subsidiaries, will depend on qualification for the benefits of the income tax treaty between the United States and Ireland (the "treaty").

Prior to GE Capital's acquisition of the class E notes in 1998, Airplanes Holdings and its Irish tax resident aircraft owning subsidiaries qualified for treaty benefits by virtue of a ruling obtained by AerFi Group (now known as AerCap Ireland) from the U.S. competent authority, which applied to AerFi Group and its qualified affiliates. Following the acquisition of the class E notes by GE Capital, Airplanes Holdings and its Irish tax resident aircraft owning subsidiaries ceased to be affiliates of AerFi Group. Airplanes Holdings applied for its own ruling on similar grounds to those on which the AerFi Group ruling was based. On September 28, 2001, the ruling by the U.S. competent authority was granted to Airplanes Holdings and its Irish tax resident aircraft owning subsidiaries. There can be no assurance that the activities of the servicer or the administrative agent will not subject Airplanes Limited, Airplanes Holdings and Airplanes Holdings' non-U.S. subsidiaries to U.S. federal income tax on some or all of their income in the future.

GE Capital has indicated that it is considering cancelling and surrendering its interest in the class E notes issued by Airplanes Limited. If such cancellation and surrender were to occur, this may adversely affect our qualification for the benefits of the treaty.

In the event that Airplanes Limited, Airplanes Holdings or Airplanes Holdings' non-U.S. subsidiaries are subject to U.S. federal income tax on some or all of their income, their cashflows would be further reduced.

THE OPERATIONS OF AIRPLANES LIMITED, AIRPLANES TRUST AND AEROUSA MAY BECOME SUBJECT TO IRISH CORPORATE TAXES.

Airplanes Limited, Airplanes Trust and AeroUSA do not intend to be treated as doing business in Ireland and, therefore, do not expect to be subject to Irish corporate tax. However, if their operations differ from those intended, they could become subject to Irish taxes.

WE WILL NOT PAY ANY ADDITIONAL AMOUNTS TO MAKE UP FOR ANY WITHHOLDING TAX THAT MAY APPLY.

We will not make any additional payments to certificateholders for any withholding or deduction required by applicable law on payments on either the notes or the certificates. We will use reasonable efforts to avoid the application of withholding taxes or other deductions. If withholding taxes are imposed on the notes or certificates and we do not redeem them, which is likely given our current financial condition, we will reduce the net amount of any interest that is passed through to certificateholders by the amount of any withholding or deduction.

WE HAVE LOST IRISH CORPORATE TAX BENEFITS.

The preferential 10% corporate tax rate in Ireland was terminated on December 31, 2005. As a result, Airplanes Holdings and its Irish tax resident subsidiaries became subject to Irish corporate tax on their net trading income, including leasing income, at general Irish statutory rates, which are currently 12.5%. There can be no assurance that this tax rate will not be changed in the future.

RISKS RELATING TO BANKRUPTCY

OUR ASSETS MAY BE CONSOLIDATED WITH THOSE OF AERCAP IRELAND OR ITS SUBSIDIARIES IF THEY BECOME BANKRUPT OR INSOLVENT, LEAVING FEWER ASSETS AVAILABLE TO REPAY THE CERTIFICATES.

We have taken steps to structure Airplanes Group and our transactions, especially the 1996 transaction whereby we acquired our portfolio of aircraft from GPA Group (now known as AerCap Ireland), to ensure that our assets would not be consolidated with the assets of AerCap Ireland and would not become available to AerCap Ireland's creditors in any bankruptcy or insolvency proceeding involving AerCap Ireland or any of its affiliates. If AerCap Ireland or any of its subsidiaries becomes bankrupt or insolvent, there is a legal risk that a court or other authority could decide that these steps were not effective to insulate our assets from AerCap Ireland's assets or that AerCap Ireland's transfer of aircraft to us in 1996 was improper. As a result, the aircraft and our other assets could become available to repay AerCap Ireland's creditors and we could lose all of our rights in the aircraft and our other assets.

2. THE AIRCRAFT, RELATED LEASES AND COLLATERAL

A. OVERVIEW

As of March 31, 2011, our portfolio comprised a total of 84 aircraft, three airframes and eight engines, of which 75 aircraft, the three airframes and six engines were on-lease to 36 lessees in 26 countries and nine aircraft and two engines were off-lease. As of March 31, 2011 six of these off-lease aircraft were the subject of letters of intent or contracts for sale (in one case under separate contracts for the sale of the engines and the airframe) and one of these off-lease aircraft was subject to a contract for lease. As of the date of this Annual Report, five of the aircraft which were subject to letters of intent or contracts for sale at March 31, 2011 have delivered to the buyer and one engine of one aircraft which at March 31, 2011 was the subject of contracts for the sale separately of the airframe and engines has delivered to the buyer. In addition, one aircraft which was on-lease at March 31, 2011 has redelivered from the lessee in line with its lease agreement and is now subject to letters of intent for the sale, separately, of the airframe and the engines. One other off-lease aircraft at March 31, 2011 has since become subject to a letter of intent for sale. One aircraft which was on-lease at March 31, 2011 and subject to a letter of intent for a conditional sale agreement is now subject to a contract for a conditional sale agreement. As of March 31, 2011, the weighted average remaining contracted lease term of our portfolio (by appraised value as of January 31, 2011 and without giving effect to purchase options or extension options) was 28 months. Our longest lease is scheduled to expire in August 2016, therefore, except for those aircraft which are already the subject of sale contracts or conditional sale agreements, the servicer will be required to remarket all of our aircraft at least once before the final maturity date of the certificates. See "1C. Introduction—Risk Factors—Risks Relating to the Leases and Cashflow from Lease Payments" for a description of the risks certificateholders could face if aircraft are not re-leased.

B. APPRAISALS

Under the indentures, we are required, at least once each year and in any case no later than March 1 of each year, to deliver to the indenture trustee, appraisals of the value of each of the aircraft in our portfolio from at least three independent appraisers. This value (the "**appraised base value**") for each aircraft is the value for that aircraft at normal utilization rates in an open, unrestricted and stable market, adjusted to take account of the reported maintenance standard of that aircraft. The appraisals are not based on physical inspection of the aircraft and do not take into account the value of the leases, maintenance reserves or security deposits or current market conditions.

For the appraisals as of January 31, 2011, we obtained independent appraisals from three independent appraisers and calculated the appraised base value of each aircraft, airframe and engine by taking the average of the three appraisals. On this basis, the average appraised base value for our portfolio of 84 aircraft, three airframes and eight engines was approximately \$631 million as of January 31, 2011, as compared to \$692 million for the same 84 aircraft, three airframes and eight engines based on appraisals as of January 31, 2010.

The average appraised base value of each aircraft, airframe and engine in our portfolio by each of the three independent appraisers as of January 31, 2011 can be found in “Airplanes Group Portfolio Analysis” below. The aggregate appraised base values calculated by each of the three independent appraisers for our portfolio, calculated by adding up the appraised base value by that appraiser of each item in our portfolio, are as follows:

Appraiser	Aggregate Appraised Base Value as of January 31, 2011 (In \$ Millions)
Ascend Limited (a division of Airclaims).....	588.6
Aircraft Information Services, Inc	585.1
BK Associates, Inc.....	717.9
Average of three appraisers	630.5

You should not rely on the appraised base value as a measure of the realizable value of any aircraft, airframe or engine. See “1C. Introduction—Risk Factors—Risks Relating to the Aircraft” for a discussion of the relevance of the appraised base value.

C. PORTFOLIO INFORMATION

The tables set forth below summarize important information about our portfolio. For a more detailed analysis of the aircraft, see “Airplanes Group Portfolio Analysis” below.

As of March 31, 2011, all of the aircraft in our portfolio by appraised base value as of January 31, 2011 held or were capable of holding a noise certificate issued under Chapter 3 of Volume I, Part II of Annex 16 of the Chicago Convention or have been shown to comply with the Stage 3 noise levels set out in Section 36.5 of Appendix C of Part 36 of the United States Federal Aviation Regulations (assuming for this purpose that turboprop aircraft are Stage 3 aircraft). We refer to this as being “**Stage 3**” compliant and call these aircraft “**Stage 3 aircraft**”.

The following table lists the aircraft, airframes and engines by type and number as of March 31, 2011 and the percentage of our portfolio they represent by appraised base value as of January 31, 2011.

Aircraft

Manufacturer	Type	Number	Body Type	% of Portfolio by Appraised Base Value as of January 31, 2011
Boeing (61.13%).....	B737-300	2	Narrowbody	1.94
	B737-300SF	2	Freighter	2.55
	B737-400	20	Narrowbody	26.11
	B737-500	11	Narrowbody	12.17
	B757-200	1	Narrowbody	2.05
	B767-200ER	1	Widebody	2.50
	B767-300ER	4	Widebody	13.81
McDonnell Douglas (4.11%).....	MD-83	11	Narrowbody	4.11
Airbus (20.87%)	A320-200	12	Narrowbody	20.87
Fokker (2.45%).....	F-100	4	Narrowbody	2.45
De Havilland of Canada (7.05%).....	DHC8-100	1	Turboprop	0.26
	DHC8-300	12	Turboprop	6.79
ATR (0.91%)	ATR42-300	3	Turboprop	0.91
Total Aircraft		<u>84</u>		<u>96.52</u>

Airframes

<u>Manufacturer</u>	<u>Type</u>	<u>Number</u>	<u>Body Type</u>	<u>% of Portfolio by Appraised Base Value as of January 31, 2011</u>
Boeing (0.72%).....	B737-300	3	Narrowbody	0.72
Total Airframes.....		3		0.72

Engines

<u>Manufacturer</u>	<u>Type</u>	<u>Number</u>	<u>Body Type</u>	<u>% of Portfolio by Appraised Base Value as of January 31, 2011</u>
CFM (2.76%).....	CFM56	8	—	2.76
Total Engines.....		8		2.76
Total.....				100.00

The following table sets forth the exposure of our portfolio by lessee as of March 31, 2011 according to the number of aircraft, airframes and engines and the appraised base value as of January 31, 2011.

Aircraft

<u>Lessee(1)</u>	<u>Number</u>	<u>% of Portfolio by Appraised Base Value as of January 31, 2011</u>
AC Leasing.....	6	10.53
JSC Nordavia RA.....	5	5.54
Nok Air.....	3	4.28
Turk Hava Yollari A.O. (THY Turkish Airlines).....	3	4.20
BH Air.....	2	3.84
PT Sriwijaya Air.....	3	3.76
PT Lion Mentari Airlines.....	3	3.75
GMG Airlines.....	2	3.73
VRG Linhas Aereas S. A.....	1	3.67
Air Madagascar.....	1	3.54
Ukraine International.....	3	3.52
Nouvelair Tunisie.....	2	3.50
euro Atlantic Airways.....	1	3.37
Liat.....	6	3.34
Ural Airlines.....	2	2.99
Safair.....	2	2.55
Aerovias del Continente Americano S.A. (AVIANCA).....	1	2.50
Orenair.....	2	2.43
Air One SpA.....	2	2.36
Transaero Airlines.....	2	2.13
Icelandair.....	1	2.05
Skynet Asia.....	1	1.44
Sibir Airlines.....	1	1.30
PT Metro Batavia.....	1	1.29
JAZZ Air.....	2	1.19
Air Southwest.....	2	1.18
Meridiana SpA.....	3	0.90
Other (9 lessees).....	12	5.61

Lessee(1)	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Off-lease(2).....	9	6.03
Total Aircraft.....	84	96.52

Airframes

Lessee(1)	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
PT Sriwijaya Air.....	3	0.72
Total Airframes.....	3	0.72

Engines

Lessee(1)	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
PT Sriwijaya Air.....	6	2.18
Off-lease.....	2	0.58
Total Engines.....	8	2.76
Total.....		100.00

(1) Total number of lessees = 36

(2) As of March 31, 2011 six of these off-lease aircraft were the subject of letters of intent or contracts for sale (in one case under separate contracts for the sale of the engines and the airframe) and one of these off-lease aircraft was subject to a contract for lease. As of the date of this Annual Report, five of the aircraft which were subject to letters of intent or contracts for sale at March 31, 2011 have delivered to the buyer and one engine of one aircraft which at March 31, 2011 was the subject of contracts for the sale separately of the airframe and engines has delivered to the buyer. In addition, one other off-lease aircraft at March 31, 2011 has since become subject to a letter of intent for sale.

The following table sets forth the exposure of our portfolio by country of domicile of lessees as of March 31, 2011 according to the number of aircraft, airframes and engines and the appraised base value of the portfolio as of January 31, 2011.

Aircraft

Country(1)	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Russia.....	12	14.40
Canada.....	8	11.73
Indonesia.....	7	8.80
Thailand.....	3	4.28
Turkey.....	3	4.20
Brazil.....	2	4.01
Bulgaria.....	2	3.84
Madagascar.....	1	3.54
Ukraine.....	3	3.52
Tunisia.....	2	3.50
Portugal.....	1	3.37

Country(1)	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Antigua	6	3.34
Italy.....	5	3.26
South Africa.....	2	2.55
Colombia	1	2.50
Iceland	1	2.05
Japan	1	1.44
United States of America.....	3	1.13
Malaysia.....	1	0.98
Argentina	2	0.79
Other (6 countries).....	9	7.26
Off-lease (2).....	9	6.03
Total Aircraft	84	96.52

Airframes

Country(1)	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Indonesia.....	3	0.72
Total Airframes.....	3	0.72

Engines

Country(1)	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Indonesia.....	6	2.18
Off-lease	2	0.58
Total Engines	8	2.76
Total.....		100.00

(1) Total number of countries = 26

(2) As of March 31, 2011 six of these off-lease aircraft were the subject of letters of intent or contracts for sale (in one case under separate contracts for the sale of the engines and the airframe) and one of these off-lease aircraft was subject to a contract for lease. As of the date of this Annual Report, five of the aircraft which were subject to letters of intent or contracts for sale at March 31, 2011 have delivered to the buyer and one engine of one aircraft which at March 31, 2011 was the subject of contracts for the sale separately of the airframe and engines has delivered to the buyer. In addition, one other off-lease aircraft at March 31, 2011 has since become subject to a letter of intent for sale.

The following table sets forth the exposure of our portfolio by regions in which lessees are domiciled as of March 31, 2011 according to the number of aircraft, airframes and engines and the appraised base value of our portfolio as of January 31, 2011.

Aircraft

Region	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Asia & Far East.....	14	19.22

Region	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Europe (excluding CIS Countries).....	15	18.49
North America	11	12.86
Latin America	13	11.21
Africa	6	10.54
Other (including CIS Countries).....	16	18.17
Off-lease (1).....	9	6.03
Total Aircraft	84	96.52

Airframes

Region	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Asia & Far East.....	3	0.72
Total Airframes.....	3	0.72

Engines

Region	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Asia & Far East.....	6	2.18
Off-lease	2	0.58
Total Engines	8	2.76
Total.....		100.00

(1) As of March 31, 2011 six of these off-lease aircraft were the subject of letters of intent or contracts for sale (in one case under separate contracts for the sale of the engines and the airframe) and one of these off-lease aircraft was subject to a contract for lease. As of the date of this Annual Report, five of the aircraft which were subject to letters of intent or contracts for sale at March 31, 2011 have delivered to the buyer and one engine of one aircraft which at March 31, 2011 was the subject of contracts for the sale separately of the airframe and engines has delivered to the buyer. In addition, one other off-lease aircraft at March 31, 2011 has since become subject to a letter of intent for sale.

The following table sets forth the exposure of the portfolio by year of manufacture as of March 31, 2011 according to the number of aircraft, airframes and engines and the appraised base value of the aircraft as of January 31, 2011.

Aircraft

Year of Manufacture	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
1986	2	2.55
1987	1	0.32
1988	3	1.06
1989	2	1.58
1990	13	10.80
1991	23	25.27
1992	38	51.52

Year of Manufacture	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
1993	2	3.42
Total Aircraft	84	96.52

Airframes

Year of Manufacture	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
1991	1	0.29
1992	2	0.43
Total Airframes.....	3	0.72

Engines

Year of Manufacture	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
1986	2	0.69
1987	2	0.73
1990	2	0.58
1991	1	0.36
1992	1	0.40
Total Engines	8	2.76
Total.....		100.00

The following table sets forth the exposure of the portfolio by seat category as of March 31, 2011 according to the number of aircraft and airframes and the appraised base value of the portfolio as of January 31, 2011.

Aircraft

Seat Category	Types	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Less than 51	DHC8, ATR42	16	7.96
91-120	B737-500, F-100	15	14.62
121-170	B737-300/400, MD-83, A320-200.....	45	53.03
171-240	B757-200, B767-200ER.....	2	4.55
241-350	B767-300ER.....	4	13.81
Freighter.....	B737-300SF	2	2.55
Total Aircraft		84	96.52

Airframes

Seat Category	Types	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
121-170	B737-300.....	3	0.72
Total Airframes.....		3	0.72

Seat Category	Types	Number	% of Portfolio by Appraised Base Value as of January 31, 2011
Total			<u>97.24</u>

**AIRPLANES GROUP PORTFOLIO ANALYSIS
AT MARCH 31, 2011**

Aircraft

Region	Customer Country	Lessee	Type	Serial Number	Year of Manufacture	Lease Start Date	Lease End Date	Appraised Base Value as of January 31, 2011 (\$'000)	% of Portfolio by Appraised Base Value as of January 31, 2011	
Africa	Madagascar	Air Madagascar	B767-300ER	26200	1992	3-Jul-08	2-Jan-16	22,321	3.54%	
	South Africa	Safair	B737-300SF	23499	1986	17-Jun-09	17-Jul-14	8,201	1.30%	
	South Africa	Safair	B737-300SF	23500	1986	12-Sep-09	1-Apr-15	7,858	1.25%	
	Tanzania	Precisionair	B737-300	24770	1990	18-Apr-08	17-Apr-15	6,040	0.96%	
	Tunisia	Nouvelair Tunisie	A320-200	301	1992	17-Apr-04	16-Nov-12	11,281	1.79%	
	Tunisia	Nouvelair Tunisie	A320-200	348	1992	10-Apr-03	31-Oct-11	10,788	1.71%	
Asia & Far East	Bangladesh	GMG Airlines	DHC8-300	307	1991	15-Dec-00	17-Dec-12	3,143	0.50%	
	Bangladesh	GMG Airlines	B767-300ER	24948	1991	14-Jan-11	13-Jan-14	20,380	3.23%	
	Indonesia	Batavia Air	B737-400	24345	1989	20-Dec-02	19-Dec-12	8,146	1.29%	
	Indonesia	PT Lion Mentari Airlines	B737-400	24520	1990	13-Jan-05	16-Jun-13	7,963	1.26%	
	Indonesia	PT Lion Mentari Airlines	B737-400	24684	1990	13-Jun-06	12-Jun-13	7,659	1.21%	
	Indonesia	PT Lion Mentari Airlines	B737-400	24911	1991	26-Jul-05	25-Jul-12	8,018	1.27%	
	Indonesia	PT Sriwijaya Air	B737-400	24689	1990	18-Dec-08	17-Dec-15	7,972	1.26%	
	Indonesia	PT Sriwijaya Air	B737-400	24690	1990	27-Jan-09	26-Jan-16	8,018	1.27%	
	Indonesia	PT Sriwijaya Air	B737-400	25180	1992	7-Jul-09	12-Jul-14	7,688	1.22%	
	Japan	Skynet Asia	B737-400	26069	1992	28-Jul-04	27-Jul-14	9,053	1.44%	
	Malaysia	AirAsia Berhad	B737-300	24905	1991	5-Jun-02	4-Jun-14	6,179	0.98%	
	Thailand	Nok Air	B737-400	24917	1991	6-Apr-09	5-Apr-12	8,670	1.38%	
	Thailand	Nok Air	B737-400	26065	1992	26-Jun-09	25-Jun-12	8,638	1.37%	
	Thailand	Nok Air	B737-400	26081	1993	17-Dec-10	16-Jun-12	9,657	1.53%	
	Europe	Bulgaria	BH Air	A320-200	294	1992	21-Apr-04	20-Apr-14	11,993	1.90%
		Bulgaria	BH Air	A320-200	349	1992	15-Apr-04	14-Apr-14	12,245	1.94%
Iceland		Icelandair	B757-200	26151	1992	19-Mar-00	18-Oct-11	12,942	2.05%	
Italy		Air One SpA	B737-400	24906	1991	20-Dec-01	15-May-11	6,458	1.02%	
Italy		Air One SpA	B737-400	24912	1991	12-Dec-01	15-May-11	8,407	1.33%	
Italy		Meridiana fly SpA	MD83	49792	1989	6-Mar-98	5-Sep-11	1,889	0.30%	
Italy		Meridiana fly SpA	MD83	49935	1990	10-Feb-99	31-Dec-11	1,669	0.26%	
Italy		Meridiana fly SpA	MD83	49951	1991	8-Apr-99	31-Dec-11	2,123	0.34%	
Netherlands		Capital Aviation Services B.V.	DHC8-300	276	1991	29-Apr-04	2-Jul-11	3,688	0.58%	
Portugal		euroAtlantic airways	B767-300ER	25411	1992	13-Aug-03	15-May-14	21,270	3.37%	
Turkey		Turk Hava Yollari	B737-400	25181	1992	3-Feb-92	2-Feb-13	8,463	1.34%	
Turkey		Turk Hava Yollari	B737-400	25184	1992	2-Mar-92	1-May-13	8,951	1.42%	
Turkey		Turk Hava Yollari	B737-400	25261	1992	10-Jun-92	9-Apr-13	9,085	1.44%	
United Kingdom		Air Southwest	DHC8-300	296	1992	23-Oct-03	22-Oct-13	3,632	0.58%	
United Kingdom	Air Southwest	DHC8-300	334	1992	30-Oct-03	30-Nov-13	3,780	0.60%		
Latin America	Antigua	LIAT	DHC8-300	232	1990	23-Dec-03	16-Mar-12	3,286	0.52%	
	Antigua	LIAT	DHC8-300	266	1991	28-Nov-03	11-May-12	3,272	0.52%	

Region	Customer Country	Lessee	Type	Serial Number	Year of Manufacture	Lease Start Date	Lease End Date	Appraised Base Value as of January 31, 2011 (\$'000)	% of Portfolio by Appraised Base Value as of January 31, 2011
	Antigua	LIAT	DHC8-300	267	1991	19-Jul-01	18-Dec-11	3,756	0.60%
	Antigua	LIAT	DHC8-300	283	1991	5-Jul-02	30-Dec-12	3,499	0.55%
	Antigua	LIAT	DHC8-300	298	1992	11-Mar-04	29-Jan-14	3,785	0.60%
	Antigua	LIAT	DHC8-300	300	1992	6-Feb-04	2-Aug-11	3,458	0.55%
	Argentina	Austral Lineas Aereas	MD83	49941	1990	16-Dec-05	15-Dec-11	2,401	0.38%
	Argentina	Austral Lineas Aereas	MD83	49943	1991	27-Oct-05	26-Oct-11	2,590	0.41%
	Brazil	TRIP Linhas Aereas	ATR42-300	284	1992	13-Aug-07	12-Aug-12	2,181	0.35%
	Brazil	VRG	B767-300ER	26204	1992	24-Dec-07	25-May-15	23,127	3.67%
	Colombia	Avianca	B767-200ER	25421	1992	5-Nov-99	4-May-11	15,748	2.50%
	El Salvador	TACA International	ATR42-300	109	1988	8-Dec-04	7-Apr-12	1,866	0.30%
	El Salvador	TACA International	ATR42-300	113	1988	12-Jan-05	11-May-12	1,684	0.27%
North America	Canada	AC Leasing	A320-200	174	1991	12-Apr-91	30-Sep-15	10,918	1.73%
	Canada	AC Leasing	A320-200	175	1991	30-Apr-91	31-Jan-15	10,419	1.65%
	Canada	AC Leasing	A320-200	232	1991	3-Oct-91	30-Nov-15	10,765	1.71%
	Canada	AC Leasing	A320-200	284	1991	10-Mar-92	31-Oct-15	11,296	1.79%
	Canada	AC Leasing	A320-200	309	1992	13-May-92	30-Nov-15	11,145	1.77%
	Canada	AC Leasing	A320-200	404	1993	24-Jan-94	24-Mar-15	11,881	1.88%
	Canada	Jazz Air	DHC8-300	293	1991	13-Dec-07	10-Aug-16	3,694	0.59%
	Canada	Jazz Air	DHC8-300	342	1992	22-Jan-08	10-Aug-16	3,829	0.61%
	United States of America	American Airlines	MD83	49575	1987	9-Aug-94	8-Nov-12	2,043	0.32%
	United States of America	Falcon Air Express	MD83	53120	1992	19-Apr-10	1-Mar-13	2,564	0.41%
	United States of America	Falcon Air Express	MD83	53125	1992	7-Jan-10	27-May-14	2,507	0.40%
Other	Australia	National Jet Systems	DHC8-100	229	1990	6-Jul-95	31-Oct-13	1,646	0.26%
	Russia	JSC Nordavia - RA	B737-500	25185	1992	16-Nov-06	15-Nov-12	7,687	1.22%
	Russia	JSC Nordavia - RA	B737-500	25186	1992	24-Aug-06	23-Aug-12	6,856	1.09%
	Russia	JSC Nordavia - RA	B737-500	25191	1992	18-Jan-07	17-Jan-13	6,468	1.03%
	Russia	JSC Nordavia - RA	B737-500	25288	1992	26-May-07	25-May-13	7,711	1.22%
	Russia	JSC Nordavia - RA	B737-500	25289	1992	20-Jul-07	19-Jul-13	6,205	0.98%
	Russia	Orenair	B737-400	24683	1990	24-Mar-06	23-Mar-14	7,655	1.21%
	Russia	Orenair	B737-400	24691	1990	1-Jun-06	31-May-14	7,676	1.22%
	Russia	Sibir Airlines	B737-400	26071	1992	30-Sep-08	30-May-15	8,215	1.30%
	Russia	Transaero Airlines	B737-500	25183	1992	8-Dec-06	7-Dec-11	6,815	1.08%
	Russia	Transaero Airlines	B737-500	25188	1992	12-Jan-07	11-Jan-12	6,639	1.05%
	Russia	Ural Airlines	A320-200	203	1991	4-Jun-08	3-Jun-13	9,216	1.46%
	Russia	Ural Airlines	A320-200	220	1991	7-May-08	6-May-13	9,631	1.53%
	Ukraine	Ukraine International	B737-500	25182	1992	9-Dec-06	8-Dec-13	7,027	1.11%
	Ukraine	Ukraine International	B737-400	25190	1992	15-May-03	14-May-12	8,274	1.31%
	Ukraine	Ukraine International	B737-500	26075	1992	30-May-02	29-May-13	6,896	1.09%
Off Lease (1)	Off Lease	Off Lease	F-100	11284	1990	n/a	n/a	3,604	0.57%
	Off Lease	Off Lease	F-100	11319	1991	n/a	n/a	4,239	0.67%

Region	Customer Country	Lessee	Type	Serial Number	Year of Manufacture	Lease Start Date	Lease End Date	Appraised Base Value as of January 31, 2011 (\$'000)	% of Portfolio by Appraised Base Value as of January 31, 2011
	Off Lease	Off Lease	F-100	11374	1992	n/a	n/a	3,627	0.58%
	Off Lease	Off Lease	F-100	11382	1992	n/a	n/a	3,992	0.63%
	Off Lease	Off Lease	B737-500	24897	1991	n/a	n/a	6,463	1.02%
	Off Lease	Off Lease	B737-500	25192	1992	n/a	n/a	7,981	1.27%
	Off Lease	Off Lease	MD83	49672	1988	n/a	n/a	3,104	0.49%
	Off Lease	Off Lease	MD83	49939	1990	n/a	n/a	2,510	0.40%
	Off Lease	Off Lease	MD83	49946	1991	n/a	n/a	2,522	0.40%
TOTAL AIRCRAFT								608,641	96.52%
<i>Airframes</i>									
Asia & Far East	Indonesia	PT Sriwijaya Air	B737-300	24907	1991	7-May-10	6-May-12	1,451	0.23%
	Indonesia	PT Sriwijaya Air	B737-300	25179	1992	25-Mar-10	24-Mar-12	1,248	0.20%
	Indonesia	PT Sriwijaya Air	B737-300	25187	1992	4-Jun-10	3-Jun-12	1,826	0.29%
TOTAL AIRFRAMES								4,525	0.72%
<i>Engines</i>									
Asia & Far East	Indonesia	PT Sriwijaya Air	CFM56	720381	1986	4-Jun-10	3-Jun-12	2,258	0.36%
	Indonesia	PT Sriwijaya Air	CFM56	721185	1986	4-Jun-10	3-Jun-12	2,067	0.33%
	Indonesia	PT Sriwijaya Air	CFM56	720775	1987	7-May-10	6-May-12	2,288	0.36%
	Indonesia	PT Sriwijaya Air	CFM56	721735	1987	7-May-10	6-May-12	2,296	0.36%
	Indonesia	PT Sriwijaya Air	CFM56	725902	1991	25-Mar-10	25-Mar-12	2,253	0.36%
	Indonesia	PT Sriwijaya Air	CFM56	727384	1992	25-Mar-10	25-Mar-12	2,580	0.41%
Off Lease	Off Lease	Off Lease	CFM56	725621	1990	n/a	n/a	1,608	0.26%
	Off Lease	Off Lease	CFM56	725549	1990	n/a	n/a	2,029	0.32%
TOTAL ENGINES								17,379	2.76%
TOTAL								630,545	100.00%

- (1) As of March 31, 2011 six of these off-lease aircraft were the subject of letters of intent or contracts for sale (in one case under separate contracts for the sale of the engines and the airframe) and one of these off-lease aircraft was subject to a contract for lease. As of the date of this Annual Report, five of the aircraft which were subject to letters of intent or contracts for sale at March 31, 2011 have delivered to the buyer and one engine of one aircraft which at March 31, 2011 was the subject of contracts for the sale separately of the airframe and engines has delivered to the buyer. In addition, one other off-lease aircraft at March 31, 2011 has since become subject to a letter of intent for sale.

D. THE LEASES

Under most of the leases we generally retain the benefit, and bear the risk, of the residual value of the aircraft at the end of the lease. As of March 31, 2011, 75 aircraft, the three airframes and six engines were on-lease and nine aircraft and two engines were off-lease. As of March 31, 2011, one of these on-lease aircraft and the three on-lease airframes were subject to leases in the form of conditional sale agreements pursuant to which title to the aircraft or airframe will pass automatically to the lessee upon payment of the final instalment of rent. As of March 31, 2011 six of these off-lease aircraft were the subject of letters of intent or contracts for sale (in one case under separate contracts for the sale of the engines and the airframe) and one of these off-lease aircraft was subject to a contract for lease. As of the date of this Annual Report, five of the aircraft which were subject to letters of intent or contracts for sale at March 31, 2011 have delivered to the buyer and one engine of one aircraft which at March 31, 2011 was the subject of contracts for the sale separately of the airframe and engines has delivered to the buyer. In addition, one aircraft which was on-lease at March 31, 2011 has redelivered from the lessee in line with its lease agreement and is now subject to letters of intent for the sale, separately, of the airframe and the engines. One other off-lease aircraft at March 31, 2011 has since become subject to a letter of intent for sale. All leases are managed by the servicer according to the servicing agreement.

Although the lease documentation is fairly standardized in many respects, significant variations do exist as a result of negotiation with each lessee.

Under a majority of our leases, the lessee is responsible, either directly or through indemnification of the lessor, for all operating expenses, including maintenance, operating, overhaul, fuel, crews, airport and navigation charges, taxes, licenses, consents and approvals, aircraft registration and hull and liability insurance. In addition, the lessees must remove all liens on the aircraft except liens that are permitted by the lease.

Each of our current leases requires the lessee to make periodic rental payments during the term of the lease. Some of the leases also require the lessee to pay periodic amounts as maintenance reserves or to deliver letters of credit or guarantees for this purpose. Almost all the leases require the lessees to make payments to us without set-off or counterclaim, and most of them include an obligation for the lessee to gross-up payments under the lease if the lease payments are subject to withholding or other taxes. The leases also generally require the lessee to indemnify the lessor for tax liabilities such as value added tax and stamp duty tax, but not income tax.

Each lease also contains provisions which specify our rights and remedies if the lessee defaults in making payments or performing its other obligations under the lease. These remedies include terminating the lease and repossessing the aircraft.

The following is a summary of the principal terms of the leases as of March 31, 2011, with reference to appraised values as of January 31, 2011.

Lease Term As of March 31, 2011, the weighted average remaining contracted lease term of the portfolio (weighted by appraised value as of January 31, 2011 and without giving effect to purchase options, early terminations or extensions) was 28 months. The longest lease was scheduled to expire in August 2016.

Rentals As of March 31, 2011, rent under 77 of the leases, including the conditional sale agreements, representing 86.34% by appraised value of our portfolio as of January 31, 2011, was payable monthly in advance, and rent under seven of the leases, representing 7.92% by appraised value of our portfolio as of January 31, 2011, was payable monthly in arrears.

These rental payments are calculated based on a floating rate or a fixed rate or may change from one to the other over the course of the lease. The rent under all of the leases is currently payable in U.S. dollars, although in the future, rent on some new leases may be payable in euros. Some rental payments are based on the number of flight hours an aircraft is operated or may vary depending on the time of year during which the aircraft is operating.

Extension Options Some of the leases contain an extension option pursuant to which, depending on the negotiations with the lessee at the time of signing of the lease, either we or the lessee

could extend the term of the lease at either the existing lease rate or at the future market rate. As of March 31, 2011, two of the leases representing 0.80% of our portfolio by appraised value as of January 31, 2011, included an extension option.

- Early Termination Options**..... Some of the leases contain an early termination option pursuant to which the lessee may terminate the lease before the scheduled expiration date if specified conditions are met. As of March 31, 2011, three of the leases representing 4.07% of our portfolio by appraised value as of January 31, 2011 included an early termination option. Assuming that all these options are exercised for the earliest possible termination, the weighted average remaining lease term of our portfolio was 28 months as of March 31, 2011.
- Purchase Options** As of March 31, 2011, two lessees had outstanding options to purchase three aircraft, representing 2.05% of our portfolio by appraised value as of January 31, 2011. The latest date on which a purchase option could be exercised is September 3, 2012 for the purchase of a B737-400 aircraft.
- Security Deposits**..... As of March 31, 2011, lessees under 75 of the leases representing 78.97% of our portfolio by appraised value as of January 31, 2011 had provided security for their obligations. As of March 31, 2011, we had \$13.5 million in cash security deposits in respect of 41 aircraft and six engines representing 47.26% of our portfolio by appraised value as of January 31, 2011, and \$12.9 million in letters of credit in respect of 27 aircraft representing 32.90% of our portfolio by appraised value as of January 31, 2011.
- Guarantees**..... As of March 31, 2011, in 22 of the leases representing 25.31% of our portfolio by appraised value as of January 31, 2011, we had received guarantees of the lessee's performance obligations under the lease. These guarantees were issued by the lessee's parent company or shareholders.
- Maintenance** The leases contain detailed provisions specifying maintenance standards and aircraft redelivery conditions generally to be met at the lessees' expense. During the term of each lease, we require the lessee to maintain the aircraft in accordance with an agreed maintenance program designed to ensure that the aircraft meets applicable airworthiness and other regulatory requirements. Lessees must provide monthly maintenance reserves under approximately 65 of the leases. Under the balance of the leases, the lessee or the lessor may be required to make certain adjustment payments to one another if at redelivery the aircraft or specified items do not meet the required standards under the lease. Heavy maintenance on significant components of an aircraft, such as the airframe and the engines, is generally required to be performed on a cycle of several years and the cost of this maintenance may be material in relation to the value of the aircraft, with the overhaul of a single component often exceeding \$1 million. Pursuant to the leases, if and when an aircraft is transferred from one lessee to another between maintenance overhauls, the transferring lessee is generally required to pay for that portion of the succeeding overhaul that can be attributed to its use of the aircraft under its lease.

Depending on the credit of the lessee and other factors, we may require that the lessee pay cash maintenance reserves (65 leases as of March 31, 2011, representing 72.73% of our portfolio by appraised value as of January 31, 2011) or provide a combination of maintenance reserves and letters of credit (as of March 31, 2011 no lessee provided maintenance letters of credit). If the lessee pays maintenance reserves, we will have to reimburse it for maintenance it actually performs on the aircraft. Our obligation to reimburse maintenance is classified as an expense and

therefore ranks senior to any payments on the notes and certificates.

If the lessee is not required to pay maintenance reserves or provide letters of credit or guarantees, we have to rely on the lessee's credit and its ability to maintain the aircraft during the lease term and return it in good condition or make any maintenance payments required at the end of the lease. If maintenance is required on the aircraft but not performed, or the lessee fails to pay, we have to fund this maintenance ourselves.

Maintenance payments by lessees will depend upon numerous factors including the financial condition of the lessee and the ability of Airplanes Group to obtain satisfactory maintenance terms in leases. An increasing number of leases do not provide for any maintenance payments to be made by lessees as security for their maintenance obligations.

Redelivery Conditions At least 90% of the leases provide for the aircraft to be redelivered in a specified condition upon expiration of the lease and/or stipulate the payments to be made by the lessee to us or, in some cases, by us to the lessee, to reflect the extent to which the actual redelivery condition of the aircraft falls below or exceeds the redelivery condition specified in the lease.

Insurance The lessees bear responsibility through an operational indemnity to carry insurance for liabilities arising out of the operation of the aircraft. The indemnity includes liabilities for death or injury to persons and damage to property that ordinarily would attach to the operator of the aircraft. The lessees are also required to carry comprehensive liability insurance and hull insurance, and any further insurance that is customary in the commercial aircraft industry, and to indemnify us against all liabilities, including where the liability to us as owner and lessor attaches by law. Generally, the leases require us to be named as an additional insured on hull and liability policies. Most of the leases also require the lessee to maintain the liability insurance for a specified period between one and two years after termination of that lease. Under the servicing agreement, the servicer is required to monitor the lessees' performance of obligations with respect to the insurance provisions of the applicable leases. We also carry contingent hull and liability insurance consistent with industry practice which acts as a backup for Airplanes Group's interests in instances where a lessee's policy does not satisfy the requirements of the lease and acts as excess coverage above that provided by a lessee's policy. The amount of the contingent liability policies may not be the same as the insurance required under the lease. The amount of war third party contingent insurance and other types of cover are subject to a number of limitations imposed by the aviation insurance industry particularly following the terrorist attacks of 9/11.

Most insurance certificates contain a breach of warranty endorsement so that an additional insured party remains protected even if the lessee violates any of the terms, conditions or warranties of the insurance policies, provided that the additional insured party has not caused, contributed to or knowingly condoned the breach.

Third Party Liability Insurance The minimum third party liability limits under the leases range from \$250 million in respect of turboprop aircraft to \$750 million in respect of widebody aircraft. In some cases, the lessee carries more insurance than the minimum specified in the lease. Following the terrorist attacks of 9/11, the aviation insurance markets applied a \$50 million limit on war third party (non-passenger) liability insurance. We require lessees to either buy additional insurance in the commercial markets or obtain equivalent protection under applicable governmental schemes. These insurance issues have been mitigated in certain jurisdictions by a number of temporary

government schemes and the emergence of limited available insurance markets, however, failure by a lessee to obtain adequate insurance cover as required under its lease could result in the relevant aircraft being grounded. This would likely further reduce our cashflows if as a result aircraft were returned early and/or we do not receive rental payments from lessees which are affected by such developments.

Aircraft Property Insurance In all cases, the sum of the stipulated loss value and our own additional coverage in place is at least equal to the appraised value of the aircraft. Permitted deductibles, which generally apply only in the case of a partial loss, range from \$50,000 for turboprop aircraft to \$1 million for widebody aircraft. Following insurance market developments in the aftermath of the terrorist attacks of 9/11, the insurance market, on January 1, 2002, ceased offering cover for Confiscation by the State of Registration (as generally required under the leases). Such cover is now available again, for certain jurisdictions but at increased costs. However, the lack of general availability of cover for Confiscation by the State of Registration risk in all jurisdictions means that this requirement is not currently satisfied under all of the leases. The insurance market has introduced new limitations under airline hull war policies in circumstances where aircraft are on the ground for losses arising from Weapons of Mass Destruction (“WMD”) devices—electromagnetic pulse, emission, discharge, release or escape of any chemical, biological or biochemical material. The insurers’ concern is the potential accumulation of WMD losses in one event. Alternative cover either from the commercial insurance markets or governments is not currently available for these risks except for US airlines insured under the FAA insurance programme.

Political Risk Insurance..... With respect to some leases, we may arrange separate political risk repossession insurance for our own benefit, covering (a) confiscation, nationalization and requisition of title of the relevant aircraft by the government of the country of registration and denegation and deprivation of legal title and rights, and (b) the failure of the authorities in that country to allow de-registration and export of the aircraft, subject to the conditions of the policies.

Subleases And Wet Leases Under most of our current leases, the lessee may sublease the aircraft without our consent if specified conditions are met. Under most of our current leases, the lessee may also “wet lease” the aircraft (leasing the aircraft to another airline with a crew and services provided by the lessee) without our consent so long as the lessee does not part with operational control of the aircraft. Where there is a sublease or a wet lease, the lessee remains fully liable to us for all its payment and performance obligations under the lease and we have no contractual relationship with the sublessee or the wet lessee. Leases with new lessees are based on a pro forma lease that includes restrictions on subleases and wet leases into specified prohibited countries.

E. COMPLIANCE WITH GOVERNMENTAL AND TECHNICAL REGULATION

COMPLIANCE WITH MANDATORY REQUIREMENTS

The air transportation industry is highly regulated. In addition to general requirements regarding maintenance of aircraft, aviation authorities issue ADs requiring the operators of aircraft to take particular maintenance actions. This can include specific inspections or modifications to a number of aircraft of designated types. ADs normally specify a period in which to carry out the required action or modification and, except for emergency ADs with very short compliance periods, enough time is allowed to permit the implementation of the ADs in connection with scheduled maintenance of the aircraft or engines. Each aircraft must comply with the ADs issued by the aviation authority of the state of registration.

Generally the aviation authority of the state of registration will mandate those ADs issued by the state of design of an aircraft, engine or appliance. For example, FAA ADs for Boeing or McDonnell Douglas aircraft and for General Electric and Pratt & Whitney engines, and European Aviation Safety Agency (“EASA”) ADs for Airbus aircraft and Rolls Royce engines. However, the aviation authority of the state of registration may also originate their own ADs or issue ADs which supersede the ADs issued by the state of design.

In addition to ADs there may be operational requirements that require the aircraft operator to install certain equipment on an aircraft. In the US commercial aircraft operational requirements are generally governed by Federal Aviation Regulations (“FAR”) Part 91 and Part 121. In Europe the equivalent requirement is European Union Operations (“EU-OPS”) which has replaced Joint Aviation Requirement on Commercial Air Transportation (“AR-OPS”). Increasingly, upgrades to aircraft equipage are driven by airspace requirements. In these instances use of certain airspace or routings is governed by the standard of communication, navigation and surveillance capability of the individual aircraft.

The lessee usually bears the cost of compliance with ADs, operational requirements and airspace requirements. We may be required to contribute a portion of such costs over a specified threshold. However, if a lessee fails to perform an AD required on an aircraft or the aircraft transfers to an area with different operational requirements or airspace requirements or the aircraft is off-lease then Airplanes Group, as owner, would bear the cost of compliance necessary for the aircraft to maintain its certificate of airworthiness and be correctly configured for operations.

In addition to these direct costs, significant new requirements with respect to noise standards, emission standards and other aspects of aircraft or their operation could cause the value of an aircraft type to decrease. Governmental regulations relating to noise and emissions levels may be imposed not only by the jurisdictions in which the aircraft are registered, possibly as part of the airworthiness requirements, but also in other jurisdictions where the aircraft operate. In addition, most countries’ aviation laws require aircraft to be maintained under an approved maintenance program having defined procedures and intervals for inspection, maintenance and repair. To the extent that an aircraft is off lease or a lessee defaults in effecting such compliance, we will be required to comply with such requirements.

FLEET NOISE AND EMISSIONS REQUIREMENTS

A noise standard has been adopted in Annex 16, Volume 1, Chapter 4 of the Chicago Convention. It is currently only applicable to aircraft manufactured after January 1, 2006. All of our aircraft were manufactured prior to that date. At present there is no requirement to phase out aircraft manufactured prior to 2006 which do not comply with the Chapter 4 standard. However, if such a requirement is mandated in the future, it may adversely affect the value of or the ability to remarket these aircraft. It is likely that the majority of the aircraft can be made compliant with the new standard; however, some may require modification at a cost that is currently unknown since the manufacturers have not undertaken the work to define what, if any, changes are required.

Annex 16, Volume 2 of the Chicago Convention also contains standards and recommendations regarding limitations on vented fuel, smoke and gaseous emissions from aircraft. While a number of countries have adopted regulations implementing these recommendations, such regulations generally have been prospective in nature, requiring only that newly manufactured engines meet particular standards after a particular date.

A carbon emissions trading scheme is being introduced in the EU from January 2012. There will be a cost associated with the purchase of additional carbon allowances. In an expanding market this will have a multiple effect on the incentive for operators to introduce newer aircraft types with reduced fuel burn. They will gain from the direct savings from the lower amount of fuel used and the reduced cost associated with the purchase of additional carbon allowances. This will further reduce demand for older, less technologically advanced and less fuel efficient aircraft which comprise substantially all of our portfolio.

FLEET AGING AIRCRAFT REQUIREMENTS

The fleet aging aircraft programmes are being continuously updated. One concept that has come out of the research and development effort into mitigating the occurrence of Widespread Fatigue Damage (“WFD”) in large transport aircraft is applying a Limit of Validity (“LOV”) to an aircraft’s maintenance program. This is a point in an aircraft’s operational life beyond which there may be insufficient engineering data to support continued operation due to fatigue considerations. In other words, the inspections in the maintenance program may not detect fatigue damage before the strength levels are reduced below the regulatory requirements. The proposed LOV for a B737 for instance is 100,000 flight cycles. No B737 aircraft has yet reached this threshold and it would equate to

at least 35 years of typical operations. The rulemaking which the FAA and EASA are considering in this area would result in substantially higher maintenance costs for aircraft that have passed their LOV and effectively make economic operation of the aircraft unviable. In December 2008 the FAA issued a revised draft of the proposed rule. The revised draft amended several key requirements in respect of WFD evaluation of existing repairs and structural modifications. Revisions to the original proposal combined with the high threshold of the LOV will limit the financial impact of the rule and it is now not expected to have a significant financial impact on the majority of leased aircraft.

In what is known as the Aging Airplane Safety Rule (“AASR”), the FAA has published a series of amendments to Part 121 and 129 which mandate aircraft inspections, records reviews and damage tolerance based supplemental inspections for older aircraft. The new rule is applicable to aircraft operated under Part 121 or 129. Part 1 of the AASR mandates an aging aircraft record review and inspection by FAA representatives for an aircraft once it has exceeded 14 years since manufacture. Thresholds are provided for aircraft that are already more than 14 years since manufacture at the time the rule was introduced. Thereafter, aging aircraft record reviews and inspections for the aircraft are to be repeated every seven years. There is also the possibility of additional maintenance work resulting from an adverse finding during these reviews. It is expected that the cost of such aging aircraft record reviews and inspections will, in general, be borne by the lessees. However if the aircraft is transitioning onto the US register or the lessee is unable to fulfill its obligations the responsibility for this review would rest with us.

Part 2 of the AASR requires manufacturers to establish a model specific list of Fatigue Critical Baseline Structure (“FCBS”) and make damage tolerance based maintenance programs available for all applicable unpublished repair approvals. From December 20, 2010 operators operating under Part 121 and 129 must ensure their maintenance programme provides for a physical survey of individual aircraft to identify repairs or alterations to FCBS and introduce tolerance based inspections as required. It is expected that the cost of such reviews and associated inspections will, in general, be borne by the operator. However if the aircraft is transitioning onto the US register or the lessee is unable to fulfill its obligations the responsibility for this review would rest with us.

FLEET SECURITY REQUIREMENTS

As a result of the terrorist attacks in the United States on 9/11, and the subsequent threat of similar attacks, aviation authorities may adopt new security directives. The FAA and EASA already require the installation of reinforced cockpit doors. In addition, the International Civil Aviation Organisation (“ICAO”) requires contracting states to mandate the incorporation of cockpit doorway surveillance systems. The average cost of an installation for a reinforced cockpit door and cockpit doorway surveillance system for a non-compliant aircraft would be approximately \$85,000 and \$35,000 respectively.

The FAA has introduced a revision to FAR Part 25 design certification requirements which requires the incorporation of enhanced security provisions for new aircraft designs. The revised rule includes requirements to strengthen bulkheads between the passenger cabin and the cockpit (in addition to current requirements to strengthen the cockpit door), to limit the penetration of smoke/fumes/gases from incendiary devices from entering the cockpit from the passenger cabin, to quickly evacuate smoke/fumes/gases from the cockpit and passenger cabin, and to maximize survivability after an explosion or fire. There are no current proposals for retrospective action for existing aircraft and as such no additional costs for in service aircraft are envisaged at this time.

FLEET OPERATIONAL AND AIRSPACE REQUIREMENTS

Aircraft may need to comply with certain operational requirements that are mandated by the state of the operating airline (which, in some cases, may be different from the state of registration) or the states into which or over which an aircraft will be flown. An aircraft operating in a particular jurisdiction may require new modifications as they are mandated by the responsible authorities. Similarly, an aircraft that will be operated in a new jurisdiction may require modifications to bring it up to the standard of the new jurisdiction. Depending on whether the costs of complying with these requirements are borne by the lessees or us, installation of these systems could result in significant cash expenditures by us, primarily during aircraft transitioning. Major examples of such requirements are as follows:-

In July 2008 the FAA issued an amendment to FAR Part 121 & Part 129 introducing a new operational requirement to reduce fuel tank ullage (vacant container space) flammability, and thus reduce the possibility of fuel tank explosion. Specifically named aircraft types include the B737, B747, B757, B767 and Airbus A300, A310, A320, A330 and A340 models. The requirement is directed at newly built aircraft industry cargo aircraft, and passenger aircraft in the existing fleet manufactured after January 1992. The most likely method for complying with the above requirement will be the installation of a Nitrogen Generation System (“NGS”) for

insertion of nitrogen into the affected fuel tanks on affected aircraft. Operators are required to incorporate the requirements on at least 50% of their fleet of the specified types of aircraft by September 19, 2014, and on 100% of their fleet of the specified types of aircraft by September 19, 2017. An extension of one year may be granted for each of these dates provided certain operational practices are adopted. EASA has indicated it is intending to mandate an NGS but has yet to define a timescale. Retrofit of an NGS is estimated to cost between \$350,000 for a narrow body aircraft to \$450,000 for a wide body aircraft.

A Cargo Compartment Fire Detection and Suppression System is already a requirement in the United States for all underfloor cargo compartments. It is currently not required by EASA or the JAA for certain narrow bodied aircraft, but a proposal for a new requirement is expected in the near future. The average cost of an installation for a non-compliant aircraft would be approximately \$100,000 - \$120,000.

Additional Flight Data Recorder Parameters and extended cockpit voice recorder recording duration are a requirement in the United States. The effect of these requirements varies depending on year of manufacture and existing provisions. The cost of additional inputs is totally dependent on the current aircraft configuration but installation for a non-compliant aircraft could be up to \$90,000.

From February 2015, with a few limited exceptions, aircraft operating in Eurocontrol airspace will require controller pilot datalink communication (“CPDLC”) capability. The average cost of installation will vary but for an older aircraft without the necessary equipment, fitment costs of up to \$350,000 can be expected. If a CPDLC equipped aircraft is operated in the United States the cockpit voice recorder (“CVR”) will be required to record CPDLC. Installing a data capable CVR will be an additional expense.

Aircraft operating in Eurocontrol airspace have been required to have the installation of Enhanced Mode S ATC Transponders since March 2007. The average cost of an installation for a non-compliant aircraft is approximately \$50,000 - \$80,000.

Since October 2009 newly manufactured aircraft originally designed under 9G rules, such as the A320 and B737NG, and operated under Part 121, have to meet stricter cabin attendant and passenger seating crash requirements. While there is no requirement for any retrospective action, fleet commonality and equipment availability issues will make it likely that non-compliant aircraft built before October 2009 will ultimately be affected. Similarly, parts of the revised Part 382 requirements on non discrimination on the basis of disability in air travel are applicable to existing aircraft being reconfigured. These rule changes may have the effect of increasing transition costs and modification leadtimes for aircraft moving between operators.

Many air traffic control authorities especially in Europe, North America, Australia and Asia are planning the implementation of Automatic Dependent Surveillance (Broadcast) (“ADS-B”). This system allows an aircraft to transmit details of its location and trajectory to air traffic control and other aircraft. While carriage of ADS-B equipment is mostly voluntary at present, several authorities have mandated or are mandating use of ADS-B in specific regions. By 2020, it is expected that ADS-B will be a common requirement worldwide. Although many modern aircraft are already ADS-B equipped, the cost of installing this equipment on older aircraft could be significant.

TYPE SPECIFIC REQUIREMENTS

BOEING 737

In early 2004 Boeing discovered cracks at the lap joint areas on a number of B737-200/300/400/500 aircraft (B737 Classic aircraft), which were caused by scribe marks from sharp instruments used in paint, sealant and decal removal. Scribe marking has also been found on B747, B757 and B767 aircraft. FAA AD 2010-05-13 effective April 2010 and AD 2010-26-06, effective February 2011, mandate a zonal inspection program for scribe marks on B737 classic and B737NG aircraft, respectively. The threshold for accomplishing the inspection for each individual zone on an individual aircraft is dependent on the aircraft’s maintenance history, total cycles and cycles since first painting. In the event significant “scribe lines” are detected, significant repair and aircraft out of service time may be required. The potential cost of terminating the requirements of the service bulletin is totally dependant on findings on individual aircraft but could cost up to \$300,000 per aircraft. An aircraft with unrepaired scribe mark damage may become more difficult or expensive to remarket or such damage may impact the re-lease rate.

The FAA issued AD 2002-07-08 mandating the modification of crown lap joints on Boeing 737 aircraft when an aircraft has completed 50,000 cycles. The estimated cost to implement those modifications for each aircraft is approximately \$250,000. In addition repairs to scribe damaged areas that must take place at the same time could raise the total repair costs for crown lap joints and scribe damage to \$450,000 per aircraft. In April 2011 AD 2011-08-51 was issued requiring additional inspections of certain B737

classic lap joints at stringer 4. It is not currently possible to estimate the cost that could be incurred if cracks or other defects were found as a result of such inspections.

The FAA issued AD 2008-23-09 on October 24, 2008 mandating the replacement of insulation blankets. The affected insulation covering is installed on B737-200, 300 and 400 aircraft originally built between July 1981 and December 1988 inclusive. This insulation blanket covering does not meet the new FAA requirement involving resistance of materials to ignition from an electrical arc or spark. The final compliance date of December 15, 2016 means that the youngest affected aircraft will be almost 28 years old at this time. Compliance cost is estimated to be up to \$300,000 per aircraft.

The FAA issued AD 2005-20-39 in November 2005 requiring an inspection of landing gear on all variants of Boeing 737 Classic aircraft to determine whether a certain compound that may have been used during manufacture or overhaul has caused corrosion. If an inspection reveals damage, a premature overhaul of the landing gear might be required, which might lead to earlier than anticipated reserve claims.

BOEING 757

The FAA issued AD 2007-19-07 on November 28, 2007 mandating a zonal inspection program for scribe marks on B757 aircraft. The threshold for accomplishing the inspection for each individual zone on an individual aircraft is dependent on the aircraft's maintenance history, total cycles and cycles since first painting. In the event significant "scribe lines" are detected, significant repair and aircraft out of service time may be required. The potential cost of terminating the requirements of the service bulletin is totally dependant on findings on individual aircraft but could cost up to \$200,000 per aircraft. Unrepaired scribe mark damage may result in an affected aircraft becoming more difficult or expensive to remarket, or may impact the re-lease rate.

The FAA has issued an AD mandating the Boeing 757-767 Strut Improvement Programme that requires the modification of the nacelle strut and wing structure on B757 series aircraft equipped with Praft and Whitney and Rolls Royce engines. The modification must be accomplished prior to the aircraft reaching 20 years since manufacture. While the basic cost of the modification is covered under Boeing Warranty, additional cost may be required to be borne by us should warranty conditions not be met.

BOEING 767

The FAA has issued AD 2010-6-16 mandating the Boeing scribe mark inspection Service Bulletin for B767 aircraft. The threshold for accomplishing the inspection for each individual zone on an individual aircraft is dependent on the aircraft's maintenance history, total cycles and cycles since first painting. The potential cost of terminating the requirements of the service bulletin is totally dependant on findings on individual aircraft but could cost up to \$250,000 per aircraft. An aircraft with unrepaired scribe mark damage may become more difficult or expensive to remarket.

AIRBUS A320

EASA has issued AD 2011-011 mandating additional inspections of Airbus A318/A319/A320/A321 aircraft for cracking in the main landing gear support ribs fitting of the wing even if the prescribed 'terminating' modification has been embodied. A terminating modification is available and has been mandated, but requires the aircraft to be out of service for a minimum of five days. Provided the incorporation of such terminating modification is accomplished in time, the significant cost of rib replacement can be avoided. In the event significant damage is detected prior to incorporation of the terminating modification, resulting in the necessity to replace the rib, the cost of such rib replacement would be approximately \$500,000 per affected wing and would cause the aircraft to be out of service for approximately five weeks.

FOKKER 100

EASA have indicated that they will issue an AD mandating the fitment of a new main fitting and sliding member for Fokker 100 aircraft fitted with Messier Dowty main landing gear. This is to eliminate a fatigue cracking issue which could result in gear failure. The new components have been available from the first quarter 2010. Embodiment is expected to be required during the next overhaul following availability of new components, but in any case not later than the end of 2013. Cost of the installation of these parts combined with cost of the concurrent overhaul is expected to be \$500,000 per aircraft.

CFM INTERNATIONAL CFM56-5 ENGINES

The industry has recently experienced the third In Flight Shut Down caused by the failure of an HPT blade part number 2080M87P04 installed on some CFM56-5 engines. The manufacturer of such engines, CFM International (“CFMI”), has issued a recommendation to operators to schedule a shop visit for blade replacement for any CFM56-5 engines where HPT blades with this part number have been installed when the engine has operated more than 12,500 cycles since new. This requirement could result in premature engine shop visits and inadequate maintenance reserve funds. Lessees will also raise claims for the cost of the replacement HPT blades pending any agreed support from CFMI. The potential cost of replacing blades on these engines is totally dependent on findings on individual engines, including the number of blades with the particular part number which have been installed on an engine, however a full set of blades for a CFM56-5 engine currently costs \$645,000 (ignoring labour costs for installation). Airplanes Group owns 24 of these engines however it is not possible to ascertain whether any of these engines are affected as the servicer does not have records as to whether HPT blades with this part number have been installed on any of Airplanes Group’s engines.

The incurrence by us of any of the foregoing costs will further adversely impact our results of operations.

New ADs or specific requirements may be adopted in the future and these could result in significant costs to Airplanes Group or adversely affect the value of our aircraft and our ability to re-lease our aircraft.

F. THE LESSEES

As of March 31, 2011, 75 of our aircraft, three of our airframes and six of our engines were on-lease to 36 lessees in 26 countries throughout the world. See “Portfolio Information” above for the countries and regions where our lessees reside.

A number of our lessees are in a relatively weak financial position. As of March 31, 2011, amounts outstanding for a period greater than 30 days in respect of rental payments, maintenance reserves and other miscellaneous amounts due under the leases (net of amounts in respect of default interest and cash in transit) amounted to \$3.2 million in respect of 12 lessees (who leased a combined total of 29 aircraft representing 33.7% of our portfolio by appraised value as of January 31, 2011). Of the total \$3.2 million, \$2.0 million was in arrears for a period between 30 and 60 days and \$1.2 million was in arrears for a period greater than 60 days.

As of March 31, 2011, in addition to the \$3.2 million in respect of payments past due more than 30 days, the servicer had agreed to allow one lessee, which leased a total of two aircraft to defer payments totaling \$1.0 million in respect of rental payments, maintenance reserves and other miscellaneous amounts due under the leases for a period up to 15 months. Subsequent to March 31, 2011 the servicer has agreed further restructurings and deferral arrangements with two further lessees in respect of a further four aircraft. Restructurings typically involve delaying rent and other lease payments for certain periods and/or the reduction of current rentals. In addition, some restructurings involve forgiveness of amounts of past due rent, voluntary terminations of leases prior to lease expiration, the replacement of aircraft with less expensive aircraft and the arrangement of subleases from the lessee to another aircraft operator. In other cases, it has been necessary to repossess aircraft from lessees which have defaulted. The servicer continually monitors all lessee receivables and in addition to the restructurings referred to above, further restructurings could be agreed with a consequent adverse effect on operating revenues.

In addition to difficulties which have affected lessees in a given region, individual lessees have experienced periodic difficulties in meeting their maintenance obligations under the related leases. The difficulties have arisen from, among other things, the failure of the lessee to have in place a sufficiently well established maintenance program, adverse climate and other environmental conditions in the locations where the related aircraft is operated or financial and labor difficulties experienced by the relevant lessee. A continuous failure by a lessee to meet its maintenance obligations under the relevant lease could result in a grounding of the aircraft, could cause us to incur substantial costs in restoring the aircraft to an acceptable maintenance condition before the servicer can offer the aircraft for re-lease and could adversely affect the value of the aircraft.

The following is a discussion of the lessees experiencing difficulty by region in which they are located.

EUROPE

At March 31, 2011 we leased 15 aircraft representing 18.49% of our portfolio by appraised value as of January 31, 2011 to operators in Europe.

IATA reported that European carriers experienced a year-on-year passenger demand increase of 5.1% in 2010 as compared with 2009. This is double the capacity increase of 2.6%, which shored-up the passenger load factor at 79.4%. But the continent's economic uncertainty and continuing debt crisis limited yield improvements. Moreover, Europe was the hardest hit by December's severe weather, which slowed demand growth to 3.3%, less than half the 7.8% growth recorded in November.

In June 2011, IATA forecast that European carriers are expected to make a \$500 million profit in 2011. This is consistent with the previous forecast, but well below the \$1.9 billion that the region's carriers made in 2010. According to IATA, the sovereign debt crisis is dampening demand from the peripheral European economies. Core economies are benefiting from strong exports, but new and increased taxation of passengers is damaging price-sensitive demand, according to IATA. Much of the profit IATA forecast for this year is expected to be generated on more buoyant long-haul markets. According to IATA, a capacity increase of 4.8% is expected to outstrip demand growth of 3.9%.

In the quarters ended December 31, 2009 and March 31, 2010 the servicer entered into restructuring and deferral agreements with two European lessees in respect of three aircraft representing 4.34% of our portfolio by appraised value as of January 31, 2011. The lessee of two aircraft fulfilled its obligations under its restructuring agreement. The second lessee filed for bankruptcy and ceased operations in the quarter ended December 31, 2010, during which time we repossessed our aircraft from that lessee.

NORTH AMERICA

At March 31, 2011 we leased 11 aircraft representing 12.86% of our portfolio by appraised value as of January 31, 2011 to operators in North America.

IATA reported that North American carriers recorded year-on-year increases in passenger demand of 7.4% in 2010 as compared with 2009. A key feature in 2010 was the capacity discipline, where full-year capacity was up by just 3.9% (leading to a sharp recovery in profits). According to IATA, the passenger load factor at 82.2% for the full year (up from 79.6% in 2009) may prove difficult to maintain if capacity additions accelerate over the period ahead.

In June 2011, IATA forecast that North American carriers are expected to make a \$1.2 billion profit in 2011, down from the \$3.2 billion previously forecast and down from the \$4.1 billion profit made in 2010. IATA predict that higher oil prices will damage profitability in 2011 and the region is also adversely affected on the demand side with 12% of international revenues linked to the Japan market, although this is being offset somewhat by a stronger than expected U.S. economy and stronger inbound demand and exports fueled by the weak U.S. dollar. IATA predicts that careful capacity management will see an overall demand increase of 4% balanced by an equal increase in capacity in 2011.

In September 2009 the servicer repossessed one aircraft representing 0.73% of our portfolio by appraised value as of January 31, 2011 from one of our North American lessees. The airframe was sold and the engines are currently being separately leased to a new lessee. This airline has ceased operations and the servicer is currently monitoring the lessee's financial status to determine the most appropriate course of action regarding the lessee's obligations.

LATIN AMERICA

At March 31, 2011, we leased 13 aircraft representing 11.21% of our portfolio by appraised value as of January 31, 2011 to operators in Latin America, principally Brazil, Colombia, Argentina and Antigua.

IATA reported that Latin American carriers had 2010 whole year demand growth of 8.2% as compared with 2009 despite a 1.1 % decrease in December 2010, a reflection of the demise of Mexicana. For 2010 overall, demand was almost 8% more than 2008.

In June 2011, IATA forecast that Latin American carriers will post a \$100 million profit in 2011. This is down sharply from the \$900 million that the region made in 2010 and from the previously forecast \$300 million. According to IATA, strong economic growth and international trade in the region are driving travel and cargo demand and profits for the region's airlines. Exposure to higher oil prices is the key reason for the expected deterioration in the region's profitability this year.

During the quarter ended September 30, 2010 we terminated the leases of ten aircraft with a former Mexican lessee and finalised the repossession of these aircraft during the quarter ended December 31, 2010. Two of these aircraft, representing 1.24% of our portfolio by appraised value of January 31, 2011, were off-lease at March 31, 2011 but subject to contracts for sale. Furthermore, one of these two aircraft was involved in an emergency landing in February 2010, resulting in damage to the landing gear and

undercarriage of the aircraft. The insurance claim for this aircraft has been finalised and the proceeds were received subsequent to March 31, 2011. The remaining eight of the ten aircraft repossessed from this lessee were sold during the quarter ended March 31, 2011.

ASIA AND THE FAR EAST

As at March 31, 2011, we leased 14 aircraft, three airframes and six engines representing 22.12% of our portfolio by appraised value as of January 31, 2011 to operators in this region.

IATA reported that Asia-Pacific carriers recorded a 9% year-on-year increase in passenger demand in 2010 as compared with 2009. According to IATA, the economies of China and India continue to lead the region's recovery.

In June 2011, IATA forecast that Asia-Pacific carriers are expected to deliver the largest collective profit for any region of \$2.1 billion in 2011. This is down substantially from the \$10.0 billion profit that the region's carriers made in 2010 and from the previously forecast \$3.7 billion for 2011. According to IATA, the key reason for the downgrade from March's forecast is that the region is more exposed to higher fuel prices, as low labor costs and relatively low fuel hedging mean that fuel accounts for a bigger proportion of total costs. The effects of the Japanese earthquake and tsunami are expected to dent the region's prospects for the remainder of the year, however IATA expect that this will be more than offset by robust growth in both China and India.

During May 2009, the servicer entered into a restructuring agreement with one Indonesian lessee of two B737 aircraft, one of which was subsequently the subject of an insurance claim and has subsequently been disposed of by way of scrap sale and the other represents 1.29% of our portfolio by appraised value as of January 31, 2011. The lessee fulfilled its obligations under this restructuring agreement.

During March 2008 we repossessed three aircraft from an Indonesian lessee. In September 2010, the receivers of this now bankrupt lessee issued legal proceedings against us alleging embezzlement of the security deposits totaling \$1.3 million on the three aircraft. We believe that these proceedings are groundless and we are taking all appropriate action to defend ourselves against them.

During November 2010 one of our aircraft on-lease to one of our Indonesian lessees was involved in an incident during landing, resulting in damage to the nose and undercarriage of the aircraft. The aircraft is currently being assessed by the lessee's insurance brokers and will be the subject of an insurance claim in due course.

During the quarter ended March 31, 2011 we terminated the leases of two aircraft with one of our Asian lessees representing 0.80% of our portfolio by appraised value as of January 31, 2011. We successfully repossessed one of the two aircraft and are currently in discussions with the lessee for the return of the second aircraft. The two aircraft have been classed as off-lease as of March 31, 2011.

AFRICA

At March 31, 2011 we leased six aircraft representing 10.54% of our portfolio by appraised value at January 31, 2011 to operators in Africa.

IATA reported that African carriers experienced a sharp rebound of nearly 12.9% in passenger demand in 2010 as compared with 2009, although load factors remained well below the industry average, at 69.1%.

In June 2011, IATA forecast that African carriers are expected to post a loss of \$100 million in 2011. This is down from the previous forecast to break even for 2011 and down from the \$100 million profit that the region posted in 2010. According to IATA, political unrest across Northern Africa is dampening demand, particularly in Egypt and Tunisia, which have proportionately large tourism industries. According to IATA, economies and air transport demand in many African countries have grown strongly but the local industry has struggled to turn this into profitable growth, hampered by poor infrastructure and restrictive government regulation.

One of our African lessees of two aircraft representing 3.50% of our portfolio by appraised value as of January 31, 2011 is experiencing financial difficulties and the servicer is monitoring the lessee closely.

One of our African lessees of one aircraft representing 3.54% of our portfolio by appraised value as of January 31, 2011 has recently been barred from flying certain of its aircraft, including the aircraft leased from us, into the EU by the European Commission and the servicer is monitoring the lessee closely.

OTHER

At March 31, 2011 we leased 12 aircraft representing 14.40% of our portfolio by appraised value as of January 31, 2011 to five lessees in Russia.

Passenger traffic in Russia increased by approximately 26.2% in 2010 as compared with 2009 according to the Russian Aviation Authority. The strong 2010 result followed a decline of 10% in 2009 where carriers were especially hard hit by the economic downturn in the country. According to the Russian Aviation Authority, traffic figures for the first quarter of 2011 demonstrate a slowing of growth, but one that still indicates a burgeoning air transport market.

During 2009, the servicer entered into three restructuring agreements with three Russian lessees, which leased a total of eight B737 aircraft representing 8.98% of our portfolio by appraised value as of January 31, 2011. Two of these lessees have fulfilled their obligations under these restructuring agreements. The third lessee which leased five aircraft representing 5.54% of our portfolio by appraised value as of January 31, 2011 did not adhere to the terms of its initial restructuring agreement and the lessee entered into a new restructuring agreement in January 2010. The lessee fulfilled its obligations under the new restructuring agreement, however the servicer continues to monitor this lessee closely.

During 2009 two B737 aircraft which were on-lease to one Russian lessee were redelivered early. The aircraft represent 2.55% of our portfolio by appraised value as of January 31, 2011. The servicer is currently monitoring the former lessee's financial status to determine the most appropriate course of action regarding its outstanding obligations.

During 2009 the servicer also repossessed one aircraft representing 0.69% of our portfolio by appraised value as of January 31, 2011 from one of our Russian lessees. The airframe of the aircraft was sold and the engines are currently on-lease to a new lessee. The airline has ceased operations and the servicer is currently monitoring the lessee's financial status to determine the most appropriate course of action regarding the lessee's obligations.

During the quarter ended March 31, 2010 the servicer entered into restructuring and deferral agreements with two of our Russian lessees which lease two B737 and two A320 aircraft representing 5.42% of our portfolio by appraised value as of January 31, 2011. Both lessees fulfilled their obligations under these restructuring agreements in 2010, however one of these lessees entered into a new restructuring agreement during 2011. The lessee has to date fulfilled its obligations under the new restructuring agreement.

At March 31, 2011 we also leased three aircraft representing 3.52% of our portfolio by appraised value as of January 31, 2011 to a lessee in Ukraine and one aircraft representing 0.26% of our portfolio by appraised value as of January 31, 2011 to a lessee in Australia. During the quarter ended March 31, 2011 the servicer entered into a restructuring and deferral agreement with the lessee in the Ukraine. The lessee is currently up to date on its obligations. Subsequent to March 31, 2011 the servicer has entered into a restructuring agreement with one of our Russian lessees, which leases two aircraft representing 2.99% of our portfolio by appraised value as of January 31, 2011. The lessee has subsequently fulfilled its obligations under such restructuring agreement.

G. COMMERCIAL OPPORTUNITIES FOR CERTAIN TYPES OF OUR AIRCRAFT

Notwithstanding the current improved conditions in the airline industry noted under "6B. Management's Discussion and Analysis of Financial Condition and Results of Operations—Background," demand for aircraft of the types and age contained in our portfolio (particularly turboprop aircraft, B737 classic aircraft, F-100 aircraft and MD-83 aircraft) has declined significantly over the past two and a half years, reducing both values and lease rates. The decline has been exacerbated by the increasing availability of newer, more technologically advanced aircraft.

The servicer continues to look for opportunities to sell aircraft where the expected sale proceeds may be greater than the net present value of estimated cashflows from continued leasing, as well as aircraft with little or no re-lease prospects which require expenditure for storage, maintenance and insurance. The board does not approve the sale of an aircraft unless the servicer has concluded that the better economic option for that aircraft is a sale rather than a re-lease or where no re-lease prospects realistically exist. In determining whether to approve any proposed aircraft sale, the board reviews a written analysis from the servicer which, among other things, compares expected sale proceeds against the net present value of estimated cashflows from continued leasing

including, *inter alia*, the estimated transition costs. The servicer's overall objective in this analysis is to maximize the cashflow generation for the relevant aircraft. Board approval of any sale is based on the recommendation of the servicer. Given the age and type of aircraft in our portfolio, sales opportunities have been increasingly limited and are expected to continue to be limited.

In some cases where an aircraft has been approved for sale we have been unable to find a purchaser for the aircraft and its related engines as one unit but have been able to sell the individual airframe or one or both engines separately and continue to seek opportunities for the remaining pieces of equipment. In some cases, based on the recommendation of the servicer, we have determined that cashflows will be maximized through the continued leasing of an airframe or one or both engines comprising an aircraft separately and the sale of the remaining equipment.

Between the 2003 consent solicitation and March 31, 2011, we sold 87 aircraft, three airframes and four engines for an aggregate amount of \$185.4 million. In each case there was either no leasing market or the sale proceeds received were greater than the net present value of the estimated cashflows from continued leasing, including the estimated transition costs. These aircraft have typically been older aircraft, including B737-200As, DC8s, DC9s, MD-83s, F-100s and turboprop aircraft. At March 31, 2011, our portfolio contained a total of 30 aircraft and eight engines for which the current expectation is that sale rather than re-leasing will maximize cashflows. Of these aircraft and engines, eight aircraft and two engines were on the ground at March 31, 2011 and 22 aircraft and six engines are expected to become available for remarketing in the 15 months to June 30, 2012.

In the year to March 31, 2011, we sold one B737-200 aircraft, one B757-200 aircraft, 12 F-100 aircraft, one DHC8-300 aircraft, two MD82 aircraft (which were under conditional sale agreements), the airframes of two B737-300 aircraft and four CFM56-3C1 engines.

3. LEGAL PROCEEDINGS

VASP

Following the default by the Brazilian airline VASP under its leases, AerCap Ireland (formerly known as GPA Group) sought and obtained in November 1992 a preliminary injunction for repossession of 13 aircraft and three engines, and subsequently repossessed these aircraft and engines. Airplanes Group acquired seven of these aircraft from GPA Group in March 1996. Of these seven aircraft, one aircraft and two engines remain in our portfolio, representing 1.96% of our portfolio by appraised value as of January 31, 2011, and are currently on-lease to an Indonesian lessee.

In December 1996, the Sao Paulo Court of Justice, Brazil, found in favor of VASP on appeal and granted it the right to the return of the aircraft and engines or the right to seek damages against AerCap Ireland. AerCap Ireland challenged this decision and in January 2000, the Court of Justice granted a stay of the 1996 judgment while it considered AerCap Ireland's rescission action. In April 2002, the High Court found in favour of AerCap Ireland's rescission action and overturned the 1996 judgment in favour of VASP. VASP has actively pursued appeals to this decision and in June 2004, the Superior Court of Justice found in favour of VASP, granting VASP's special appeal with the consequential dismissal of AerCap Ireland's rescission action. AerCap Ireland has indicated that it will continue to actively pursue all available courses of action, including appeals and if necessary initiating a new rescission action. In July 2006 AerCap Ireland commenced legal proceedings in England to recover losses suffered as a result of VASP's breach of seven lease agreements and repossession of the aircraft thereunder. In response VASP filed an application to challenge the jurisdiction of the English court but AerCap Ireland has been successful in having this application struck out. On March 16, 2009, AerCap Ireland was awarded default judgment by the English courts whereby VASP has been ordered to pay AerCap Ireland approximately \$40 million for loss of profit and accrued interest under seven lease agreements. AerCap Ireland is now seeking to have this judgment enforced in Brazil.

In July 2008, the majority of VASP's creditors approved a motion to have VASP declared bankrupt and in September 2008, the bankruptcy court in Sao Paulo ordered the bankruptcy of VASP. This decision has been appealed by VASP and it is currently unclear when this appeal will be heard.

A risk of repossession by VASP of the two aircraft in our portfolio would only arise if VASP were successful on appeal (in Brazil) in seeking repossession of the aircraft and the aircraft were located in Brazil. Brazilian counsel to AerCap Ireland believe that VASP may not commence repossession action as VASP has indicated that it may instead file a motion for damages suffered as a result of the repossession by AerCap Ireland of the aircraft. In February 2006 VASP commenced a procedure for the calculation of the award for damages and since then both AerCap Ireland and VASP have appointed experts to assist the court in assessing what (if any)

damages VASP suffered. AerCap Ireland cannot at this time quantify the amount of this potential damages claim. However, AerCap Ireland's external counsel has advised that should it be found that AerCap Ireland is in fact responsible for damages, they do not believe that VASP will be able to demonstrate that it has suffered any loss as a result of AerCap's repossession. In July 2008, in addition to the English proceedings, AerCap Ireland commenced legal proceedings in Ireland to recover losses suffered as a result of VASP's breach of certain lease agreements where it was agreed in such lease agreements that Irish courts would have jurisdiction over disputes arising out of those lease agreements. Although none of our lessees which lease any of the relevant aircraft is based in Brazil, some of them may operate those aircraft into Brazil from time to time.

TRANSBRASIL

In 1999, following the default by the Brazilian airline Transbrasil under its leases, Airplanes Holdings, Alcyone FSC Corporation, Aviation Financial Services Inc., General Electric Capital Corporation, AerFi Leasing USA II Inc. and AerFi Group plc, as lessors, renegotiated the debt owed to them by Transbrasil, which issued six promissory notes, including one in the amount of \$7,196,700 to Airplanes Holdings, as guarantees of the payment obligations under such renegotiated debt. In 2000, Transbrasil defaulted on the promissory notes.

In 2001, Airplanes Holdings, along with the above named entities, commenced suit against Transbrasil seeking to collect on its promissory note. Later in 2001, Transbrasil filed a Declaratory Action against Airplanes Holdings and the above parties seeking a declaration that the promissory notes which Airplanes Holdings and the other defendants were seeking to collect had already been paid by Transbrasil (in whole or in part), and also seeking the imposition of a penalty against Airplanes Holdings and the other defendants, of twice the amount of the promissory notes. In addition, Transbrasil sought to have Airplanes Holdings and the other defendants indemnify Transbrasil for the losses resulting from the alleged wrongful collection of the promissory notes.

On May 3, 2007, the Declaratory Action was decided in favour of Transbrasil by the 22nd Lower Court of the State of Sao Paulo, Brazil. Transbrasil and Airplanes Holdings (as well as the other above named defendants) appealed the decision, which was preliminarily affirmed by the Appellate Court of the State of Sao Paulo in February 2010. On May 25, 2010, the Appellate Court issued its final decision, which found that the defendants must pay Transbrasil twice the amount of the promissory notes plus interest and legal costs. In the case of Airplanes Holdings, twice the amount of the promissory notes is approximately \$15 million, however, the amount of interest costs cannot yet be estimated as the court ruling is unclear with respect to the calculation of interest. On June 8, 2010, Airplanes Holdings (as well as the other defendants) filed two appeals. One appeal was filed with the Federal Court of Appeals of Brazil. The other appeal was filed by way of a Request for Certiorari coupled with an Extraordinary Appeal addressed to the Supreme Court of Brazil. As of the date of this Annual Report this appeal has not yet been heard. The appeal to the Supreme Court will stay dormant until the Federal Court of Appeals decides the appeal pending before it.

While Airplanes Holdings believes it has meritorious defences against the suit and the ruling, the ultimate resolution of the matter, which is expected to take a considerable length of time, could result in a loss of up to \$15 million plus interest and legal costs, and in accordance with U.S. Generally Accepted Accounting Principles, as at March 31, 2011 and March 31, 2010 the directors have made a provision of \$15 million in respect of this matter in the financial statements.

Lastly, there are also currently six proofs of claims filed with the estate of Transbrasil's bankruptcy, one for Airplanes Holdings and each of the above named companies. The bankruptcy trustee is working to liquidate assets of Transbrasil to pay outstanding debts of various creditors. Since this bankruptcy proceeding follows the old Brazilian law on the subject, all labor and tax debts of Transbrasil must be paid in full prior to any other creditor receiving a portion of claims against the bankrupt company. It is unlikely that Airplanes Holdings will ever recover any amounts from the estate of Transbrasil.

4. MARKET FOR AIRPLANES GROUP'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Airplanes Limited has an authorized share capital of 10,000 ordinary shares, with \$1 par value per share. 30 ordinary shares of Airplanes Limited have been issued and are outstanding. The ordinary shares of Airplanes Limited are not listed on any national exchange or traded in any established market. These shares are held by Juris Limited and Lively Limited, each a Jersey limited liability company, as bare nominees for the benefit of the following three charitable trusts (the "charitable trusts"):

Title of Class	Name and Address	Number of Shares	Percent of Class
Common stock	Mourant & Co. Trustees Limited as trustee of Holdings Trust I,	10 Shares	33 1/3%

Title of Class	Name and Address	Number of Shares	Percent of Class
	22 Grenville Street, St. Helier, Jersey, Channel Islands		
Common stock	Mourant & Co. Trustees Limited as trustee of Holdings Trust II, 22 Grenville Street, St. Helier, Jersey, Channel Islands	10 Shares	33 1/3%
Common stock	Mourant & Co. Trustees Limited as trustee of Holdings Trust III, 22 Grenville Street, St. Helier, Jersey, Channel Islands	10 Shares	33 1/3%

Under its articles of association, Airplanes Limited pays an annual fixed cumulative preferential dividend of \$4,500 (the “**annual dividend amount**”) to the holders of its capital stock, but only when it has distributable profits which may lawfully be paid as dividends and provided that no event of default has occurred and is continuing.

Mourant & Co. Trustees Limited, as trustee of each of the three charitable trusts, has agreed pursuant to a shareholders’ agreement with Airplanes Limited and the indenture trustee not to transfer any part of the capital stock of Airplanes Limited without the prior written approval of the indenture trustee and all the directors of Airplanes Limited, unless the transferee is a trustee of a substantially identical charitable trust and enters into a substantially identical shareholders’ agreement.

5. SELECTED COMBINED FINANCIAL DATA

The selected combined financial data set out below for each of the years in the five year period ended March 31, 2011 have been extracted or derived from the financial statements of Airplanes Group, which have been audited by KPMG, independent chartered accountants. These financial statements have been prepared in accordance with generally accepted accounting principles in the United States.

The selected combined financial data set forth below combine the operating results, assets, liabilities and cashflows of Airplanes Limited and Airplanes Trust. The separate balance sheets, statements of operations, statements of comprehensive income/(loss), statements of changes in shareholders’ deficit/net liabilities and statements of cashflows, and notes thereto, of Airplanes Limited and Airplanes Trust are contained in the financial statements included in Exhibit 1. The directors of Airplanes Limited and the controlling trustees of Airplanes Trust believe that a combined presentation is most appropriate because:

- the assets of Airplanes Limited and Airplanes Trust are managed on the basis of one combined aircraft fleet, and
- each of Airplanes Limited and Airplanes Trust has fully and unconditionally guaranteed the performance of the other under their respective notes.

You should note that the notes and the guarantees comprise obligations of two different legal entities owning different assets. However, the notes and guarantees have been structured in the indentures to ensure that no payments are made on a junior class of notes or guarantees of Airplanes Trust before all amounts due and payable on a more senior class of notes or guarantees of Airplanes Limited have been paid, and no payments are made on a junior class of notes or guarantees of Airplanes Limited before all amounts due and payable on a more senior class of notes or guarantees of Airplanes Trust have been paid.

Aircraft assets are stated on the “predecessor cost basis,” that is, reflecting AerCap Ireland’s historical cost less accumulated depreciation and impairment provisions. The difference between the predecessor cost basis and the amount of Airplanes Group’s indebtedness is a significant component of total shareholders’ deficit in the combined balance sheet data.

Airplanes Group's accounting policies are consistent with previous years except as detailed in note 4 to the financial statements. During the year ended March 31, 2008, certain aircraft and related balances were reclassified between Airplanes Limited and Airplanes Trust. The reclassification had no impact on the overall financial statements of Airplanes Group.

COMBINED STATEMENT OF OPERATIONS DATA(1)

	Fiscal Year Ended March 31,				
	2007(2)	2008	2009	2010	2011
	<u>As Restated</u>				
	(In \$ Millions)				
Revenues (note 3)					
Aircraft leasing.....	240	218	227	198	188
Aircraft sales	20	19	9	10	35
Other income	—	2	6	2	3
Expenses					
Cost of aircraft sold.....	(19)	(13)	(7)	(9)	(28)
Depreciation	(78)	(73)	(63)	(61)	(49)
Impairment charge	(39)	(64)	(116)	(59)	(129)
Net interest expense (note 4).....	(1,787)	(2,344)	(3,084)	(4,002)	(5,126)
Bad and doubtful debts	—	2	1	(1)	—
Other lease costs.....	(70)	(79)	(61)	(69)	(59)
Selling general and administrative expenses.....	(29)	(28)	(28)	(28)	(17)
Extraordinary item (note 5).....	—	—	—	—	1,697
Tax (charge)/benefit.....	—	—	—	—	18
Net loss	<u>(1,762)</u>	<u>(2,360)</u>	<u>(3,116)</u>	<u>(4,019)</u>	<u>(3,477)</u>

COMBINED BALANCE SHEET DATA(1)

	As of March 31,				
	2007(2)	2008	2009	2010	2011
	<u>As Restated</u>				
	(In \$ Millions)				
Aircraft, net, and net investment in capital and sales-type leases.....	1,059	903	717	587	379
Total assets	1,208	1,062	874	732	487
Indebtedness (note 4)	(2,710)	(2,619)	(2,501)	(2,394)	(2,197)
Provision for maintenance	—	—	—	—	—
Total liabilities.....	(9,647)	(11,883)	(14,808)	(18,676)	(21,908)
Net liabilities	<u>(8,439)</u>	<u>(10,821)</u>	<u>(13,934)</u>	<u>(17,944)</u>	<u>(21,421)</u>

COMBINED STATEMENT OF CASHFLOW DATA(1)

	Fiscal Year Ended March 31,				
	2007(2)	2008	2009	2010	2011
	<u>As Restated</u>				
	(In \$ Millions)				
Cash paid in respect of interest (note 4)	61	62	34	7	7
Net cash provided by operating activities (after payment of interest)	105	105	120	100	135
Net cash used in financing activities.....	(106)	(91)	(118)	(108)	(144)
Net increase/(decrease) in cash.....	<u>(1)</u>	<u>14</u>	<u>2</u>	<u>(8)</u>	<u>(9)</u>

OTHER DATA(1)

	Fiscal Year Ended March 31,				
	2007(2)	2008	2009	2010	2011
	As Restated				
			(In \$ Millions)		
Deficiency of combined earnings after combined fixed charges (note 6)	(1,762)	(2,360)	(3,116)	(4,019)	(3,477)

Notes:

- (1) The financial statements of Airplanes Group are stated in U.S. dollars which is the principal operating currency of Airplanes Group and the aviation industry.
- (2) The results for the fiscal year ended March 31, 2007 have been restated.
- (3) Revenues, as restated, include maintenance reserve receipts. See note 4 to the financial statements.
- (4) Net interest expense is significantly higher than cash paid in respect of interest in all periods reflecting the high interest rate accruing on the class E notes (20% adjusted for inflation) relative to the lower amount of cash interest payable on the class E notes for so long as the other classes of notes remain outstanding. Net interest expense is stated after crediting interest income of \$4 million in 2007, \$4 million in 2008, \$2 million in 2009, \$1 million in 2010 and \$2 million in 2011.
- (5) Extraordinary item relates to the release of the class E notes of Airplanes Trust in the principal amount of \$53 million and the accrued interest thereon amounting to \$1,645 million as described in note 16 to the financial statements.
- (6) Deficiency of combined earnings after combined fixed charges represents the amount by which Airplanes Group's loss before income taxes and fixed charges exceeded fixed charges. Fixed charges consist of interest expense. Because our fixed charges exceeded earnings for all periods presented, a ratio of earnings to fixed charges is not presented.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. INTRODUCTION

The following discussion and analysis is based primarily on the combined operating results of Airplanes Limited and Airplanes Trust and not on their results reported as individual entities. You should note that the notes and the guarantees comprise obligations of two different legal entities owning different assets. The directors and the controlling trustees believe that a combined discussion is the most appropriate basis of presentation because:

- Airplanes Limited and Airplanes Trust are not intended to be regarded as separate businesses but rather on the basis of one combined aircraft fleet, and
- each of Airplanes Limited and Airplanes Trust has fully and unconditionally guaranteed the performance of the other under their respective notes.

The notes and guarantees have been structured in the indentures to ensure that no payments are made on a junior class of notes of Airplanes Trust or Airplanes Limited, as the case may be, before all amounts due and payable on a more senior class of notes of Airplanes Limited or Airplanes Trust, respectively, have been paid pursuant to the terms of the more senior classes of notes or the guarantees of these notes.

Substantially all of Airplanes Group's future business is expected to consist of aircraft operating lease activities and sales. Airplanes Group's revenues and operating cashflows are determined by a number of significant factors, including:

- trading conditions in the civil aviation industry and, in particular, the market for aircraft on operating leases,
- the mix, relative age and popularity of the various aircraft types in our portfolio, and

- Airplanes Group's financial resources and liquidity position relative to its competitors who may possess substantially greater financial resources.

Except to the extent that the strength of the U.S. dollar against some local currencies may adversely affect the ability of some of our lessees who operate in those currencies to pay us, the effect of changes in currency rates on Airplanes Group is minimal because Airplanes Group conducts its business almost entirely in U.S. dollars.

B. BACKGROUND

Industry Overview

In June 2011, IATA revised its 2010 industry results and is now reporting a profit of \$18.0 billion for 2010 (up from the \$16.0 billion it forecast in March 2011). However, IATA has revised its projections for 2011 downwards to a net industry profit of \$4.0 billion (from the \$8.6 billion it forecast in March 2011). Net margins are forecast to remain weak at 3.2% for 2010 and falling to 0.7% in 2011.

Giovanni Bisignani, IATA's Director General and CEO stated, "Natural disasters in Japan, unrest in the Middle East and North Africa, plus the sharp rise in oil prices have slashed industry profit expectations to \$4 billion this year. That we are making any money at all in a year with this combination of unprecedented shocks is a result of a very fragile balance. The efficiency gains of the last decade and the strengthening global economic environment are balancing the high price of fuel. But with a dismal 0.7% margin, there is little buffer left against further shocks".

IATA has revised downward its predicted growth rates for both cargo and passenger markets because of higher fuel costs. IATA now predicts that passenger demand will grow by 4.4% over the year as compared with 2010 and that cargo demand will increase by 5.5% as compared with 2010. Yields are expected to grow by 3.0% for passenger traffic, with cargo yields expected to grow by 4.0%.

The lower net profit forecast for 2011 compared to the previous forecast comes from:

- **Increased Fuel Cost:** For 2011, the average oil price is expected to increase to \$110 per barrel, up from an average price of \$79.4 per barrel for 2010 and up from the \$96 per barrel cost in the previous IATA forecast. IATA predicts that this will increase fuel costs to 30% of operating costs (up from 26% in 2010).
- **Slower GDP Growth:** The 3.8% global GDP growth in 2010 is forecast to slow to 3.2%.
- **Taxation:** Austerity measures, particularly in Europe, are expected to dampen demand. Significantly increased taxation in some European countries (Germany, Austria, and the UK) is increasing the cost of travel by between 3% and 5% - significant enough to discourage travel and slow the industry recovery.

Impact on Airplanes Group

New aircraft, including those ordered during the profitable years 2005-2007, are continuing to come on stream and their availability is impacting our ability to re-lease our older aircraft at favourable rates or at all, with a consequent effect on their value. Although 2010 saw improvements for the airline industry as a whole over the previous two years, the increase in new aircraft availability combined with the age and type of aircraft in our portfolio, has meant that sales opportunities for all aircraft types in our fleet are currently extremely limited and are expected to continue to remain limited, and re-leasing opportunities for many of our aircraft are now also increasingly limited.

As of the date of this Annual Report we have eight aircraft and two engines on the ground and for one of these aircraft and both of these engines we have no commitment for their sale or lease. In the year ended March 31, 2011, the servicer repossessed or took early redelivery of 12 aircraft and restructured leases in respect of three aircraft. Subsequent to March 31, 2011 the servicer has entered into restructurings (or commenced negotiations for restructuring) in respect of leases of a further four aircraft. When we have been able to enter into new leases (while we have sometimes, most notably during the 2005 to 2007 period, achieved higher lease rates than those previously contracted for the same aircraft), the lease rates have generally been substantially lower than the rates assumed in the 2001 Base Case. For new leases entered into in the last two years the lease rates have, in all cases, been substantially lower than the lease rates assumed in the 2001 Base Case.

Aircraft Appraised Values

There has been a decline of \$61 million (8.8%) in the appraised base value of our fleet in the year to January 31, 2011, which is \$85 million less than the decline of \$146 million (13.1%) assumed in our 1996 Base Case assumptions. However, even after allowing for sales of aircraft which were not assumed in the 1996 Base Case, the average appraised base value of our fleet as of January 31, 2011 is \$338 million lower than the portfolio value assumed in the 1996 Base Case. The appraised base values are hypothetical values based upon the value of the aircraft at normal utilization rates in an open, unrestricted and stable market, and take into account long-term trends, including current expectations of particular models becoming obsolete more quickly, as a result of airlines switching to different models, or lease values for aircraft declining more rapidly than previous predictions. Notwithstanding the significant decline in appraised base values, the appraised base value of each of our aircraft is still higher and, in almost all cases, significantly higher than what we understand to be its likely current market value. Therefore, as a theoretical value, the appraised base value should not be viewed as indicative of market value and thus there is no guarantee that we would obtain the appraised base value upon sale of any aircraft. As discussed in “1C. Introduction—Risk Factors—Risks Relating to Payment on the Notes and Certificates”, decreases in appraised base values have previously resulted in the requirement to pay class A principal adjustment amount to the extent of available cashflows. Since we are no longer able to pay class A principal adjustment amount and since, as a result of our 2003 consent solicitation, we are no longer required to sell our aircraft at or above a specified target price, the appraised base values of our aircraft are now of little significance, except as a basis for providing statistical information on the portfolio and for complying with certain technical provisions in the indentures.

Performance

We have been unable to meet all of the 1996 Base Case assumptions or the 2001 Base Case assumptions. Even before the 9/11 terrorist attacks in the U.S., the worldwide economy had begun to weaken and the events of 9/11 exacerbated that weakness. Since then, despite a brief period (2005 - 2007) in which the aircraft industry strengthened and the overall improvements since the beginning of 2010, the industry has been generally challenged. For our portfolio of older, less fuel-efficient aircraft, the effects of years of weakness in the industry are felt more acutely; whatever demand exists will tend to favour newer, more efficient aircraft and our lease rates and aircraft values consequently suffer. Because of earlier restructurings and the fact that not all of our leases came up for renewal in the period 2005 - 2007, we could not benefit fully from the relative but temporary improvements in lease rates and values that even some of the older aircraft experienced in that period. We are thus generating revenues at significantly lower levels than we had assumed and at levels which have been inadequate to pay minimum principal on the class A notes in full, or to pay any interest or minimum principal on the class B notes or any interest on the class C and class D notes since the December 15, 2003 payment date. Even though, as a result of the 2003 consent solicitation, we are now able to sell aircraft which we may not have been able to sell previously, such sales are difficult to achieve and where sales have been completed, the sales proceeds have not made a significant difference to our cashflows. On each payment date, we are currently only paying in full our administrative and lease expenses and certain other payments in the ordinary course of business, interest on the class A notes and hedging payments, and the “First Collection Account Top-Up”. We use any remaining cashflows towards payment of minimum principal on the subclass A-9 notes which at May 16, 2011 was \$481.7 million in arrears. We do not believe that we will ever be able to resume making payments of interest or principal on the class B, C and D notes, and we do not expect to be able to repay the subclass A-9 notes in full. For a detailed background, see “1C. Introduction—Risk Factors Risks Relating to Payments on the Notes and Certificates—Our reduced cashflows mean that we are unable to make payments on junior notes and certificates.”

Remedies

As discussed in 1C above, notwithstanding the default in payment of interest on the class B, C and D notes, the holders of those notes (and thus, the corresponding certificates) are not permitted to enforce their rights until all amounts owing under any more senior class of notes outstanding and certain other amounts have been paid in full. The subclass A-9 notes are the most senior class of notes currently outstanding.

Ratings

Set out in the table in “1C. Introduction - Risk Factors—Risks relating to payment on the Notes and Certificates—Ratings” are the ratings of our certificates at June 15, 2011.

Remarketing

At March 31, 2011, in addition to the nine aircraft and two engines on the ground we had 16 aircraft and two engines scheduled to come off lease before March 31, 2012. Of these 25 aircraft and four engines, 14 aircraft and four engines (as noted under “2G. The Aircraft, Related Leases and Collateral—Commercial Opportunities for Certain Types of our Aircraft”) have been identified as likely sales candidates, one aircraft is contracted for a conditional sale, two aircraft are subject to letters of intent for sale and of the six aircraft which were the subject of letters of intent or contracts for sale at March 31, 2011, five aircraft and one engine have subsequently been delivered. In addition, one aircraft is contracted for re-lease and two aircraft are being marketed for re-lease. No assurance can be given that a letter of intent will result in a binding lease or sale agreement. As a result of the preference for newer, more technologically advanced and fuel-efficient aircraft, as well as the current over-supply of almost all types of aircraft in the market place and the factors discussed above, it will be difficult to place the majority of these aircraft and even if we are able to place aircraft, lease rates are likely to be lower than the lease rates for the earlier lease. Sale opportunities for these aircraft are similarly challenging.

Furthermore, in light of the financial condition of certain lessees and, until relatively recently, the overall weakness in the airline industry as a result of the worldwide recession, in addition to the aircraft repossessed and redelivered early in the year to March 31, 2011, we anticipate further repossessions and/or redeliveries of aircraft prior to their contractual lease expiries, resulting in additional remarketing obligations. Aircraft which are repossessed or returned early are unlikely to meet return conditions under the related lease, so we may also be required to incur significant redelivery and transition costs. To the extent that we suffer significant delays in placing these aircraft, we will incur substantial downtime. In addition, and consistent with our experience in the past two years, new lease rates are also likely to be substantially lower than the rates generated in the 2005 - 2007 period and substantially lower than the rates assumed in the 2001 Base Case.

With respect to each of our aircraft identified as a sale opportunity, we will apply the methodology described above under “2G. The Aircraft, Related Leases and Collateral Commercial Opportunities for Certain Types of Our Aircraft” on a case by case basis to determine whether sale of the aircraft, airframe or engines may be in the best interests of Airplanes Group and the noteholders. Given the age and type of aircraft in our portfolio, sales opportunities have been limited and with the overall weakness in the airline industry which has existed over most of the past ten years, and particularly in the period 2007 to 2009, are expected to continue to be limited.

Critical Accounting Policies

Airplanes Group determines the critical policies by considering accounting policies that involve the most subjective decisions or assessments. The most critical accounting policies are those related to depreciation methods and impairment of aircraft values, since both of these involve elements which require Airplanes Group to make assumptions as to matters that are highly uncertain at the time the estimates are made.

Depreciation:

Aircraft are recorded at cost and depreciated on a straight line basis over their estimated life to their estimated residual value. The determinations of useful life and residual value are critical to the calculation of depreciation. The estimates of residual values are the lower of 15% of cost or the estimated recoverable amount and for useful lives are as follows:

	<u>Years</u>	<u>From</u>
Turboprop aircraft.....	up to 22.5	Manufacture date
All other aircraft	up to 25	Manufacture date

The estimates of useful lives and residual values are reviewed at least annually.

Impairment:

Aircraft are periodically reviewed for impairment in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification No. 360 “Property, Plant and Equipment” (“FASB ASC 360”). An impairment review is required whenever events or changes in circumstances indicate that the asset’s carrying amount may not be recoverable. An impairment loss is evaluated when the undiscounted estimated future cashflows of the aircraft are less than its carrying value, and the loss is measured as the excess of the carrying value over the fair value.

The fair value of the aircraft is based on independent appraisals of aircraft and other available information, including past experience, actual lease rates, sales prices achievable in the current market, the servicer's experience in the market and estimated discounted future cashflows. The independent appraisals are determined based on the assumption that there is an "open, unrestricted stable market environment with a reasonable balance of supply and demand". Where the other available information indicates a lower value for an aircraft than its appraised base value, such information is evaluated in detail in making the determination of the fair value for that aircraft. Estimated discounted future cashflows are used as a more accurate indication of fair value where appropriate. The estimated discounted future cashflows assume, among other things, market lease rates or sale of the aircraft at the end of the existing lease term, other lease or sale costs, downtime and the risk inherent in the cashflows.

C. RESULTS OF OPERATIONS—YEAR ENDED MARCH 31, 2011 COMPARED WITH YEAR ENDED MARCH 31, 2010

Details of Airplanes Group's results are set out below:

	2010	2011	%
	(\$ Millions)		Change
Revenues			
Aircraft leasing	198	188	(5.1)
Other income	2	3	50.0
Aircraft sales	10	35	250.0
Expenses			
Depreciation	(61)	(49)	19.7
Cost of aircraft sold	(9)	(28)	(211.1)
Impairment charge	(59)	(129)	(118.6)
Net interest expense	(4,002)	(5,126)	(28.1)
Bad and doubtful debts	(1)	—	100.0
Other lease costs	(69)	(59)	14.5
Selling general and administrative expenses	(28)	(27)	3.6
Extraordinary item	—	1,697	100.0
Tax benefit/(expense)	—	18	100.0
Net loss	(4,019)	(3,477)	15.1

The results for the year ended March 31, 2011 reflected a continuation of the very difficult trading conditions for Airplanes Group. Sustained unsatisfactory market conditions for almost all of our aircraft, particularly for less attractive aircraft, such as our B737-400, B737-500 and B737-300 aircraft, gave rise to a requirement for impairment charges in the year ended March 31, 2011 of \$129 million (2010: \$59 million). We have sold aircraft with little or no re-lease prospects or where the servicer's analysis showed that the proceeds from the sale would be greater than the net present value of estimated cashflows from continued leasing, including the estimated transition expenditures, but at prices which have not made a significant difference to our cashflows. These factors will continue to have a significant adverse impact in future periods, although various factors, including the timing of receipts and expenditures and non-recurring items, can result in short-term swings in any particular reporting period.

Airplanes Group generated \$135 million in cash from operations in the year ended March 31, 2011, compared to \$100 million in the year ended March 31, 2010. There was a decrease in lease revenues due to a decrease in the number of aircraft in the portfolio, together with an increase in aircraft sales revenue due to an increase in the number of aircraft sold in the year ended March 31, 2011, as compared to the year ended March 31, 2010. We sold 17 aircraft, two airframes and four engines in the year ended March 31, 2011, compared to the year ended March 31, 2010, when we sold nine aircraft and one airframe. There was a net loss for the year ended March 31, 2011 of \$3,477 million (Airplanes Limited: \$4,907 million loss; Airplanes Trust: \$1,430 million profit) compared to a net loss for the year ended March 31, 2010 of \$4,019 million (Airplanes Limited: \$3,665 million; Airplanes Trust: \$354 million). Excluding accrued but unpaid class E note interest and the Extraordinary Item of \$1,697 million relating to the release of the principal and accrued interest associated with the release and discharge of the Airplanes Trust class E notes (as described further under Extraordinary Item below), the increase in the net loss for the year of \$34 million was primarily attributable to a decrease in lease revenue and an increase in impairment charges which were partially offset by higher profits from aircraft sales, lower depreciation and a reversal of a previously recognized tax charge.

LEASING REVENUES

Leasing revenues (which include maintenance reserve receipts which we receive from certain of our lessees) for the year ended March 31, 2011 were \$188 million (Airplanes Limited: \$178 million; Airplanes Trust: \$10 million), compared with \$198 million (Airplanes Limited: \$188 million; Airplanes Trust: \$10 million) for the year ended March 31, 2010. The decrease was primarily attributable to the reduction in the number of aircraft on-lease as a consequence of aircraft sales in previous periods. At March 31, 2011, we had 75 of our 84 aircraft, all three of our airframes and six of our eight engines on-lease (Airplanes Limited: 71 aircraft, three airframes, six engines; Airplanes Trust: four aircraft), compared to 95 of our 101 aircraft, one of our five airframes and four of our twelve engines on-lease (Airplanes Limited: 91 aircraft, one airframe, four engines; Airplanes Trust: four aircraft) at March 31, 2010.

OTHER INCOME

During the year ended March 31, 2011, Airplanes Group received other income of \$3 million (Airplanes Limited: \$3 million; Airplanes Trust: \$nil) primarily relating to proceeds received from the earlier than anticipated delivery of two MD82 aircraft under conditional sale agreements. During the year ended March 31, 2010, Airplanes Group received \$2 million (Airplanes Limited: \$2 million; Airplanes Trust: \$nil) of other income.

IMPAIRMENT CHARGES

Aircraft carrying values are periodically assessed for impairment in accordance with FASB ASC 360. An impairment review is required whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The statement requires an assessment for impairment when an asset's carrying value is greater than its estimated undiscounted future cashflows. Impairments are measured by the excess of carrying value over fair value. Following consideration of the independent appraisers' values and estimated future cashflows from rental or sales proceeds to be generated by our aircraft, a FASB ASC 360 assessment resulted in a requirement for an impairment charge of \$129 million (Airplanes Limited: \$125 million; Airplanes Trust: \$4 million) in the year ended March 31, 2011 as compared with an impairment charge of \$59 million (Airplanes Limited: \$58 million; Airplanes Trust: \$1 million) for the year ended March 31, 2010.

DEPRECIATION

The charge for depreciation in the year ended March 31, 2011 amounted to \$49 million (Airplanes Limited: \$46 million; Airplanes Trust: \$3 million) as compared with \$61 million (Airplanes Limited: \$58 million; Airplanes Trust: \$3 million) for the year ended March 31, 2010. The reduction in the charge resulted primarily from the reduced depreciable value of the fleet following aircraft sales in previous periods.

AIRCRAFT SALES

Sales proceeds of \$35 million (Airplanes Limited: \$35 million; Airplanes Trust: \$nil) in respect of the sale of one B737-200 aircraft, one B757-200 aircraft, one DHC8-300 aircraft, twelve F-100 aircraft, one B737-300 airframe and two CFM56-3C1 engines were received in the year ended March 31, 2011. The net book value of the aircraft, airframe and engines sold was \$28 million (Airplanes Limited: \$28 million; Airplanes Trust: \$nil). In the year ended March 31, 2010, sales proceeds of \$10 million (Airplanes Limited: \$10 million; Airplanes Trust: \$nil) in respect of the sale of one B737-400 aircraft, seven MD83 aircraft, one B737-300 aircraft and one B737-400 airframe were received. The net book value of the aircraft sold was \$9 million (Airplanes Limited: \$9 million; Airplanes Trust: \$nil).

NET INTEREST EXPENSE

Net interest expense was \$5,126 million (Airplanes Limited: \$4,841 million; Airplanes Trust: \$285 million), of which \$151 million related to interest on the class A to D notes and interest rate hedging payments and \$4,975 million related to interest on the class E notes, in the year ended March 31, 2011 compared to \$4,002 million (Airplanes Limited: \$3,646 million; Airplanes Trust: \$356 million), of which \$148 million related to interest on the class A to D notes and interest rate hedging payments and \$3,854 million related to interest on the class E notes in the year ended March 31, 2010. The increase in the amount of interest charged was primarily due to interest on accrued but unpaid class E note interest of \$1,121 million together with a higher average interest rate in the year ended March 31, 2011.

The weighted average interest rate on the class A to D notes (taking into account the interest rate caps entered into by Airplanes Group but excluding the class E supplemental interest amount and the remainder of the class E adjusted interest) during the year ended March 31, 2011 was 4.78% and the average debt in respect of the class A to D notes outstanding during the period was \$1,660 million. The class E notes together with the accrued but unpaid class E note interest, accrue interest at a rate of 20% per annum, as adjusted (by reference to the U.S. consumer price index, effective March 28, 1996) to the level of 31.05% at March 31, 2011. Following the waiver of interest by GE Capital, interest no longer accrues on the class E notes issued by Airplanes Trust (see the Extraordinary Item below).

The weighted average interest rate on the class A to D notes (on the same basis as above) during the year to March 31, 2010 was 4.87% and the average debt in respect of the class A to D notes outstanding during the period was \$1,850 million.

The difference for the year ended March 31, 2011 between Airplanes Group's net interest expense of \$5,126 million (Airplanes Limited: \$4,841 million; Airplanes Trust: \$285 million) and cash paid in respect of interest of \$7 million (Airplanes Limited: \$7 million; Airplanes Trust: \$nil) is substantially accounted for by the fact that interest on the class E notes is accrued but unpaid, and interest on the class B, C and D notes is now also being accrued and not paid.

Net interest expense is stated after deducting interest income earned during the relevant period. In the year ended March 31, 2011, Airplanes Group earned interest income (including lessee default interest) of \$2 million (Airplanes Limited: \$2 million; Airplanes Trust: \$nil), compared with \$1 million in the year ended March 31, 2010 (Airplanes Limited: \$1 million; Airplanes Trust: \$nil).

BAD DEBT PROVISIONS

Airplanes Group's practice is to provide specifically for any amounts due but unpaid by lessees based primarily on the amount due in excess of security held and also taking into account the financial strength and condition of a lessee and the economic conditions existing in the lessee's operating environment. There was no change in the provisions in respect of bad and doubtful debts in the year ended March 31, 2011 compared with a net increase in provisions for the year ended March 31, 2010 of \$1 million (Airplanes Limited: \$1 million; Airplanes Trust: \$nil).

OTHER LEASE COSTS

Other lease costs, comprising mainly aircraft related technical expenditure associated with remarketing the aircraft and maintenance costs incurred by certain of our lessees, in the year ended March 31, 2011 amounted to \$59 million (Airplanes Limited: \$57 million; Airplanes Trust: \$2 million), compared with other lease costs of \$69 million (Airplanes Limited: \$65 million; Airplanes Trust: \$4 million) in the year ended March 31, 2010.

A significant element of Airplanes Group's actual other lease costs reported in the year ended March 31, 2010 was a provision of \$15 million (Airplanes Limited: \$15 million; Airplanes Trust: \$nil) in respect of litigation with a former lessee, Transbrasil. During 2010, a court ruling in Brazil found against Airplanes Holdings in an action brought by Transbrasil as described in "3. Legal Proceedings." While Airplanes Holdings believes it has meritorious defences against the suit and the ruling, the ultimate resolution of the matter is expected to take a considerable length of time.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the year ended March 31, 2011 amounted to \$27 million (Airplanes Limited: \$26 million; Airplanes Trust: \$1 million) as compared to the year ended March 31, 2010 of \$28 million (Airplanes Limited: \$27 million; Airplanes Trust: \$1 million).

The most significant element of selling, general and administrative expenses is the aircraft servicing fees paid to GECAS as servicer. Substantially all of these amounts represent asset-based fees calculated as an annual percentage of agreed values of aircraft under management pursuant to a servicing agreement. Selling, general and administrative expenses in the year ended March 31, 2011 include \$18 million (Airplanes Limited: \$17 million; Airplanes Trust: \$1 million) related to servicing fees, as compared with \$20 million (Airplanes Limited: \$19 million; Airplanes Trust: \$1 million) in the year ended March 31, 2010.

A further significant element of Airplanes Group's actual selling, general and administrative expenses reported in the year ended March 31, 2011 was \$5 million (Airplanes Limited: \$5 million; Airplanes Trust: \$nil) in respect of administrative agency and cash management fees payable to subsidiaries of AerCap Ireland, as compared with the charge of \$5 million (Airplanes Limited: \$5 million; Airplanes Trust: \$nil) for the year ended March 31, 2010.

OPERATING LOSS

The operating loss on continuing operations for the year ended March 31, 2011 was \$5,192 million (Airplanes Limited: \$4,907 million; Airplanes Trust: \$285 million), compared with an operating loss on continuing operations of \$4,019 million for the year ended March 31, 2010 (Airplanes Limited: \$3,665 million; Airplanes Trust: \$354 million). Airplanes Limited and Airplanes Trust are expected to continue to report substantial losses in the future.

EXTRAORDINARY ITEM

On November 15, 2010 GE Capital, as holder of the class E notes issued by Airplanes Trust in the principal amount of \$53 million, notified Airplanes Trust that GE Capital thereby discharged and released Airplanes Trust from any and all payment and other obligations under such class E notes with the intent and for the purpose of discharging the indebtedness and other contractual obligations that such class E notes represent and cancelling those class E notes. On the basis of this notice and other considerations, the class E notes of Airplanes Trust in the principal amount of \$53 million and the accrued interest thereon amounting to \$1,644 million have been released in the Statement of Operations for the year ended March 31, 2011.

TAXES

There was a credit of \$18 million (Airplanes Limited: \$nil; Airplanes Trust: \$18 million) in relation to deferred tax in the year ended March 31, 2011, as a result of the Extraordinary Item detailed above, compared with a tax charge of \$nil (Airplanes Limited: \$nil; Airplanes Trust: \$nil) for the year ended March 31, 2010.

NET LOSS

The net loss after taxation on continuing operations for the year ended March 31, 2011 was \$3,477 million (Airplanes Limited: \$4,907 million loss; Airplanes Trust: \$1,430 million profit), compared with a net loss after taxation on continuing operations for the year ended March 31, 2010 of \$4,019 million (Airplanes Limited: \$3,665 million; Airplanes Trust: \$354 million).

D. RESULTS OF OPERATIONS—YEAR ENDED MARCH 31, 2010 COMPARED WITH YEAR ENDED MARCH 31, 2009

Details of Airplanes Group's results are set out below:

	2009	2010	%
	(\$ millions)		Change
Revenues			
Aircraft leasing.....	227	198	(12.8)
Other income.....	6	2	(66.6)
Aircraft sales.....	9	10	11.1
Expenses			
Depreciation.....	(63)	(61)	(3.1)
Cost of aircraft sold.....	(7)	(9)	(28.6)
Impairment charge.....	(116)	(59)	49.1
Net interest expense.....	(3,084)	(4,002)	(29.8)
Bad and doubtful debts.....	1	(1)	(200.0)
Other lease costs.....	(61)	(69)	(13.1)
Selling general and administrative expenses.....	(28)	(28)	—
Tax benefit/(expense).....	—	—	—
Net loss	<u>(3,116)</u>	<u>(4,019)</u>	<u>(28.1)</u>

The results for the year ended March 31, 2010 reflected a continuation of the very difficult trading conditions for Airplanes Group. Unsatisfactory market conditions, particularly for less attractive aircraft such as our B737-400, B737-500 and B737-300 aircraft, gave rise to a requirement for impairment charges in the year ended March 31, 2010 of \$59 million (2009: \$116 million). We sold aircraft where the servicer's analysis showed that the proceeds from the sale would be greater than the net present value of estimated cashflows from continued leasing, including the estimated transition expenditures, but at prices which did not make a

significant difference to our cashflows. These factors will continue to have a significant adverse impact in future periods, although various factors, including the timing of receipts and expenditures and non-recurring items, can result in short-term swings in any particular reporting period.

Airplanes Group generated \$100 million in cash from operations in the year ended March 31, 2010, compared to \$120 million in the year ended March 31, 2009. There was a decrease in lease revenues as a result of a decrease in maintenance reserve receipts offset by a decrease in interest paid as a result of decreased average LIBOR rates for the year ended March 31, 2010 as compared to the year ended March 31, 2009. We sold nine aircraft and one airframe in the year ended March 31, 2010, compared to the year ended March 31, 2009, when we sold five aircraft. There was a net loss for the year ended March 31, 2010 of \$4,019 million (Airplanes Limited: \$3,665 million; Airplanes Trust: \$354 million) compared to a net loss for the year ended March 31, 2009 of \$3,116 million (Airplanes Limited: \$2,850 million; Airplanes Trust: \$266 million). Excluding accrued but unpaid class E note interest, the decrease in the net loss for the period of \$27 million was primarily attributable to a decreased aircraft impairment charge in the year, partially offset by an increase in other lease costs.

LEASING REVENUES

Leasing revenues (which include maintenance reserve receipts which we receive from certain of our lessees) for the year ended March 31, 2010 were \$198 million (Airplanes Limited: \$188 million; Airplanes Trust: \$10 million) compared with \$227 million (Airplanes Limited: \$214 million; Airplanes Trust: \$13 million) for the year ended March 31, 2009. The decrease was primarily attributable to the decrease in maintenance reserve receipts together with the reduction in the number of aircraft on-lease as a consequence of aircraft sales in previous periods. At March 31, 2010, we had 95 of our 101 aircraft, one of our five airframes and four of our twelve engines on-lease (Airplanes Limited: 91 aircraft, one airframe, four engines; Airplanes Trust: four aircraft), compared to 100 of our 116 aircraft on-lease (Airplanes Limited: 96 aircraft; Airplanes Trust: four aircraft) at March 31, 2009.

OTHER INCOME

During the year ended March 31, 2010, Airplanes Group received other income of \$2 million (Airplanes Limited: \$2 million; Airplanes Trust: \$nil) as compared to \$6 million (Airplanes Limited: \$6 million; Airplanes Trust: \$nil) during the year ended March 31, 2009 which related to income from agreements signed with lessees following their emergence from bankruptcy protection.

IMPAIRMENT CHARGES

Aircraft carrying values are periodically assessed for impairment in accordance with FASB ASC 360. An impairment review is required whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The statement requires an assessment for impairment when an asset's carrying value is greater than its estimated undiscounted future cashflows. Impairments are measured by the excess of carrying value over fair value. Following consideration of the independent appraisers' values and estimated future cashflows from rental or sales proceeds to be generated by our aircraft, a FASB ASC 360 assessment resulted in a requirement for an impairment charge of \$59 million (Airplanes Limited: \$58 million; Airplanes Trust: \$1 million) in the year ended March 31, 2010 as compared with an impairment charge of \$116 million (Airplanes Limited: \$116 million; Airplanes Trust: \$nil) for the year ended March 31, 2009.

DEPRECIATION

The charge for depreciation in the year ended March 31, 2010 amounted to \$61 million (Airplanes Limited: \$58 million; Airplanes Trust: \$3 million) as compared with \$63 million (Airplanes Limited: \$61 million; Airplanes Trust: \$2 million) for the year ended March 31, 2009. The reduction in the charge resulted primarily from the reduced depreciable value of the fleet following aircraft sales in previous periods.

AIRCRAFT SALES

Sales proceeds of \$10 million (Airplanes Limited: \$10 million; Airplanes Trust: \$nil) in respect of the sale of one B737-400 aircraft, seven MD83 aircraft, one B737-300 aircraft and one B737-400 airframe were received in the year ended March 31, 2010. The net book value of the aircraft and airframe sold was \$9 million (Airplanes Limited: \$9 million; Airplanes Trust: \$nil). In the year ended March 31, 2009, sales proceeds of \$9 million (Airplanes Limited: \$9 million; Airplanes Trust: \$nil) in respect of the sale of one DC8-71F aircraft, one MD83 aircraft and three DHC8-100 aircraft were received. The net book value of the aircraft sold was \$7 million (Airplanes Limited: \$7 million; Airplanes Trust: \$nil).

NET INTEREST EXPENSE

Net interest expense was \$4,002 million (Airplanes Limited: \$3,646 million; Airplanes Trust: \$356 million), of which \$148 million related to interest on the class A to D notes and interest rate swap payments and \$3,854 million related to interest on the class E notes, in the year ended March 31, 2010 compared to \$3,084 million (Airplanes Limited: \$2,809 million; Airplanes Trust: \$275 million), of which \$159 million related to interest on the class A to D notes and interest rate swap payments and \$2,925 million related to interest on the class E notes, in the year ended March 31, 2009. The increase in the amount of interest charged was primarily due to interest on accrued but unpaid class E note interest of \$918 million partially offset by lower average debt and a lower average interest rate in the year ended March 31, 2010.

The weighted average interest rate on the class A to D notes (taking into account the interest rate swaps entered into by Airplanes Group but excluding the class E supplemental interest amount and the remainder of the class E adjusted interest) during the year ended March 31, 2010 was 4.87% and the average debt in respect of the class A to D notes outstanding during the period was \$1,850 million. The class E notes together with the accrued but unpaid class E note interest, accrue interest at a rate of 20% per annum, as adjusted (by reference to the U.S. consumer price index, effective March 28, 1996) to the level of 31.67% at March 31, 2010.

The weighted average interest rate on the class A to D notes (on the same basis as above) during the year to March 31, 2009 was 5.71% and the average debt in respect of the class A to D notes outstanding during the period was \$1,954 million.

The difference for the year ended March 31, 2010 between Airplanes Group's net interest expense of \$4,002 million (Airplanes Limited: \$3,646 million; Airplanes Trust: \$356 million) and cash paid in respect of interest of \$7 million (Airplanes Limited: \$6 million; Airplanes Trust: \$1 million) is substantially accounted for by the fact that interest on the class E notes is accrued but unpaid, and interest on the class B, C and D notes is now also being accrued and not paid.

Net interest expense is stated after deducting interest income earned during the relevant period. In the year ended March 31, 2010, Airplanes Group earned interest income (including lessee default interest) of \$1 million (Airplanes Limited: \$1 million; Airplanes Trust: \$nil), compared with \$2 million in the year ended March 31, 2009 (Airplanes Limited: \$2 million; Airplanes Trust: \$nil).

BAD DEBT PROVISIONS

Airplanes Group's practice is to provide specifically for any amounts due but unpaid by lessees based primarily on the amount due in excess of security held and also taking into account the financial strength and condition of a lessee and the economic conditions existing in the lessee's operating environment. A number of Airplanes Group's lessees failed to meet their contractual obligations in the year ended March 31, 2010, which resulted in a requirement for loss provisions in respect of bad and doubtful debts in respect of these lessees. The credit exposure with regard to certain other carriers worsened over the period and overall, there was a net increase in the provisions in respect of bad and doubtful debts in the year ended March 31, 2010 of \$1 million (Airplanes Limited: \$1 million; Airplanes Trust: \$nil), compared with a net decrease in provisions for the year ended March 31, 2009 of \$1 million (Airplanes Limited: \$1 million; Airplanes Trust: \$nil).

OTHER LEASE COSTS

Other lease costs, comprising mainly aircraft related technical expenditure associated with remarketing the aircraft and maintenance costs incurred by certain of our lessees, in the year ended March 31, 2010 amounted to \$69 million (Airplanes Limited: \$65 million; Airplanes Trust: \$4 million), compared with other lease costs of \$61 million (Airplanes Limited: \$60 million; Airplanes Trust: \$1 million) in the year ended March 31, 2009.

A further significant element of Airplanes Group's actual other lease costs reported in the year ended March 31, 2010 was a provision of \$15 million (Airplanes Limited: \$15 million; Airplanes Trust: \$nil) in respect of litigation with a former lessee, Transbrasil. During 2010, a court ruling in Brazil found against Airplanes Holdings in an action brought by Transbrasil as described in "3. Legal Proceedings." While Airplanes Holdings believes it has meritorious defences against the suit and the ruling, the ultimate resolution of the matter is expected to take a considerable length of time.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the year ended March 31, 2010 amounted to \$28 million (Airplanes Limited: \$27 million; Airplanes Trust: \$1 million) as compared to the year ended March 31, 2009 of \$28 million (Airplanes Limited: \$27 million; Airplanes Trust: \$1 million).

The most significant element of selling, general and administrative expenses is the aircraft servicing fees paid to GECAS as servicer. Substantially all of these amounts represent asset-based fees calculated as an annual percentage of agreed values of aircraft under management pursuant to a servicing agreement. Selling, general and administrative expenses in the year ended March 31, 2010 include \$20 million (Airplanes Limited: \$19 million; Airplanes Trust: \$1 million) related to servicing fees, as compared with \$20 million (Airplanes Limited: \$19 million; Airplanes Trust: \$1 million) in the year ended March 31, 2009.

A further significant element of Airplanes Group's actual selling, general and administrative expenses reported in the year ended March 31, 2010 was \$5 million (Airplanes Limited: \$5 million; Airplanes Trust: \$nil) in respect of administrative agency and cash management fees payable to subsidiaries of AerCap Ireland, as compared with the charge of \$5 million (Airplanes Limited: \$5 million; Airplanes Trust: \$nil) for the year ended March 31, 2009.

OPERATING LOSS

The operating loss on continuing operations for the year ended March 31, 2010 was \$4,019 million (Airplanes Limited: \$3,665 million; Airplanes Trust: \$354 million), compared with an operating loss on continuing operations of \$3,116 million for the year ended March 31, 2009 (Airplanes Limited: \$2,850 million; Airplanes Trust: \$266 million). Airplanes Limited and Airplanes Trust are expected to continue to report substantial losses in the future.

TAXES

There was a tax charge of \$nil (Airplanes Limited: \$nil; Airplanes Trust: \$nil) in the year ended March 31, 2010, as compared with a tax charge of \$nil (Airplanes Limited: \$nil; Airplanes Trust: \$nil) for the year ended March 31, 2009.

NET LOSS

The net loss after taxation on continuing operations for the year ended March 31, 2010 was \$4,019 million (Airplanes Limited: \$3,665 million; Airplanes Trust: \$354 million), compared with a net loss after taxation on continuing operations for the year ended March 31, 2009 of \$3,116 million (Airplanes Limited: \$2,850 million; Airplanes Trust: \$266 million).

E. FINANCIAL RESOURCES AND LIQUIDITY

Our primary source of liquidity is rental payments made by lessees under the leases. Our principal uses of cash rental payments are expenses related to the aircraft and their servicing, corporate expenses and the payment of interest, principal and any premium on indebtedness. See "6K. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Indebtedness" for more information regarding our outstanding debt.

Airplanes Group's cash balances at March 31, 2011 amounted to \$69 million (Airplanes Limited: \$69 million; Airplanes Trust: \$nil), compared to cash balances at March 31, 2010 of \$78 million (Airplanes Limited: \$78 million; Airplanes Trust: \$nil).

Under the terms of Airplanes Group's indebtedness we are required, to the extent we have sufficient cashflows, to maintain cash balances, which we refer to as the "liquidity reserve amount", equal to (1) the amount of security deposits (\$13.5 million at March 31, 2011) and (2) a maintenance reserve. See "6N. The Accounts—Liquidity Reserve Amount" for circumstances under which these amounts may be increased or decreased and "6H. —Reduction of Cash Liquidity Reserve" for details of a reduction in the liquidity reserve amount which took place in the year ended March 31, 2011. When we have cash to fund these reserves, the terms of Airplanes Group's indebtedness restrict the use of this cash so that it is generally not available to service debt. The liquidity reserve amount was determined largely based on an analysis of historical experience, assumptions regarding Airplanes Group's future performance and the frequency and cost of certain contingencies in respect of the aircraft. It was intended to provide liquidity for meeting the cost of maintenance obligations and non-maintenance, aircraft-related contingencies, such as removing liens, complying with ADs and repossessing and re-leasing aircraft.

Since December 15, 2003, however, we have been unable to fund the \$20 million maintenance reserve fund and the security deposit reserve fund, and we have only been able to retain cash at the “First Collection Account Top-Up” level in the priority of payments.

F. CONSENT SOLICITATION

On November 30, 2010 Airplanes Group announced that it had successfully completed the solicitation of consents (the “**2010 Consent Solicitation**”) from holders of the subclass A-8 and A-9 and class B, C and D certificates and class E notes to various amendments (the “**Amendments**”), as described in the consent solicitation statement dated as of November 2, 2010 (the “**Consent Solicitation Statement**”), to the indenture dated as of March 28, 1996 among Airplanes Limited, as issuer, Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as trustee and Airplanes Trust, as guarantor (as amended or supplemented from time to time, the “**Airplanes Limited Indenture**”) and to the indenture dated as of March 28, 1996 among Airplanes Trust, as issuer, Deutsche Bank Trust Company Americas, as trustee and Airplanes Limited, as guarantor (as amended or supplemented from time to time, the “**Airplanes U.S. Trust Indenture**” and together with the Airplanes Limited Indenture, the “**indentures**”).

The consent from the holders of record of a majority of the outstanding principal balance of the notes, voting as a single class, required to approve the Amendments was received in the 2010 Consent Solicitation. Airplanes Group executed supplements to the indentures to implement the Amendments with effect from November 30, 2010.

The Amendments, as described more fully in the Consent Solicitation Statement:

(i) remove the requirement that Airplanes Group obtain rating agency confirmation or “RAC” (a confirmation from each rating agency that a specified action or event will not result in a downgrade or withdrawal of such rating agency’s then current rating of a class or subclass of certificates) or, in some cases, approval from each rating agency prior to taking actions for which such RAC or approval is currently required, including, amongst other provisions: (a) a reduction in Airplanes Group’s required liquidity reserve amount, (b) changes to the concentration limits and the list of countries into which Airplanes Group is prohibited from leasing aircraft, (c) creating certain encumbrances over leases, (d) changes to Airplanes Group’s hedging policy, (e) making certain investments, (f) amending Airplanes Group’s charter documents, (g) consummating a merger, consolidation or transfer of all or substantially all of Airplanes Group’s assets and (h) entering into a hedging agreement with a counterparty not meeting the specified criteria for a hedging provider; and

(ii) reduce the minimum amount of hull insurance and political risk insurance or “PRI” coverage that Airplanes Group is required to carry on each aircraft to an amount that is at least equal to the most recent appraised base value of such aircraft.

The Amendments replace the requirement for RAC or approval from each rating agency with a requirement for prior written notification to each rating agency of the proposed action. All such proposed actions will continue to require approval of the boards of directors and controlling trustees of Airplanes Limited and Airplanes Trust.

The overall purpose of the Amendments (as described more fully in the Consent Solicitation Statement) is to (i) give Airplanes Group increased operational flexibility and efficiency in conducting its on-going aircraft leasing and sale activities so that it can maximize the value of, and cash flows from, the remaining assets in Airplanes Group’s portfolio, taking into account ever-changing market conditions and the age of its fleet and (ii) reduce unnecessary costs and expenses.

A copy of the Consent Solicitation Statement has been posted on Airplanes Group’s website <http://www.airplanes-group.com>.

G. SURRENDER OF CLASS E NOTES AND CESSATION OF OFFICE OF CLASS E NOTE DIRECTOR / CONTROLLING TRUSTEE

On November 15, 2010 GE Capital, as holder of the class E notes issued by Airplanes Trust in the principal amount of \$52,668,807, notified Airplanes Trust that GE Capital thereby discharged and released Airplanes Trust from any and all payment and other obligations under such class E notes with the intent and for the purpose of discharging the indebtedness and other contractual obligations that such class E notes represent and cancelling those class E notes. On the basis of this notice and other considerations, the class E notes of Airplanes Trust in the principal amount of \$52,668,807 and the accrued interest thereon amounting to \$1,644,637,626 have been released in the Statement of Operations for the year ended March 31, 2011. The interest expense was originally recorded in Net Interest Expense in the Statement of Operations, however due to the unique and infrequent nature of this

transaction the principal and interest released have been included as an Extraordinary Item in the Statement of Operations. This transaction has resulted in the reversal of a \$18 million deferred tax liability during the year ended March 31, 2011. GE Capital has also indicated that it is considering cancelling and surrendering its interest in the class E notes issued by Airplanes Limited. If such cancellation and surrender were to occur, there may be adverse tax consequences for Airplanes Group. Airplanes Group is currently considering whether there are ways to mitigate any such tax consequences should the cancellation and surrender by GE Capital take place.

Brian Hayden, who was appointed as class E note controlling trustee of Airplanes Trust by GE Capital as class E noteholder, resigned from office as class E note controlling trustee on November 9, 2010.

Further, Mr. Hayden, who was appointed as class E note director of Airplanes Limited by GE Capital as holder of the majority of the class E notes issued by Airplanes Limited, resigned from office as class E note director on January 19, 2011.

H. REDUCTION OF CASH LIQUIDITY RESERVE

We are required under the indentures to maintain a liquidity reserve by way of a cash balance in the collection account, subject to available cashflows, in an amount equal to the sum of:

- the maintenance reserve amount (\$80 million); and
- a security deposit reserve amount.

Under the priority of payments applicable to Airplanes Group, this cash balance is retained (below point (i) retention of cash for anticipated expenses and point (ii) class A interest payments and hedging payments) at point (iii) First Collection Account Top-up (maintenance reserve amount of \$60 million) and at point (x) Second Collection Account Top-up (maintenance reserve amount of \$20 million plus security deposit reserve amount).

These levels of liquidity reserve were set in March 2001 at the time of the refinancing of certain of our notes and certificates. Because our cashflows have been insufficient to allocate any funds to the Second Collection Account Top-up since December 2003, we only maintained a cash balance, by way of maintenance reserve amount, of \$60 million until February 15, 2011 and currently only maintain a cash balance, by way of maintenance reserve amount, of \$45 million.

As a result of the successful 2010 Consent Solicitation in November 2010, the boards of directors of Airplanes Limited and controlling trustees of Airplanes Trust (the “**Boards**”) are now permitted to reduce the required amount of liquidity reserve subject to prior notification thereof to the rating agencies. The amount set as the liquidity reserve in March 2001 was designed to help us maintain the ratings on our certificates at that time (Aa2/AA for the subclass A-6, A-8 and A-9 certificates, compared with B1/CCC for the subclass A-9 certificates currently) and reflected a pool of 193 aircraft (compared with the 93 aircraft, three airframes and eight engines that we owned at February 15, 2011). The maintenance reserve amount of \$80 million held in March 2001, was equal to only 4.22% of the principal amount of class A notes and certificates outstanding at that time. The cash balance of \$60 million held at January 18, 2011 was equal to 8.18% of the principal amount of subclass A-9 notes and certificates outstanding as at January 18, 2011.

Having consulted with the Administrative Agent and the Cash Manager and taking account of information provided by the Servicer, the Administrative Agent and the Cash Manager, the Boards determined in February 2011 that the amount then held as the liquidity reserve, \$60 million, was higher than necessary and that, notwithstanding a substantial reduction in our cash flows since 2001, \$45 million was a more appropriate liquidity reserve given the significantly smaller number of aircraft now in our portfolio, the significantly lower outstanding principal balance of our class A notes and certificates (comprising solely subclass A-9), the current ratings of such certificates, and our current and anticipated expenses, which no longer include payments on out-of-the money interest rate swaps. This reduction of \$15 million in the level of the maintenance reserve amount took effect from the February 15, 2011 payment date and resulted in the reduction of class A minimum principal by a corresponding amount. We believe that such cash distribution was a more efficient use of cash given the current interest rate payable on the subclass A-9 notes and certificates and the interest we earn on our cash balances. The reduced liquidity reserve amount of \$45 million was equal to approximately 6.4% of the principal amount of subclass A-9 notes and certificates outstanding on February 15, 2011 after the payments on that date, which was still higher than the 4.22% ratio as of March 2001.

It should be noted, however, that the reduction in the level of the maintenance reserve amount will necessarily decrease the amount of liquidity available to us to meet required expenses and that there can be no assurances that our future cash flows from operations, together with our lower cash reserve, will be sufficient at all times to meet those obligations. This risk is somewhat attenuated by our ability to increase the miscellaneous reserve amount at any time following a reduction, subject to available cashflows. Any such increase, however, would reduce, dollar-for-dollar, payment of minimum principal on the subclass A-9 notes and certificates at that time.

I. OPERATING ACTIVITIES

Operating cashflows depend on many factors, including the performance of lessees and Airplanes Group’s ability to re-lease aircraft, the average cost of the notes, the efficacy of Airplanes Group’s interest rate hedging policies, the ability of Airplanes Group’s cap providers to perform under the terms of their cap obligations and maintenance cashflows which, although expected to be neutral over time, may not balance in any given year.

Net cash provided by operating activities in the year ended March 31, 2011 amounted to \$135 million (Airplanes Limited: \$122 million; Airplanes Trust: \$13 million) compared with \$100 million in the year ended March 31, 2010 (Airplanes Limited: \$96 million; Airplanes Trust: \$4 million). This includes cash paid in respect of interest of \$7 million in the year ended March 31, 2011 (Airplanes Limited: \$7 million; Airplanes Trust: \$nil) compared with \$7 million in the year ended March 31, 2010 (Airplanes Limited: \$6 million; Airplanes Trust: \$1 million). There was a decrease in lease revenues due to a decrease in the number of aircraft in the portfolio in the year ended March 31, 2011 as compared to the year ended March 31, 2010.

In the year ended March 31, 2011, Airplanes Group also received net sales proceeds of \$35 million (Airplanes Limited: \$35 million; Airplanes Trust: \$nil), compared to \$10 million (Airplanes Limited: \$10 million; Airplanes Trust: \$nil) in the year ended March 31, 2010. There was an increase in aircraft sales proceeds due to an increase in the number of aircraft sold in the year ended March 31, 2011 as compared to the year ended March 31, 2010.

J. FINANCING ACTIVITIES

Cashflows from financing activities in the year ended March 31, 2011 reflect the repayment of \$82 million of principal of the subclass A-8 notes and \$62 million of the subclass A-9 notes totalling \$144 million by Airplanes Group (Airplanes Limited: \$131 million; Airplanes Trust: \$13 million), compared with \$108 million of principal of the subclass A-8 notes repaid by Airplanes Group (Airplanes Limited: \$98 million; Airplanes Trust: \$10 million) in the year ended March 31, 2010.

There was an increase in the amount of cash paid as interest during the year ended March 31, 2011 of \$1 million, as a result of a slightly higher average interest rate partially offset by lower average debt.

K. INDEBTEDNESS

Airplanes Group’s outstanding indebtedness consisted of class A, B, C, D and E notes in the amount of \$2,197 million (Airplanes Limited: \$2,051 million; Airplanes Trust: \$146 million) at March 31, 2011 and \$2,394 million (Airplanes Limited: \$2,182 million; Airplanes Trust: \$212 million) at March 31, 2010. Airplanes Group had \$538 million of class E notes outstanding at March 15, 2011 and \$591 million outstanding at March 31, 2010. The decrease of class E note principal of \$53 million relates to the discharge and release by GE Capital of the obligations of Airplanes Trust under the class E notes held by them, as further described under “6G. Surrender of Class E Notes and Cessation of Office of Class E Note Director/Controlling Trustee”. The terms of each class or subclass of notes, including the outstanding principal amount as of March 15, 2011 and estimated fair market value as of March 31, 2011, are as follows:

Class or Subclass of Certificates and Notes	Outstanding Principal Amount as of March 15, 2011 (\$ Millions)	Annual Interest Rate (Payable Monthly)	Final Maturity Date	Estimated Fair Market Value as of March 31, 2011(3) (\$ Millions)
Subclass A-8(1).....	—	—	—	—
Subclass A-9	688.0	LIBOR+0.550%	March 15, 2019	485.0
Class B	226.8	LIBOR+0.750%	March 15, 2019	11.3
Class C	349.8	8.150%	March 15, 2019	0.1

Class or Subclass of Certificates and Notes	Outstanding Principal Amount as of March 15, 2011	Annual Interest Rate (Payable Monthly)	Final Maturity Date	Estimated Fair Market Value as of March 31, 2011(3)
	(\$ Millions)			(\$ Millions)
Class D.....	395.1	10.875%	March 15, 2019	0.1
Class E (notes only)(2).....	538.6	20.000%	March 15, 2019	—

- (1) The principal of the subclass A-8 notes and certificates was repaid in full on November 15, 2010. Although accrued and unpaid step-up interest on such notes and certificates remains outstanding and interest continues to accrue on such unpaid step-up interest, these amounts are payable at level (xv) in the priority of payments and we do not have sufficient cashflows to pay them.
- (2) The decrease of class E note principal by \$53 million relates to the discharge and release by GE Capital of the obligations of Airplanes Trust under the class E notes held by them, as further described under “6G. Surrender of Class E Notes and Cessation of Office of Class E Note Director/Controlling Trustee”. The annual interest rate on the class E notes is adjusted by reference to changes in the U.S. Consumer Price Index since March 28, 1996. As of March 31, 2011, the annual interest rate on the class E notes was 31.05%. Except for the class E minimum interest amount and supplemental interest amount, payable at 1% and 10% per annum respectively, no principal or interest is payable on the class E notes until the more senior classes of notes have all been paid in full. As of March 31, 2011, the accrued and unpaid class E minimum interest amount and supplemental interest amount was \$18,765 million.
- (3) Although the estimated fair values of the class A to D notes outstanding have been determined by reference to prices as at March 31, 2011 provided by an independent third party based on information available to that third party at that date, these estimated fair values do not reflect the market value of these notes at a specific time and should not be relied upon as a measure of the value that could be realized by a noteholder upon sale. The actual amount that may be returned to noteholders is likely to be materially different.

L. NEW ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements relevant to our consolidated financial statements in the year ended March 31, 2011.

M. COMPARISON OF ACTUAL CASHFLOWS VERSUS THE 2001 BASE CASE FOR THE FOUR MONTH PERIOD FROM JANUARY 12, 2011 TO MAY 16, 2011 AND FOR THE PERIOD FROM MARCH 10, 2001 TO MAY 16, 2011 (122 MONTHS).

The discussion and analysis which follow are based on the results of Airplanes Limited and Airplanes Trust and their subsidiaries as a single entity (collectively “Airplanes Group”).

The cashflow information set forth below was not prepared in accordance with generally accepted accounting principles of the United States. This information must be read in conjunction with Airplanes Group’s most recent financial information prepared in accordance with generally accepted accounting principles of the United States. For this, you should refer to pages F-1 to F-28 of Exhibit 1 to this Annual Report.

For the purposes of this report, the “Four Month Period” comprises information from the monthly cash reports as published on our website for the relevant months ended February 15, 2011, March 15, 2011, April 15, 2011 and May 16, 2011. The financial data in these reports includes cash receipts from January 12, 2011 (first day of the Calculation Period for the February 2011 report) to May 10, 2011 (last day of the Calculation Period for the May 2011 report). Page 70 presents the cumulative cashflow information from March 2001 to the May 2011 payment date. This report, however, limits its commentary to the Four Month Period.

The 2001 Base Case contained assumptions in respect of Airplanes Group’s future cashflows and expenses. Since these assumptions were developed, global economic conditions, and particularly conditions in the commercial aviation industry, worsened significantly in the years immediately following the 9/11 terrorist attacks in the U.S., improved between 2005 and 2007, but deteriorated again in 2008 and 2009 and whilst industry conditions overall have improved in 2010 and 2011, it is unlikely that Airplanes Group will benefit from this as discussed under “1B. Introduction—Overview of Current Financial Condition”. Accordingly, the performance of Airplanes Group has been, and we expect it to continue to be, worse than the 2001 Base Case, particularly as far as the assumptions regarding aircraft re-lease rates, aircraft values, aircraft downtime and lessee defaults are concerned.

The following is a discussion of the Total Cash Collections, Total Cash Expenses, Interest Payments and Principal Payments in the Four Month Period and should be read in conjunction with the analysis on page 69.

CASH COLLECTIONS

“*Total Cash Collections*” include Net Lease Rental, Interest Earned, Aircraft Sales, Net Maintenance and Other Receipts (each as defined below). In the Four Month Period, Airplanes Group generated approximately \$66.9 million in Total Cash Collections, \$52.5 million less than the 2001 Base Case. This difference is due to a combination of the factors set out below (the numbers in square brackets below refer to the line item number shown on page 68).

[2] RENEGOTIATED LEASES

“*Renegotiated Leases*” is a measure of the loss in rental revenue caused by a lessee negotiating a reduction in the lease rental, in the period to the original contracted expiry date of the lease prior to the renegotiation of the terms of that lease. In the Four Month Period, there was no revenue loss attributed to Renegotiated Leases, which was in line with \$nil assumed in the 2001 Base Case.

[3] RENTAL RESETS—RE-LEASING EVENTS WHERE NEW LEASE RATE DEVIATED FROM THE 2001 BASE CASE

“*Rental Resets*” is a measure of the difference in rental revenue when new lease rates are different from those assumed in the 2001 Base Case, including lease rate adjustments for changes in interest rates on floating rate leases and lease rates achieved where revenues are dependent on aircraft usage. The loss of rental revenue as a result of Rental Resets amounted to \$21.9 million in the Four Month Period, as compared to \$nil assumed in the 2001 Base Case. Although between 2005 and 2007 lease rates for some of the aircraft types in our portfolio had improved over the rates we obtained for these aircraft in the years following the 9/11 terrorist attacks in the U.S., the rates we are able to achieve on new leases have been substantially lower than lease rates assumed in the 2001 Base Case.

[4] LEASE RENTALS—AIRCRAFT SALES

“*Lease Rentals—Aircraft Sales*” represents rental revenue foregone in respect of aircraft sold prior to their assumed sale date in the 2001 Base Case, net of rental revenue received in respect of aircraft remaining on-lease after their assumed sale date in the 2001 Base Case. In the 2001 Base Case, all aircraft are assumed to be sold either at the end of their useful economic life or, where an aircraft was subject to a lease with the lease expiry date falling after the end of its useful economic life, on the contracted lease expiry date. Since March 2001, three MD11 aircraft, two MD82 aircraft, twelve MD83 aircraft, one MD87 aircraft, one B747-200SF aircraft, one B737-400 aircraft, one B737-300 aircraft, three DC9-51 aircraft, two DC9-32 aircraft, eighteen DC8-71F aircraft, one DC8-73CF aircraft, two DHC8-300C aircraft, five DHC8-100A aircraft, one DHC8-300 aircraft, eight B727-200A aircraft, twelve B737-200A aircraft, two B737-200 aircraft, fourteen F-100 aircraft, three Metro-III aircraft, two A300B4-200 aircraft, one ATR42-300 aircraft, one B737-400 airframe, two engines from a B737-300 aircraft and two B737-300 airframes have been sold prior to their assumed sale date in the 2001 Base Case, resulting in a negative variance of \$43.5 million in lease rentals, compared to the 2001 Base Case in the Four Month Period.

[5] CONTRACTED LEASE RENTALS

“*Contracted Lease Rentals*” represents the current contracted lease rental rollout which is equal to the 2001 Base Case Lease Rentals less adjustments for Renegotiated Leases, Rental Resets and Lease Rentals—Aircraft Sales. For the Four Month Period, Contracted Lease Rentals were \$46.1 million, which was \$65.4 million less than assumed in the 2001 Base Case. The difference is due to losses from Rental Resets and Lease Rentals Aircraft Sales as discussed above.

[6] MOVEMENT IN CURRENT ARREARS BALANCE

“*Current Arrears*” is the total Contracted Lease Rentals outstanding from current lessees at a given date but excluding any amounts classified as Bad Debts. There was a net decrease of \$0.8 million in the Current Arrears balance over the Four Month Period, as compared to \$nil assumed in the 2001 Base Case.

[7] NET STRESS-RELATED COSTS

“*Net Stress-Related Costs*” is a combination of all the factors which can cause actual lease rentals to vary from the Contracted Lease Rentals. The 2001 Base Case assumed Net Stress-Related Costs equal to 6.0% of the 2001 Base Case Lease Rentals in the Four Month Period. For the Four Month Period, Net Stress-Related Costs incurred amounted to a net cash outflow of \$6.7 million (6.0% of

Lease Rentals) which is consistent with the \$6.7 million outflow assumed in the 2001 Base Case. Net stress-related costs are made up of the five factors described in items [8] to [12] below.

[8] BAD DEBTS

“*Bad Debts*” are lease rental arrears owed by lessees which have defaulted and which are deemed irrecoverable. Bad Debts were \$nil for the Four Month Period, \$1.1 million less than the 2001 Base Case assumption of \$1.1 million (1.0% of Lease Rentals).

[9] DEFERRED ARREARS BALANCE

“*Deferred Arrears Balance*” refers to current arrears that have been capitalized and restructured into a deferred balance. In the Four Month Period, payments received in accordance with these restructurings were \$nil which is in line with the 2001 Base Case assumption.

[10] AIRCRAFT ON GROUND (“AOG”)

“*AOG*” is defined as the 2001 Base Case Lease Rentals lost when an aircraft is off-lease or deemed non-revenue earning. Airplanes Group had 18 aircraft and two engines AOG at various times during the Four Month Period. The 2001 Base Case Lease Rentals loss attributed to AOG in the Four Month Period was \$6.7 million (6.0% of Lease Rentals), as compared to \$4.7 million (4.2% of Lease Rentals) assumed under the 2001 Base Case.

[11] OTHER LEASING INCOME

“*Other Leasing Income*” consists of miscellaneous income received in connection with a lease other than contracted rentals, maintenance receipts and security deposits, such as early termination payments or default interest. In the Four Month Period, Other Leasing Income receipts were \$nil which is consistent with the 2001 Base Case assumption.

[12] REPOSSESSION COSTS

“*Repossession Costs*” cover legal and aircraft technical costs incurred as a result of repossessing an aircraft. In the Four Month Period, Repossession Costs amounted to \$nil, as compared to \$0.9 million assumed under the 2001 Base Case.

[14] NET LEASE RENTAL

“*Net Lease Rental*” is Contracted Lease Rentals less any movement in Current Arrears balance and Net Stress-Related Costs. In the Four Month Period, Net Lease Rental amounted to \$38.6 million, \$66.2 million less than that assumed in the 2001 Base Case. The variance was attributable to the combined effect of the factors outlined in items [2] to [4] and in items [6] to [12] above.

[15] INTEREST EARNED

“*Interest Earned*” relates to interest received on cash balances held in the Collection and Expense Accounts. Cash held in the Collection Account consists of the cash liquidity reserve amount (\$65 million plus the security deposit amount, subject to available cashflows), in addition to the intra-month cash balances for all the rentals and maintenance payments collected prior to the monthly payment date. The Expense Account contains cash set aside to pay for expenses which are expected to be payable over the next month. In the Four Month Period, Interest Earned amounted to \$nil, \$2.2 million less than that assumed in the 2001 Base Case. The difference is due to a lower cash balance in the Collection Account as available cashflows were adequate to allocate only \$45 million to the cash liquidity reserve amount on each payment date in the Four Month Period (refer to item [29A] below), and due to a lower average reinvestment rate than assumed in the 2001 Base Case. The average actual reinvestment rate for the Four Month Period was nil as compared to the 5.2% assumed in the 2001 Base Case.

[16] AIRCRAFT SALES

Aircraft sales proceeds totaling \$24.6 million were received in the Four Month Period in respect of the sale of one DHC8-300 aircraft, one B757-200 aircraft, 13 F-100 aircraft and insurance proceeds on one F-100 aircraft. One ATR42-300 aircraft, one DHC8-100 aircraft, one METRO-III aircraft, one B737-300 aircraft, two DC8-71F aircraft and one MD83 aircraft were assumed to be sold in the Four Month Period for \$12.4 million. In the 2001 Base Case, all aircraft are assumed to be sold either at the end of their useful

economic life or, where an aircraft was subject to a lease with the lease expiry date falling after the end of its useful economic life, on the contracted lease expiry date.

[17] NET MAINTENANCE

“*Net Maintenance*” refers to maintenance reserve revenue received less any maintenance reimbursements paid to lessees. In the Four Month Period, net maintenance cashflows were \$3.7 million positive (comprising maintenance reserve receipts totaling \$16.1 million and maintenance reserve reimbursements totaling \$12.4 million). The 2001 Base Case makes no assumptions for Net Maintenance, as it assumes that, over time, maintenance revenue will equal maintenance expenditure. However, it is unlikely that in any particular reporting period, maintenance revenue will exactly equal maintenance reimbursements.

[18] OTHER RECEIPTS

“*Other Receipts*” were \$nil in the Four Month Period, which is consistent with the 2001 Base Case assumption.

CASH EXPENSES

“*Total Cash Expenses*” include Aircraft Operating Expenses and Selling, General and Administrative (“**SG&A**”) Expenses. In the Four Month Period, Total Cash Expenses were \$16.8 million compared to \$16.2 million assumed in the 2001 Base Case, giving a negative variance of \$0.6 million. A number of factors discussed below have given rise to this.

“*Aircraft Operating Expenses*” includes all operational costs related to the leasing of aircraft, including costs of insurance, re-leasing and other overhead costs.

[20] RE-LEASING AND OTHER OVERHEAD COSTS

“*Re-Leasing and Other Overhead Costs*” consist of miscellaneous re-delivery and leasing costs associated with re-leasing events, costs of insurance and other lessee-related overhead costs. In the Four Month Period, these costs amounted to \$5.9 million (or 5.3% of Lease Rentals), compared to \$5.6 million (or 5.0% of Lease Rentals) assumed in the 2001 Base Case. Actual Re-Leasing and Other Overhead Costs were higher than the 2001 Base Case assumption, primarily due to higher payments made in the form of lessor contributions to defray certain technical costs during the term of certain leases.

“*SG&A Expenses*” relate to fees paid to the servicer and to other service providers.

[21] AIRCRAFT SERVICER FEES

“*Aircraft Servicer Fees*” are defined as amounts paid to the servicer in accordance with the terms of the servicing agreement. In the Four Month Period, the total Aircraft Servicer Fees paid were \$6.7 million, \$0.7 million less than that assumed in the 2001 Base Case, primarily due to aircraft sales.

Aircraft Servicer Fees consist of:

	<u>\$M</u>
Retainer Fee	5.2
Minimum Incentive Fee	1.5
Core Cashflow/Sales Incentive Fee	<u>0.0</u>
Total Aircraft Servicer Fee	<u>6.7</u>

The Retainer Fee is a fixed amount per month per aircraft and changes only as aircraft are sold.

[23] OTHER SERVICER FEES AND OTHER OVERHEADS

“*Other Servicer Fees and Other Overheads*” relate to fees and expenses paid to other service providers including the administrative agent, the cash manager, financial advisers, legal advisers and accountants and to the directors/controllers/trustees. In

the Four Month Period, Other Servicer Fees and Other Overheads amounted to \$4.2 million, \$1.0 million greater than an assumed expense of \$3.2 million in the 2001 Base Case.

[29] REDUCTION IN LIQUIDITY RESERVE

On the February 15, 2011 payment date the required level of the liquidity reserve amount was reduced by \$15.0 million as described under “6H. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reduction of Cash Liquidity Reserve” and a cash amount equal to such reduction was distributed to the subclass A-9 noteholders in line with the priority of payments. A reduction in the liquidity reserve amount was not anticipated in the 2001 Base Case, causing the positive variance of \$15.0 million.

[29A] SHORTFALL IN LIQUIDITY RESERVE

During the Four Month Period, Airplanes Group was required to maintain a cash balance in the collection account under the indentures, subject to available cashflows, in an amount equal to the sum of:

- the maintenance reserve amount (\$65 million); and
- a security deposit reserve amount.

Under the priority of payments applicable to Airplanes Group, this cash balance is retained at point (iii) First Collection Account Top-up (maintenance reserve amount—\$45 million) and at point (x) Second Collection Account Top-up (maintenance reserve amount—\$20 million plus security deposit reserve amount).

“*Shortfall in Liquidity Reserve*” relates to any shortfall in the funds allocated to the “First Collection Account Top-up” and “Second Collection Account Top-up” as a result of Airplanes Group not having sufficient balance of funds after payment of expenses and all required payments on the notes which rank prior to the applicable liquidity reserve amount under the priority of payments applicable to Airplanes Group. Since the May 2003 payment date, there has been a depletion of the “Second Collection Account Top-up”, and, beginning on the December 15, 2003 payment date, cashflows have been insufficient to allocate any funds to the “Second Collection Account Top-up”. For a detailed discussion in relation to a change on February 15, 2011 in respect of the liquidity requirement at the First Collection Account Top-up see “6H. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Reduction of Cash Liquidity Reserve”. On the May 16, 2011 payment date, there was a shortfall in the liquidity reserve amount of \$33.5 million as compared to a shortfall of \$33.6 million on the January 18, 2011 payment date, representing an overall decrease of \$0.1 million in the Shortfall in Liquidity Reserve for the Four Month Period. This decrease in the Shortfall in Liquidity Reserve is explained by a net decrease of \$0.1 million in the security deposit reserve amount in the Four Month Period. Under the 2001 Base Case, a Shortfall in Liquidity Reserve was not anticipated.

[30] INTEREST PAYMENTS

In the Four Month Period, interest payments to the holders of the class A, B, C and D notes amounted to \$1.8 million, which was \$27.0 million lower than assumed under the 2001 Base Case.

Interest payments on the floating rate class A notes amounted to \$1.8 million, \$5.7 million lower than assumed under the 2001 Base Case, reflecting a lower level of average interest rates on the class A notes than assumed in the 2001 Base Case, albeit a higher principal balance outstanding on these notes than assumed in the 2001 Base Case. The 2001 Base Case assumed LIBOR to be 5.2%, whereas the average monthly LIBOR in the Four Month Period was 0.3%. Our cashflows were inadequate to pay any interest on the class B, C and D notes in the Four Month Period. Interest payments assumed under the 2001 Base Case in the Four Month Period amounted to \$1.5 million, \$5.5 million and \$14.3 million respectively, on the class B, C and D notes. Interest is accruing on the unpaid interest on the class B, C and D notes in accordance with the terms of these notes and will continue to accrue until the arrears of interest are paid in full. Accrued and unpaid interest (including interest accrued on unpaid interest) amounted to \$63.7 million, \$293.5 million and \$494.8 million, respectively, on the class B, C and D notes following the May 16, 2011 payment date.

In the Four Month Period, there was a continued suspension of payments of the class E minimum interest amount of 1%. No payments of class E minimum interest were anticipated in the 2001 Base Case.

Airplanes Group's \$700 million subclass A-8 notes had an expected final payment date of March 15, 2003. At the time the subclass A-8 notes were issued the expected final payment date was established based on an assumption that these notes would be refinanced on March 15, 2003. Given market conditions and the impact these conditions have had on our performance, we believed that such a refinancing at that time was not economically viable and therefore it did not proceed as scheduled. In accordance with the terms of the subclass A-8 notes, step-up interest of 0.5% per annum began to accrue on these notes from March 17, 2003 (the first business day following the expected final payment date). However, due to insufficient cashflows and the low priority of step-up interest in the priority of payments, no step-up interest has been paid and this is expected to continue to be the case. Under the priority of payments applicable to Airplanes Group, step-up interest is payable after payment of expenses, interest, minimum principal and scheduled principal on class A, B, C and D notes and any aircraft modification payments. To the extent that step-up interest is not paid, it will accrue interest in accordance with the terms of the subclass A-8 notes. The principal of the subclass A-8 notes was repaid in full on November 15, 2010 although accrued and unpaid step-up interest (and interest thereon) on such notes remains outstanding. Total step-up interest (including interest accrued on unpaid step-up interest) accrued and unpaid on the subclass A-8 notes at May 16, 2011 was \$19.4 million.

[31] SWAP AND CAP CASHFLOWS

Airplanes Group's net swap and cap payments during the Four Month Period were \$0.5 million, compared to \$nil assumed in the 2001 Base Case.

[33] PRINCIPAL PAYMENTS

In the one hundred and twenty-two month period from March 10, 2001 to May 16, 2011, total principal payments amounted to \$1,276.5 million (comprising \$1,225.0 million on the class A notes and \$51.5 million on the class B notes), \$613.7 million less than assumed in the 2001 Base Case. The breakdown of the \$613.7 million variance is set out on page 70. In the Four Month Period, total principal payments amounted to \$62.7 million (comprising \$62.7 million on the class A notes), \$11.7 million less than assumed in the 2001 Base Case. The breakdown of the \$11.7 million variance is set out on page 69.

Applying the declining value assumptions in the 1996 Base Case to the original March 1996 fleet appraisals and adjusting for aircraft sales, the total appraised value of the aircraft was assumed to be \$891.3 million at May 16, 2011. Our portfolio is appraised annually and the most recent appraisal was obtained on January 31, 2011 and valued the current portfolio at \$618.4 million. Applying the declining value assumptions to this appraisal, the total appraised value was \$578.9 million at May 16, 2011.

As a consequence of the cumulative excess decline in appraised values experienced since March 1996, combined with overall cash performance in that period, we have been required to pay class A principal adjustment amount to the extent of available cashflows throughout the one hundred and twenty-two month period since the 2001 refinancing. However, we have not always had sufficient cashflows to pay class A principal adjustment amount in full, and, since the April 15, 2003 payment date, we have not had sufficient cashflows to pay any class A principal adjustment amount. Class A principal adjustment amount is intended to accelerate the principal amortization schedule of the class A notes when the appraised value of the aircraft declines at a greater rate than the decline in appraised values assumed in the 1996 Base Case by reference to certain loan to current appraised value ratios. Since the class A principal adjustment amount ranks ahead of the scheduled principal payments on the class C and D notes, and since available cashflows were not sufficient to pay all of the class A principal adjustment amount, scheduled principal payments on the class C and D notes have been deferred on each payment date during the one hundred and twenty-two month period since the 2001 refinancing. Total deferrals of class C and class D scheduled principal amounts amounted to \$349.8 million and \$331.2 million, respectively, as of May 16, 2011.

Based on the most recent annual appraisal dated January 31, 2011, the decline in appraised values in the year to January 31, 2011 was approximately \$93 million less than the decline assumed in the 1996 Base Case. The decline in appraised values in this period has resulted in a decrease in the arrears of class A principal adjustment amount at the February 15, 2011 payment date of \$14.1 million. The class A principal adjustment arrears were \$481.7 million as at May 16, 2011.

To the extent that we have sufficient available funds, we are required to pay a minimum principal amount on the class A notes in order to maintain certain loan to initial appraised value ratios. As a result of earlier payments of class A principal adjustment amount, described above, we remained ahead of the required class A minimum principal payment schedule. However, as described above, we have not always had sufficient cashflows to pay class A principal adjustment amount in full, and, since the April 15, 2003 payment date, we have not had sufficient cashflows to pay any class A principal adjustment amount. As a result, since the August 15, 2003

payment date, we have no longer been ahead of the required class A minimum principal payment schedule. Therefore on that date we had to recommence payments of minimum principal on the class A notes to the extent of available cashflows and we were consequently unable to fund the “Second Collection Account Top-up” in full. Beginning on the December 15, 2003 payment date, our cashflows were insufficient to allocate any funds at all to the “Second Collection Account Top-up” or to pay minimum principal on the class A notes in full.

Since the January 31, 2007 appraisals the outstanding principal balance of the class A notes has exceeded the adjusted portfolio value (determined by reference to the annual appraised value). As a result, the methodology for calculation of class A minimum principal amounts has changed under the terms of the trust indentures, resulting in an increase in the amount of class A minimum principal payable on each payment date and accordingly, an increase in the arrears thereof. While it is possible that the outstanding principal balance of the class A notes may be less than the adjusted portfolio value on one or more future payment dates, which would result in class A minimum principal being calculated as it has been up until February 15, 2007, we believe that it is likely that the class A outstanding principal balance will continue to exceed the adjusted portfolio value and we expect that the corresponding method of calculation of class A minimum principal will continue to be applicable. Actual payments to class A noteholders, however, are dependent on available cashflows and are not affected by the calculation of class A minimum principal payments or the annual aircraft appraisals.

Since minimum principal on the class A notes ranks ahead of interest and minimum principal on the class B notes and interest on the class C and D notes in the priority of payments, our cashflows have been inadequate to pay any interest or minimum principal on the class B notes or any interest on the class C and D notes, since the December 15, 2003 payment date. Minimum principal arrears on the class B notes were \$178.5 million following the May 16, 2011 payment date.

The appraised values are based upon the value of our aircraft at normal utilization rates in an open, unrestricted and stable market, and take into account long-term trends, including current expectations of particular models becoming obsolete more quickly, as a result of airlines switching to different models, manufacturers ceasing production or lease values for aircraft declining more rapidly than previous predictions. As a theoretical value, the appraised value is not indicative of market value and thus there is no guarantee that we would obtain the appraised value upon sale of any aircraft. The current market value of each of our aircraft is less than, and in many cases significantly less than the appraised value. Due to industry conditions over the past several years, the majority of our aircraft are highly likely to become obsolete earlier than the useful life expectancies assumed in the 2001 Base Case assumptions, which would negatively impact appraised values further. However, since we are no longer able to pay class A principal adjustment amount and since, as a result of our 2003 consent solicitation, we are no longer required to sell our aircraft at or above a specified target price, the appraised values of our aircraft are now of little significance except as a basis for providing statistical information on the portfolio and for complying with certain technical provisions in the indentures.

OTHER ISSUES

For a discussion of our current expectations as to our future ability to make payments on our notes and certificates in light of our weaker than expected performance as well as a discussion of rating actions on the certificates, see “1B. Introduction— Overview of Current Financial Condition” above.

Note	Report Line Name	Description
	CASH COLLECTIONS	
[1]	Lease Rentals	Assumptions as per the 2001 Base Case
[2]	— Renegotiated Leases	Change in contracted rental cashflow caused by a renegotiated lease
[3]	— Rental Resets	Re-leasing events where new lease rate deviated from the 2001 Base Case
[4]	— Lease Rentals—Aircraft Sales	Revenue foregone on aircraft sold prior to their assumed sale date in the 2001 Base Case net of revenue received on aircraft remaining on-lease after their assumed sale date in the 2001 Base Case
[5] Σ [1]...[4]	Contracted Lease Rentals	Current Contracted Lease Rentals due as at the latest Calculation Date
[6]	Movement in Current Arrears Balance	Current Contracted Lease Rentals not received as at the latest Calculation Date, excluding Bad Debts
[7]	Less Net Stress Related Costs	
[8]	— Bad Debts	Arrears owed by former lessees and deemed irrecoverable
[9]	— Deferred Arrears Balance	Current arrears that have been capitalised and restructured as a Note Payable
[10]	— AOG	Loss of rental due to an aircraft being off-lease and non-revenue earning
[11]	— Other Leasing Income	Includes lease termination/restructuring payments, rental guarantees and late payments charges
[12]	— Repossession	Legal and technical costs incurred in repossessing aircraft.
[13] Σ [8]...[12]	Sub-total	
[14] [5]+[6]+[13]	Net Lease Rental	Contracted Lease Rentals less Movement in Current Arrears Balance and Net Stress Related Costs
[15]	Interest Earned	Interest earned on monthly cash balances
[16]	Aircraft Sales	Proceeds, net of fees and expenses, from the sale of aircraft.
[17]	Net Maintenance	Maintenance Revenue Reserve received less reimbursements to lessees
[18]	Other Receipts	Receipts from GE Capital under the Tax Sharing Agreement, collateral release and cash released from expired guarantees
[19] Σ [14]..[18]	Total Cash Collections	Net Lease Rental + Interest Earned + Aircraft Sales + Net Maintenance + Other Receipts
	CASH EXPENSES	
	Aircraft Operating Expenses	All operational costs related to the leasing of aircraft
[20]	Releasing and Other Overheads	Costs associated with transferring an aircraft from one lessee to another, costs of insurance and other lessee-related overheads
	SG&A Expenses	
[21]	Aircraft Servicer Fees	Monthly and annual fees paid to servicer
	— Retainer Fee	Fixed amount per month per aircraft
	— Minimum Incentive Fee	Minimum annual fee paid to servicer for performance above an annually agreed target
	— Core Cashflow/Sales Incentive Fee	Fees (in excess of Minimum Incentive Fee above) paid to servicer for performance above an annually agreed target/on sale of an aircraft
[22] [21]	Sub-total	
[23]	Other Servicer Fees and Other Overheads	Administrative Agent, trustee and professional fees paid to other service providers and other overheads
[23A]	Other SG&A Expenses	Costs relating to the assumed refinancing of the subclass A-8 notes in March 2003, as assumed under the 2001 Base Case and costs relating to the 2003 and 2010 consent solicitations for indenture amendments
[24] [22]+[23]+[23A]	Sub-total	
[25] [20]+[24]	Total Cash Expenses	Aircraft Operating Expenses + SG&A Expenses
	NET CASH COLLECTIONS	
[26] [19]	Total Cash Collections	Line 19 above
[27] [25]	Total Cash Expenses	Line 25 above
[28]	Movement in Expense Account	Relates to reduction in accrued expense amounts
[29]	Reduction in Liquidity Reserve	Reduction of the miscellaneous reserve amount from \$40m to \$nil in April 2001
[29A]	Shortfall in Liquidity Reserve	Reduction in the balance of funds on deposit in the collection account below the liquidity reserve amount
[30]	Interest Payments	Interest paid on all outstanding debt
[31]	Swap / Cap Cashflows	Net swap and cap payments (paid)/received
[32] Σ [26]...[31]	Total	
[33]	PRINCIPAL PAYMENTS	Principal payments on debt

**AIRPLANES GROUP CASHFLOW PERFORMANCE FOR THE PERIOD FROM
JANUARY 12, 2011 TO MAY 16, 2011 (4 MONTHS)**

Comparison of Actual Cashflows Versus 2001 Base Case Cashflows

		2001			% of Lease Rentals under the 2001 Base Case		
		Actual	Base Case	Variance	Actual	Base Case	Variance
		(\$ Millions)					
CASH COLLECTIONS							
1	Lease Rentals	111.5	111.5	0.0	100.0%	100.0%	0.0%
2	— Renegotiated Leases.....	0.0	0.0	0.0	0.0%	0.0%	0.0%
3	— Rental Resets.....	(21.9)	0.0	(21.9)	(19.6%)	0.0%	(19.6%)
4	— Lease Rentals—Aircraft Sales	(43.5)	0.0	(43.5)	(39.0%)	0.0%	(39.0%)
5	∑ 1-4 Contracted Lease Rentals	46.1	111.5	(65.4)	41.3%	100.0%	(58.7%)
6	Movement in Current Arrears Balance	(0.8)	0.0	(0.8)	(0.7%)	0.0%	(0.7%)
7	less Net Stress Related Costs						
8	— Bad Debts.....	0.0	(1.1)	1.1	0.0%	(1.0%)	1.0%
9	— Deferred Arrears Balance.....	0.0	0.0	0.0	0.0%	0.0%	0.0%
10	— AOG.....	(6.7)	(4.7)	(2.0)	(6.0%)	(4.2%)	(1.8%)
11	— Other Leasing Income.....	0.0	0.0	0.0	0.0%	0.0%	0.0%
12	— Repossession.....	0.0	(0.9)	0.9	0.0%	(0.8%)	0.8%
13	∑ 8-12 Sub-total.....	(6.7)	(6.7)	0.0	(6.0%)	(6.0%)	0.0%
14	5+6+13 Net Lease Rental	38.6	104.8	(66.2)	34.6%	94.0%	(59.4%)
15	Interest Earned	0.0	2.2	(2.2)	0.0%	2.0%	(2.0%)
16	Aircraft Sales	24.6	12.4	12.2	22.1%	11.1%	10.9%
17	Net Maintenance	3.7	0.0	3.7	3.3%	0.0%	3.3%
18	Other Receipts.....	0.0	0.0	0.0	0.0%	0.0%	0.0%
19	∑ 14-18 Total Cash Collections	66.9	119.4	(52.5)	60.0%	107.1%	(47.1%)
CASH EXPENSES							
Aircraft Operating Expenses							
20	— Re-leasing and other overheads.....	(5.9)	(5.6)	(0.3)	(5.3%)	(5.0%)	(0.3%)
SG&A Expenses							
21	Aircraft Servicer Fees						
	— Retainer Fee	(5.2)	(6.9)	1.7	(4.7%)	(6.2%)	1.5%
	— Minimum Incentive Fee.....	(1.5)	(0.5)	(1.0)	(1.3%)	(0.4%)	(0.9%)
	— Core Cashflow/Sales Incentive Fee.....	0.0	0.0	0.0	0.0%	0.0%	0.0%
22	21 Sub-total.....	(6.7)	(7.4)	0.7	(6.0%)	(6.6%)	0.6%
23	Other Servicer Fees and Other						
	Overheads	(4.2)	(3.2)	(1.0)	(3.8%)	(2.9%)	(0.9%)
23A	Other SG&A Expenses	0.0	0.0	0.0	0.0%	0.0%	0.0%
24	22+23+23A Sub-total.....	(10.9)	(10.6)	(0.3)	(9.8%)	(9.5%)	(0.3%)
25	24+20 Total Cash Expenses	(16.8)	(16.2)	(0.6)	(15.1%)	(14.5%)	(0.5%)
NET CASH COLLECTIONS							
26	19 Total Cash Collections.....	66.9	119.4	(52.5)	60.0%	107.1%	(47.1%)
27	25 Total Cash Expenses	(16.8)	(16.2)	(0.6)	(15.1%)	(14.5%)	(0.5%)
28	Movement in Expense Account	0.0	0.0	0.0	0.0%	0.0%	0.0%
29	Reduction in Liquidity Reserve	15.0	0.0	15.0	13.5%	0.0%	13.5%
29A	Shortfall in Liquidity Reserve.....	(0.1)	0.0	(0.1)	(0.1%)	0.0%	0.1%
30	Interest Payments.....	(1.8)	(28.8)	27.0	(1.6%)	(25.8%)	24.2%
31	Swap/Cap Cashflows	(0.5)	0.0	(0.5)	(0.4%)	0.0%	(0.4%)
32	∑ 26-31 TOTAL	62.7	74.4	(11.7)	56.2%	66.7%	(10.5%)
33	PRINCIPAL PAYMENTS						
	Class A.....	62.7	39.2	23.5	56.2%	35.2%	21.1%
	Class B.....	0.0	6.6	(6.6)	0.0%	5.9%	(5.9%)
	Class C.....	0.0	28.6	(28.6)	0.0%	25.7%	(25.7%)
	Total	62.7	74.4	(11.7)	56.2%	66.7%	(10.5%)

**AIRPLANES GROUP CASHFLOW PERFORMANCE FOR THE PERIOD FROM
MARCH 10, 2001 TO MAY 16, 2011 (122 MONTHS)**

Comparison of Actual Cashflows Versus 2001 Base Case Cashflows

		2001			% of Lease Rentals under the 2001 Base Case		
		Actual	Base Case	Variance	Actual	Base Case	Variance
		(\$ Millions)					
CASH COLLECTIONS							
1	Lease Rentals	3,926.8	3,926.8	0.0	100.0%	100.0%	0.0%
2	— Renegotiated Leases.....	(88.7)	0.0	(88.7)	(2.3%)	0.0%	(2.3%)
3	— Rental Resets.....	(1,044.3)	0.0	(1,044.3)	(26.6%)	0.0%	(26.6%)
4	— Lease Rentals—Aircraft Sales	(586.8)	0.0	(586.8)	(14.9%)	0.0%	(14.9%)
5	∑ 1-4 Contracted Lease Rentals	2,207.0	3,926.8	(1,719.8)	56.2%	100.0%	(43.8%)
6	Movement in Current Arrears Balance ..	11.1	0.0	11.1	0.3%	0.0%	0.3%
7	less Net Stress Related Costs						
8	— Bad Debts.....	(11.3)	(39.3)	28.0	(0.3%)	(1.0%)	0.7%
9	— Deferred Arrears Balance.....	25.0	3.1	21.9	0.6%	0.1%	0.6%
10	— AOG.....	(225.9)	(165.1)	(60.8)	(5.8%)	(4.2%)	(1.5%)
11	— Other Leasing Income	33.8	0.0	33.8	0.9%	0.0%	0.9%
12	— Repossession	(4.1)	(31.4)	27.3	(0.1%)	(0.8%)	0.7%
13	∑ 8-12 Sub-total.....	(182.5)	(232.7)	50.2	(4.6%)	(5.9%)	1.3%
14	5+6+13 Net Lease Rental	2,035.6	3,694.1	(1,658.5)	51.8%	94.1%	(42.2%)
15	Interest Earned	24.4	69.3	(44.9)	0.6%	1.8%	(1.1%)
16	Aircraft Sales.....	204.0	97.3	106.7	5.2%	2.5%	2.7%
17	Net Maintenance	246.8	0.0	246.8	6.3%	0.0%	6.3%
18	Other Receipts.....	23.2	0.0	23.2	0.6%	0.0%	0.6%
19	∑ 14-18 Total Cash Collections	2,534.0	3,860.7	(1,326.7)	64.5%	98.3%	(33.8%)
CASH EXPENSES							
Aircraft Operating Expenses							
20	— Re-leasing and other overheads.....	(214.5)	(196.5)	(18.0)	(5.5%)	(5.0%)	(0.5%)
SG&A Expenses							
21	Aircraft Servicer Fees						
	— Retainer Fee	(202.6)	(215.3)	12.7	(5.2%)	(5.5%)	0.3%
	— Minimum Incentive Fee	(16.5)	(15.3)	(1.2)	(0.4%)	(0.4%)	0.0%
	— Core Cashflow/Sales Incentive Fee...	(0.2)	0.0	(0.2)	0.0%	0.0%	0.0%
22	21 Sub-total.....	(219.3)	(230.6)	11.3	(5.6%)	(5.9%)	0.3%
23	Other Servicer Fees and Other						
	Overheads.....	(98.9)	(103.2)	4.3	(2.5%)	(2.6%)	0.1%
23A	Other SG&A Expenses	(3.1)	(4.7)	1.6	(0.1%)	(0.1%)	0.0%
24	22+23+23A Sub-total.....	(321.3)	(338.5)	17.2	(8.2%)	(8.6%)	0.4%
25	24+20 Total Cash Expenses	(535.8)	(535.0)	(0.8)	(13.6%)	(13.6%)	(0.0%)
NET CASH COLLECTIONS							
26	19 Total Cash Collections	2,534.0	3,860.7	(1,326.7)	64.5%	98.3%	(33.8%)
27	25 Total Cash Expenses	(535.8)	(535.0)	(0.8)	(13.6%)	(13.6%)	0.0%
28	Movement in Expense Account	(7.5)	0.0	(7.5)	(0.2%)	0.0%	(0.2%)
29	Reduction in Liquidity Reserve.....	55.0	40.0	15.0	1.4%	1.0%	0.4%
29A	Shortfall in Liquidity Reserve.....	33.5	0.0	33.5	0.9%	0.0%	0.9%
30	Interest Payments	(604.8)	(1,447.3)	842.5	(15.4%)	(36.9%)	21.5%
31	Swap/Cap Cashflows	(197.9)	(28.2)	(169.7)	(5.0%)	(0.7%)	(4.3%)
32	∑ 26-31 TOTAL	1,276.5	1,890.2	(613.7)	32.5%	48.1%	(15.6%)

				% of Lease Rentals under the 2001 Base Case		
	Actual	2001		Actual	2001	
		Base Case	Variance		Base Case	Variance
	(\$ Millions)					
PRINCIPAL PAYMENTS						
Class A.....	1,225.0	1,517.3	(292.3)	31.2%	38.6%	(7.4%)
Class B.....	51.5	206.4	(154.9)	1.3%	5.3%	(3.9%)
Class C.....	0.0	166.5	(166.5)	0.0%	4.2%	(4.2%)
Total	1,276.5	1,890.2	(613.7)	32.5%	48.1%	(15.6%)

	Actual	2001	
		Base Case	Variance
	(\$ Millions)		
Debt Balances at May 16, 2011			
Subclass A-8.....	0.0	378.1	378.1
Subclass A-9.....	670.4	0.0	(670.4)
Class B.....	226.8	71.8	(155.0)
Class C.....	349.8	183.4	(166.4)
Class D.....	395.1	395.1	0.0
	1,642.1	1,028.4	(613.7)

	Mar-01 Closing	Actual	2001 Base Case	
	(\$ Millions)	(\$ Millions)	(\$ Millions)	
Net Cash Collections		1,276.5	1,890.2	
Add Back Interest Payments and Swap/Cap Cashflows.....		802.7	1,475.5	
a Net Cash Collections (excl. interest payments and swap/cap cashflows).....		<u>2,079.2</u>	<u>3,365.7</u>	
b Swap/Cap Cashflows.....		197.9	28.2	
c Class A Interest.....		393.7	636.4	
d Class A Minimum Principal.....		970.1	0.0	
e Class B Interest.....		20.5	108.9	
f Class B Minimum Principal.....		51.5	206.4	
g Class C Interest.....		76.0	265.1	
h Class D Interest.....		114.6	436.8	
i Class A Principal Adjustment.....		254.9	1,517.4	
j Class C Scheduled Principal.....		0.0	166.5	
k Class D Scheduled Principal.....		0.0	0.0	
l Permitted Aircraft Modifications.....		0.0	0.0	
m Step-up Interest.....		0.0	0.0	
n Class E Minimum Interest.....		0.0	0.0	
o Class B Supplemental Principal.....		0.0	0.0	
p Class A Supplemental Principal.....		0.0	0.0	
Total		<u>2,079.2</u>	<u>3,365.7</u>	
[1] Interest Coverage Ratio				
Class A.....		3.5	5.1	= a/(b+c)
Class B.....		N/A	4.4	= a/(b+c+d+e)
Class C.....		N/A	2.7	= a/(b+c+d+e+f+g)
Class D.....		N/A	2.0	= a/(b+c+d+e+f+g+h)
[2] Debt Coverage Ratio				
Class A.....		N/A	5.1	= a/(b+c+d)
Class B.....		N/A	3.4	= a/(b+c+d+e+f)
Class C.....		N/A	N/A	= a/(b+c+d+e+f+g+h+i+j)

	Mar-01 Closing	Actual	2001 Base Case	
	(\$ Millions)	(\$ Millions)	(\$ Millions)	
Class D		N/A	N/A	= a/(b+c+d+e+f+g+h+i+j+k)
[3] Loan to Value Ratios (in U.S. dollars)				
Adjusted Portfolio Value	3,108.6	578.9	1,160.3	
Liquidity Reserve Amount of which				
— Cash	156.9	45.0	116.0	
— Accrued Expenses	12.6	12.0	0.0	
Subtotal.....	169.5	57.0	116.0	
Less Lessee Security Deposits.....	36.9	13.5	36.0	
Subtotal.....	132.6	43.5	80.0	
[4] Total Asset Value	3,241.2	622.4	1,240.3	

Note Balances as at:	Actual March 15, 2001		Actual May 16, 2011		Base Case May 16, 2011	
	(\$ millions)	(% of [4])	(\$ millions)	(% of [4])	(\$ millions)	(% of [4])
Class A	1,895.4	58.5%	670.4	107.7%	378.1	30.5%
Class B.....	278.3	67.1%	226.8	144.2%	71.8	36.3%
Class C.....	349.8	77.9%	349.8	200.4%	183.4	51.1%
Class D	395.1	90.0%	395.1	263.8%	395.1	82.9%
	<u>2,918.6</u>		<u>1,642.1</u>		<u>1,028.4</u>	

- [1] “**Interest Coverage Ratio**” is equal to Net Cash Collections (excluding interest payments and swap/cap cashflows) expressed as a ratio of the interest payments payable on each subclass of notes plus the interest and minimum principal payments payable on each subclass of notes that rank senior in priority of payment to the relevant subclass of notes, Actual Interest Coverage Ratios have not been provided for the class B, C and D notes as interest amounts have not been paid on these notes since the December 2003 payment date.
- [2] “**Debt Coverage Ratio**” is equal to Net Cash Collections (excluding interest payments and swap/cap cashflows) expressed as a ratio of the interest and minimum/scheduled principal payments payable on each subclass of notes plus the interest and minimum/scheduled principal payments payable on each subclass of notes that ranks equally with or senior to the relevant subclass of notes in the priority of payments In respect of the class A notes, principal adjustment amount payments have been excluded as they are a function of aircraft values. Actual Debt Coverage Ratios have not been provided for the class A B. C and D notes as minimum principal amounts on the class A and B notes have not been paid in full and no scheduled principal amounts have been paid on the class C and D notes in the period since March 2001. 2001 Base Case Debt Coverage Ratios have not been provided for the class C and D notes as no principal payments were assumed.
- [3] “**Adjusted Portfolio Value**” represents the base value of each aircraft in the portfolio as determined by the most recent appraisal multiplied by the depreciation factor at payment date divided by the depreciation factor as of the relevant appraisal date.
- [4] “**Total Asset Value**” is equal to adjusted portfolio value plus liquidity reserve amount minus lessee security deposits.

N. THE ACCOUNTS

The indentures and the security trust agreement provide that substantially all of Airplanes Group’s cash inflows and outflows occur through the rental accounts, collection account, lessee funded account and expense account which the cash manager, acting on behalf of the security trustee, has established and maintains at Deutsche Bank Trust Company Americas. Such accounts are permitted under the terms of the indentures to be maintained at Deutsche Bank Trust Company Americas so long as:

- Deutsche Bank Trust Company Americas has a long-term unsecured debt rating of not less than A, or the equivalent, by the rating agencies; or
- Deutsche Bank Trust Company Americas has a certificate of deposit rating of A-1 by Standard & Poor’s, A-1 by Moody’s and a rating otherwise acceptable to Fitch; and
- the amount on deposit at any time in any accounts that are held with Deutsche Bank Trust Company Americas does not exceed 20% of the outstanding principal balance of the Airplanes Group notes for any period in excess of 30 days.

Such accounts are permitted under the terms of the indentures to be maintained with another bank having:

- a long-term unsecured debt rating of not less than AA, or the equivalent, by the rating agencies; or
- certificate of deposit rating of A-1+ by Standard & Poor's, P-1 by Moody's and F1 by Fitch.

Where required by the terms of the relevant leases, some rental accounts may be established at banks having ratings of less than AA, or the equivalent, by the rating agencies or a certificate of deposit rating of less than A-1+ by Standard & Poor's, P-1 by Moody's and F1 by Fitch.

Except where local legal or regulatory reasons do not permit, all of these accounts are held in the names of the security trustee, who has sole dominion and control over the accounts, including the sole power to direct withdrawals from or transfers among the accounts. Subject to conditions set forth in the cash management agreement, the security trustee has delegated its authority over the accounts to the cash manager but the security trustee is not responsible for the acts or omissions of the cash manager.

For so long as any notes remain outstanding, funds on deposit in the accounts will be invested and reinvested at Airplanes Group's written direction (which direction has been delegated to the cash manager pursuant to the cash management agreement) in one or more permitted account investments, maturing, in the case of the collection account and expense account, such that sufficient funds shall be available to make required payments on the first succeeding scheduled interest payment date on the notes after those investments are made. Investment and reinvestment of funds in the lessee funded account must be made in a manner and with maturities that conform to the requirements of the related leases. Investment earnings on funds deposited in any account, net of losses and investment expenses, will (to the extent permitted by the terms of the related leases in the case of funds in the lessee funded account) be deposited in the collection account and treated as collections.

RENTAL ACCOUNTS

The lessees make all payments under the leases directly into the applicable rental accounts. Pursuant to the cash management agreement, the cash manager transfers, or causes to be transferred, all funds deposited into the rental accounts into the collection account as collections within one business day of receipt thereof (other than certain limited amounts, if any, required to be left on deposit for local legal or regulatory reasons).

THE COLLECTION ACCOUNT

All of the following "**collections**" received by Airplanes Group have to be deposited in the collection account:

- rental payments;
- payments under any letter of credit, letter of comfort, letter of guarantee or other assurance in respect of a lessee's obligations under a lease;
- the liquidity reserve amount;
- amounts received in respect of claims for damages or in respect of any breach of contract for any nonpayment (including any amounts received from any Airplanes Group subsidiary, whether by way of distribution, dividend, repayment of a loan or otherwise and any proceeds received in connection with a lessee's restructuring);
- net proceeds of any aircraft sale or amounts received under purchase options and other agreements;
- proceeds of any insurance payments in respect of any aircraft or any indemnification proceeds;
- amounts transferred from the lessee funded account to the collection account;
- net payments to Airplanes Group under any swap or cap agreement;
- investment income on all amounts on deposit in the accounts (in each case to the extent consistent with the terms of applicable related leases); and

- any other amounts received by any member of Airplanes Group, except specified funds required to be segregated from Airplanes Group's other funds, applied in connection with a redemption, received in connection with a refinancing issue of notes and required to be paid over to any third party.

Collections on deposit in the collection account are calculated by the cash manager on the fourth business day immediately preceding each interest payment date. On each payment date, the cash manager transfers from the collection account to the expense account the portion of Airplanes Group expenses that are due and payable or are anticipated to become due and payable over the next interest accrual period on the notes (the "**required expense amount**") and that have not been paid directly by the cash manager to expense payees. The cash manager may also transfer other amounts into the expense account for unanticipated expenses falling due and payable within that interest accrual period. If there are available funds in accordance with the priority of payments on any payment date, the cash manager will also transfer amounts in respect of expenses and costs that are not regular, monthly recurring expenses but are anticipated to become due and payable in any future interest accrual period ("**permitted accruals**") to the expense account. Amounts received in respect of segregated security deposits and maintenance reserves are transferred directly into the lessee funded account.

LIQUIDITY RESERVE AMOUNT

To the extent of available cashflows, Airplanes Group is required under the indentures to maintain a cash balance in the collection account in an amount equal to the sum of:

- the maintenance reserve amount (\$45 million for purposes of the "First Collection Account Top-up" plus an additional \$20 million for purposes of the "Second Collection Account Top-up" as further described below), and
- a security deposit reserve amount (equal to approximately \$13.5 million as of March 31, 2011).

Because our cashflows have been insufficient to allocate any funds to the Second Collection Account Top-up since December 2003 we only maintained a cash balance, by way of maintenance reserve amount, of \$60 million up to February 15, 2011.

As a result of the successful 2010 Consent Solicitation, the Boards are now permitted to reduce the required level of the liquidity reserve amount subject to prior notification thereof to the rating agencies. On February 15, 2011, following such notification to the rating agencies, the Boards reduced the level of the maintenance reserve amount for the purposes of the First Collection Account Top-up from \$60 million to \$45 million.

If funds on deposit in the collection account are insufficient to satisfy the liquidity reserve amount at any time, as has been the case since December 15, 2003, we may continue to make all payments, including required payments on the notes and the guarantees, which rank prior to or equally with payments of accrued but unpaid interest on the class D notes and any permitted accruals so long as the balance of funds in the collection account does not fall below the amount required to be retained for the purpose of the "First Collection Account Top-up" in the priority of payments (currently \$45 million as a result of the 2010 Consent Solicitation). If the balance of funds in the collection account falls below the amount required to be retained for the purpose of the "First Collection Account Top-up" in the priority of payments, we may continue to make all payments, including required payments on the notes and the guarantees, of (a) all accrued but unpaid interest and, on the final maturity date, principal of the class or subclass of the most senior class of notes then outstanding to avoid a note event of default and (b) payments under our hedging agreements.

THE LESSEE FUNDED ACCOUNT

Some leases require that certain lessee security deposits and supplemental rent payments to provide for maintenance reserves be segregated from other Airplanes Group funds. These security deposits and maintenance reserves are held in the "**lessee funded account**" and are accounted for (and, if required by any lease, segregated) on a per lease basis.

Funds on deposit in the lessee funded account are used to make specified maintenance payments, security deposit repayments and other specified or permitted payments and will not be used to make payments in respect of the notes or the certificates at any time, including after a note event of default. In some circumstances where lessees relinquish their rights to receive certain maintenance and security deposit payments upon the expiration of a lease, surplus funds may be transferred from the lessee funded account to the collection account.

THE EXPENSE ACCOUNT

On each payment date, the cash manager withdraws the required expense amount from the collection account to pay the expenses. To the extent that the required expense amount has not been paid directly to expense payees, it is deposited into the expense account. Further withdrawals of cash from the collection account by the cash manager to satisfy expenses due and payable prior to the next payment date that were not previously anticipated are also deposited in the expense account. If funds on deposit in the collection account are less than the required expense amount on any payment date, we will be unable to pay the required expense amount in full, which may lead to a default under our various service agreements or other contracts under which the expenses arise.

7. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

INTEREST RATE SENSITIVITY

Airplanes Group's principal market risk exposure is to changes in interest rates. This exposure arises from the notes (as illustrated in the table above at "6K. Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness") and the derivative instruments used by Airplanes Group to manage interest rate risk.

INTEREST RATE RISK AND MANAGEMENT

In general, an interest rate exposure arises to the extent that Airplanes Group's fixed and floating interest obligations in respect of the notes and certificates do not correlate to the mix of fixed and floating rental receipts for different rental periods. This interest rate exposure can be managed through the use of interest rate swaps, interest rate caps and other derivative instruments.

Since we are no longer paying interest on the class B notes and certificates, we hedge our interest rate exposure only in respect of the subclass A-9 notes and certificates as our receipts of rental income are based largely on a fixed interest rate which does not correlate to the floating payments due on the subclass A-9 notes and certificates. Our cashflows have been insufficient to enable any funds to be allocated to the "Second Collection Account Top-up" in the priority of payments since December 15, 2003. We have therefore not included this cash balance in our hedging calculations since the end of 2003.

We had historically entered into interest rate swaps in order to manage our interest rate exposure. Under the interest rate swaps, Airplanes Group would pay fixed amounts and receive floating amounts on a monthly basis. However, because of our financial condition, since early 2006 we have not been able to find eligible counterparties who are willing to enter into new swaps with us and as a result from late 2004, we began purchasing interest rate caps. Our last swap matured on April 15, 2010 and as a result we currently only hold interest rate caps. The cash manager seeks to enter into caps on a periodic basis in order to hedge our floating interest obligations and our fixed and floating mix of rental receipts. Under the interest rate caps, Airplanes Group receives the excess, if any, of one month LIBOR, reset monthly on an actual/360 adjusted basis over the strike rate of the relevant cap. The caps amortize having regard to a number of factors, including the expected pay down schedule of the subclass A-9 notes, the expiry dates of the leases under which lessees are contracted to make fixed rate rental payments and the LIBOR reset dates under the floating rate leases.

As of March 31, 2011, Airplanes Group had caps with an aggregate notional principal balance of \$432 million. The aggregate notional principal balance of these caps reduces by their terms, to an aggregate notional principal balance of \$396 million by March 31, 2012 and to an aggregate notional principal balance of \$116 million by March 31, 2013. None of the caps has a maturity date extending beyond March 2014. The aggregate fair market value of the portfolio of seven caps as of March 31, 2011 was estimated at \$0.5 million (that is, the caps were "in-the-money," meaning that if the caps were sold, a profit of \$0.5 million would result) as detailed below:

AIRPLANES GROUP INTEREST RATE CAPS AT MARCH 31, 2011

Interest Rate Cap	Notional Amount(1)(2) (in \$ millions)	Effective Date	Final Maturity Date	Strike Rate(3)	Estimated Fair Market Value as of March 31, 2011 (in \$)
1	125	15-Jun-06	15-May-11	6.0000%	0
2	100	15-Oct-06	15-Sep-11	5.5000%	15
3	100	15-Nov-10	15-Jan-12	5.5000%	945
4	100	15-Feb-07	15-Jan-12	5.5500%	926
5	7	15-Apr-08	15-May-12	6.0000%	10,316
6	0	16-Jul-12	15-May-13	3.7500%	88,156
7	0	15-May-12	15-Mar-14	3.5000%	393,771
Cap Total	432				494,129

- (1) While some of the above caps have a fixed notional amount, many amortize over the period to their final maturity date.
- (2) The initial amount for caps number 6 and 7 is \$140 million and \$100 million respectively.
- (3) Under all caps, Airplanes Group receives the excess, if any, of one month LIBOR, reset monthly on an actual/360 adjusted basis over the strike rate of the cap.

Additional interest rate exposure will arise to the extent that lessees owing fixed rate rental payments default and interest rates have declined between the contract date of the lease and the date of default. This exposure can be managed through the purchase of swaptions. If Airplanes Group purchases swaptions, these, if exercised, will allow Airplanes Group to enter into interest rate swap transactions under which it would pay floating amounts and receive fixed amounts. These swaptions could be exercised in the event of defaults by lessees owing fixed rate rental payments in circumstances where interest rates had declined since the contract date of such leases. Following consultation with the rating agencies in the year ended March 31, 2002, it is not currently proposed to purchase any swaptions due primarily to our current cashflow performance.

There can be no assurance that Airplanes Group's interest rate risk management strategies will be effective to manage its exposure to adverse changes in interest rates.

Our indentures require that any counterparty with whom we enter into a swap or cap have a short-term unsecured debt rating of at least A-1 from Standard & Poor's and a long-term unsecured debt rating of at least A2 from Moody's or otherwise as approved by the Board subject to prior written notification to the rating agencies. However, because of our financial condition, we are no longer able to find eligible counterparties who are willing to enter into new swaps with us, and as a result of this from late 2004 we began purchasing interest rate caps.

The directors of Airplanes Limited and the controlling trustees of Airplanes Trust are responsible for reviewing and approving the overall interest rate management policies and transaction authority limits. Specific hedging contracts are approved by officers of the cash manager acting within the overall policies and limits. Counterparty risk is monitored on an ongoing basis. Counterparties are subject to the prior approval of the directors of Airplanes Limited and the controlling trustees of Airplanes Trust. Airplanes Group's counterparties consist of the affiliates of major U.S. and European financial institutions who have credit ratings, or provide collateralization arrangements, which are consistent with maintaining the ratings of the class A certificates.

At March 31, 2011 Airplanes Group held \$2.0 million by way of cash collateral in relation to a cap counterparty the credit rating of which had been downgraded during the year ended March 31, 2009.

On April 1, 2001 we adopted Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Certain Hedging Activities" and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS 133." As a result, all derivatives are now recognized on the balance sheet at their fair value. All derivatives are designated as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), a hedge of a forecasted transaction or of the variability of cashflows to be received or paid related to a recognized asset or liability ("cashflow" hedge), a foreign-currency fair value or cashflow hedge ("foreign currency" hedge) or a "held for trading" instrument. All of Airplanes Group's interest rate swaps which all matured in the year ended March 31, 2011 were designated as

“cashflow” hedges and all of Airplanes Group’s interest rate caps were designated as “held for trading” instruments at March 31, 2011.

As noted above, we have a detailed hedging policy, which has been approved by the board of directors of Airplanes Limited and controlling trustees of Airplanes Trust and the rating agencies. As part of this hedging policy we have formally documented all relationships between hedging instruments and hedged items as well as our risk-management objective and strategy for undertaking various hedge transactions.

This process includes linking all derivatives that are designated as cashflow hedges to specific liabilities on the balance sheet. We formally assess, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cashflows of hedged items.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cashflow hedge are included in the item “Net change in cashflow hedges” in “other comprehensive income”, until earnings are affected by the variability in cashflows of the designated hedged item.

Hedge accounting is discontinued prospectively when it is determined that the derivative is no longer highly effective in offsetting changes in the cashflows of the hedged item, the derivative expires or is sold, terminated, or exercised, or it is determined that designation of the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued, the derivative will continue to be carried at its fair value on the balance sheet, and any changes in its fair value will be recognized in earnings. In all situations where derivatives are designated as “held for trading” instruments, they are carried at fair value on the balance sheet and any changes in fair value are recorded in the Income Statement.

As at March 31, 2011 all of the interest rate caps held by Airplanes Group were designated as “held for trading” instruments. The net change in the value of held for trading instruments for the year ended March 31, 2011 was an increase of \$0.2 million and is recorded in the Income Statement.

8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

9. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

The Chairman of the Board of Directors of Airplanes Limited and Chairman of the Controlling Trustees of Airplanes Trust, acting on the recommendation of the Board of Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust, after evaluating the effectiveness of Airplanes Group’s “disclosure controls and procedures” (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report, has concluded that our disclosure controls and procedures were effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Airplanes Group’s disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and the Board of Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust have concluded that these controls and procedures are effective at the “reasonable assurance” level. However, Airplanes Group believes that a control system, no matter how well designed or operated, cannot provide absolute assurance that the objectives of the control system are met, and that no evaluation of controls can provide absolute assurance that various types of corporate operational risks within a company particularly one such as this that relies exclusively on third parties for all services, will be detected in a timely manner.

(b) Changes in internal controls

There were no changes in the internal controls of Airplanes Group over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15(e) or 15(d)-15(e) that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

10. DIRECTORS AND TRUSTEES OF AIRPLANES GROUP

A. DIRECTORS AND CONTROLLING TRUSTEES

The Directors and the Controlling Trustees of Airplanes Limited and Airplanes Trust, respectively, their respective ages and principal activities are as follows:

Name	Age	Offices Held	
		Airplanes Limited	Airplanes Trust
Roy M. Dantzig.....	66	Independent director	Independent controlling trustee
Joseph E. Francht, Jr.	60	Independent director	Independent controlling trustee
William M. McCann.....	67	Chairman and independent director	Chairman and independent controlling trustee
Isla M. Smith	59	Independent director	Independent controlling trustee

Roy Dantzig is Chairman of Interior Services Group and a non-executive director of a number of other companies. He qualified as a chartered accountant in 1968 having started his career with Coopers & Lybrand. Between 1970 and 1980, he engaged in corporate advisory work, principally as a director of Samuel Montagu. In 1980, Mr. Dantzig was appointed by the British Government as the finance director of British National Oil Corporation and he served in this capacity until 1984. Between 1985 and 1989, he was a director of the corporate broking division of Wood McKenzie. In 1989 he joined the board of directors of Stanhope Properties and became its finance director from 1992 until the company was acquired in 1995. Thereafter he served as managing director of British Gas Properties Limited until his retirement in 2003.

Joseph Francht has been a private investor and consultant since 1998. Mr. Francht also serves as a controlling trustee and as chairman of the audit committee of Lease Investment Flight Trust (another aircraft securitization vehicle). He was Senior Vice President-Finance and Treasurer at Northwest Airlines from 1990 to 1998, where he was responsible for, among other things, all capital markets transactions, aircraft financing activities and fleet planning and analysis. He has also served as chairman of Northwest's Pension Investment Committee and was on the Board of Directors of Champion Air, Inc. and Northwest Aerospace Training Corporation. Prior to that, from 1972 to 1990, Mr. Francht was employed as a corporate lending officer at Chase Manhattan Bank, now JP Morgan Chase, and later, at Banque Paribas, now BNP Paribas, in several senior lending positions, including Senior Vice President-Leveraged Capital Group.

William McCann is a former chartered accountant. From 1987 to 1995 he was the Managing Partner of Price Waterhouse in Ireland and from 1991 to 1995 he was a member of the Price Waterhouse World Board. He was chairman of the Electricity Supply Board, Ireland from 1996 to 2001 and was a director of the Central Bank of Ireland from 1993 to 1998. He is currently Chairman of Galco Steel Limited and is a non-executive director of Allianz plc, UBS International Life Limited and of a number of other companies.

Isla Smith qualified as an attorney in South Africa before moving to London and qualifying as a solicitor in 1980 and a member of the Institute of Taxation in 1981. She joined Norton Rose as an associate in 1980 and became a Commercial Tax Partner in 1985. Ms. Smith was a member of the firm's management board for seven years and Global Head of Tax from 2002. She left Norton Rose in 2004 to pursue a portfolio career. She was a non-executive director of Abbot Group plc and Rensburg Sheppards plc until each of those companies were taken private and she is currently Chair of Breast Cancer Campaign, a charity that funds breast cancer research, and a trustee of two other charitable institutions, Allia Limited and Resources Africa (UK).

The Directors and Controlling Trustees of Airplanes Limited and Airplanes Trust, as well as other individuals, serve as directors of various of our subsidiaries.

Mr. Brian Hayden resigned from office as the Class E Note Controlling Trustee of Airplanes Trust on November 9, 2010 and as the Class E Note Director of Airplanes Limited on January 19, 2011.

B. THE SERVICER

GECAS provides various aircraft-related services to us as servicer under the servicing agreement. On November 20, 1998, GECAS' affiliate, GE Capital, acquired the Airplanes Limited and Airplanes Trust class E notes previously held by GPA Group (now known as AerCap Ireland) and its subsidiaries. On November 15, 2010 GE Capital, as holder of the class E notes issued by Airplanes

Trust in the principal amount of \$52,668,807, notified Airplanes Trust that GE Capital thereby discharged and released Airplanes Trust from any and all payment and other obligations under such class E notes with the intent and for the purpose of discharging the indebtedness and other contractual obligations that such class E notes represent and cancelling those class E notes. As the holder of the majority in aggregate principal amount of the Airplanes Limited class E notes, GE Capital has the right to appoint one director to the board of Airplanes Limited. Mr. Brian Hayden was the class E note controlling trustee of Airplanes Trust and class E note director of Airplanes Limited appointed by GE Capital until his resignation from the boards on November 9, 2010 and January 19, 2011, respectively. For further details of the surrender of class E notes by GE Capital and cessation of office by Mr. Brian Hayden see “6G. Surrender of Class E Notes and Cessation of Office of Class E Note Director/Controlling Trustee”. GECAS holds 5% of the ordinary share capital of Airplanes Holdings, and GE Capital previously held an option to acquire the residual interest in Airplanes Trust from AerCap, Inc. On November 15, 2010, GE Capital as holder of such option notified AerCap, Inc., AerCap Ireland and GECAS that they thereby waived, discharged and released all of their rights in, to or under such option and the residual ownership interest in Airplanes Trust and any and all other rights, title and interest in, to and under the agreement pursuant to which the option was granted.

GECAS is a global commercial aviation financial services company that offers a broad range of aircraft financial products and provides management, marketing and technical support services to airlines, aircraft owners, lenders and investors and various third parties, including Airplanes Group. As of March 31, 2011, GECAS and its affiliates serviced a portfolio consisting of 1,800 owned and serviced aircraft on-lease to over 245 lessees in over 75 countries.

GECAS and its affiliates offer such financial products as finance leases (including both direct financing and leveraged leases), operating leases and other structured finance products (including aircraft securitization vehicles). Its management services include collecting rental payments, arranging and monitoring aircraft maintenance performed by others, limited technical inspection of aircraft, arranging and monitoring insurance, arranging for aircraft valuations, registration and de-registration, monitoring compliance with leases, enforcement of lease provisions against lessees, confirming compliance with applicable ADs and facilitating delivery and redelivery of aircraft. GECAS also arrange sales of aircraft to third parties. GECAS, its affiliate GE Capital, or any of its other affiliates may acquire debt or beneficial interests in other securitization vehicles that own a portfolio of aircraft assets.

GECAS has 25 offices worldwide with 474 employees at March 31, 2011 including Shannon, Ireland where it had 157 employees at March 31, 2011.

THE SERVICING AGREEMENT

GECAS provides services with respect to all of the aircraft in our portfolio pursuant to the servicing agreement. The servicing agreement provides that the servicer will act in accordance with applicable law and with our directions in performing the aircraft services described below. In addition, the servicer has agreed to perform its services in accordance with the following “**GECAS services standard**” and “**GECAS conflicts standard**”:

- GECAS must use reasonable care and diligence at all times in the performance of the services.
- If a conflict of interest arises regarding GECAS’s management, servicing or marketing of (a) any two aircraft in our portfolio or (b) any aircraft in our portfolio and any other aircraft serviced by GECAS, GECAS will perform its services in good faith. If the two aircraft or the aircraft in our portfolio and the other aircraft serviced by GECAS are substantially similar in terms of objectively identifiable characteristics that are relevant for the particular services to be performed, GECAS will not discriminate among the aircraft or between any of the aircraft in our portfolio and any other aircraft serviced by GECAS on an unreasonable basis. GECAS is not obliged to inform us of any conflicts of interest.

The servicer does not have any fiduciary duty or other implied duties to us or any other person, including any certificateholders, and its obligations will be limited to the express terms of the servicing agreement. GECAS will not be liable to us for any of our losses arising out of, in connection with or related to, GECAS’s servicing of our portfolio, except where those losses are finally adjudicated to have resulted directly from GECAS’s gross negligence or willful misconduct. The servicer is not obliged to take any action that it believes is reasonably likely to violate any applicable law with respect to GECAS or its affiliates, violate any established written policies of GE related to legal, ethical and social matters in business practices, or lead to an investigation by any governmental authority. In addition, the servicer does not assume any liability or accountability for (a) the terms and conditions of the notes, (b) the ability of Airplanes Limited or Airplanes Trust to comply with the terms and conditions of the notes or the guarantees and (c) the structuring or implementation of any aspect of the various transactions described in this Annual Report.

Airplanes Limited, Airplanes Trust, Airplanes Holdings and AeroUSA have agreed to indemnify the servicer and its affiliates on an after-tax basis for any of its losses arising out of, in connection with or related to its performance of the services, except where those losses are finally adjudicated to have resulted directly from GECAS's gross negligence or willful misconduct in respect of its obligation to apply the GECAS services standard or GECAS conflicts standard in respect of its performance of the services.

AIRCRAFT SERVICES

The main categories of the services that are provided by the servicer are:

- lease marketing, including re-marketing, lease negotiation and execution;
- aircraft management, including lease rent collection, ensuring aircraft maintenance, insurance monitoring and procurement, contract compliance by, and enforcement against, lessees, and accepting delivery and re-delivery of aircraft;
- aircraft sales as we direct;
- monitoring of maintenance reporting, and provision of records and information about the aircraft;
- arranging valuations and monitoring regulatory developments;
- commercially reasonable assistance in complying with covenants relating to the aircraft under the indentures;
- assistance in connection with public or private offerings of certificates;
- legal and other professional services in the ordinary course of the operating lease business; and
- periodic reporting of operational information relating to the aircraft.

The servicer has also agreed to give us and our agents access to information and its personnel for monitoring purposes, and to separate its own funds from our funds.

OPERATING GUIDELINES

Under the servicing agreement, GECAS is entitled to exercise the authority necessary to give it a practicable and working autonomy in performing the services. Airplanes Holdings, acting on behalf of Airplanes Group through the administrative agent, has established monitoring and control procedures to enable the servicer to properly manage our business and assets.

All transactions the servicer enters into on our behalf must be at arm's-length and on fair market value terms unless we agree otherwise. Some transactions or matters involving the aircraft require the prior written approval of Airplanes Holdings. These include:

- sales of aircraft unless required by a lease;
- entering into any leases, renewals or extensions on terms that do not comply with the operating covenants under the indentures;
- terminating any lease or leases to any single lessee with respect to aircraft having an aggregate depreciated net book value in excess of \$200 million;
- entering into any contract for the modification or maintenance of aircraft where the costs to be incurred (a) exceed the greater of (1) the estimated aggregate cost of a heavy maintenance check for a similar aircraft and (2) available maintenance reserves or other collateral under the related lease, or (b) are outside the ordinary course of our business;
- issuing any guarantee for us, or otherwise pledging our credit, other than with respect to trade payables in the ordinary course of business; and
- any transaction with GE Capital or any of its affiliates not contemplated in the servicing agreement.

BUDGET

Airplanes Holdings adopts an annual budget, developed with the servicer, each year with respect to the aircraft. The servicer has agreed to use reasonable commercial efforts to attempt to achieve the budget each year.

SERVICING FEES

Airplanes Limited, Airplanes Holdings and AeroUSA pay an annual index-linked fee to the servicer, payable monthly in arrears for the period each aircraft is under management. For the year to March 31, 2011, this fee was 0.65% of the agreed book value of each aircraft, payable monthly in arrears for the period of time that aircraft is under GECAS's management. The servicer is entitled to additional incentive fees based on annual cashflow generated by leases in excess of targets and sales of aircraft, with a minimum fee of \$1.5 million annually. The servicer is also entitled to additional fees in connection with the services required to be provided by GECAS in respect of any offerings and sales by us of certificates. Airplanes Limited, Airplanes Holdings and AeroUSA also pay expenses incurred or approved by the servicer on our behalf, including aircraft maintenance costs and insurance, outside professional advisory fees and other out-of-pocket expenses, which are a significant component of our overhead costs. In the year ended March 31, 2011, aircraft maintenance reserve expenses were \$47.9 million. Other expenses, including servicer fees, outside professional advisory fees, insurance and other out-of-pocket expenses amounted to \$18.0 million for the same period.

TERM AND TERMINATION

The initial term of the servicing agreement expires on the earlier of March 28, 2014 and the payment in full of all amounts outstanding under the notes. Each party has the right to terminate under specified circumstances. The servicer has the right to terminate the servicing agreement if any of the following occur:

- Airplanes Limited, Airplanes Trust, Airplanes Holdings and/or AeroUSA fail to pay when due any servicing fees or other amounts owed to the servicer after appropriate notice;
- Airplanes Limited, Airplanes Trust, Airplanes Holdings and/or AeroUSA fail to perform or observe or violate in any material respect any material term, covenant, condition or agreement under the servicing agreement;
- any of Airplanes Limited, Airplanes Trust, Airplanes Holdings, AeroUSA or their respective subsidiaries or affiliates has made a false or misleading representation or warranty in the servicing agreement or any related document that is reasonably likely to have a material adverse effect on the servicer or on its rights and obligations under the servicing agreement;
- an involuntary proceeding under applicable bankruptcy, insolvency, receivership or similar law against Airplanes Limited, Airplanes Trust, Airplanes Holdings, AeroUSA or any of their significant subsidiaries continues for 75 days or if any of these entities goes into liquidation or suffers a receiver or mortgagee to take possession of all or substantially all of our or its assets, or if any of these entities commences a voluntary proceeding under bankruptcy, insolvency, receivership or similar law or makes a general assignment for the benefit of their creditors;
- Airplanes Limited, Airplanes Trust, AeroUSA, Airplanes Holdings and their respective subsidiaries and affiliates no longer own any aircraft;
- the indentures cease to be in full force and effect; or
- any guarantee in favor of the servicer by any of Airplanes Limited, Airplanes Trust, AeroUSA, Airplanes Holdings and their respective subsidiaries and affiliates ceases to be legal, valid and binding.

Airplanes Holdings, on behalf of itself, AeroUSA and Airplanes Limited, has the right to terminate the servicing agreement if any of the follow occur:

- the servicer ceases to be at least 75% owned, directly or indirectly, by GE or GE Capital;
- the servicer fails in any material respect to perform any material services required by the servicing agreement in accordance with the GECAS services standard or the GECAS conflicts standard, and this failure has a material adverse effect on Airplanes Group as a whole; or

- an involuntary proceeding under bankruptcy, insolvency, receivership or similar law against GE, GE Capital or the servicer continues undismissed for 75 days or any of those entities goes into liquidation or suffers a receiver or mortgagee to take possession of all or substantially all of its assets, or if GE, GE Capital or the servicer commences a voluntary proceeding under bankruptcy, insolvency, receivership or similar law or makes a general assignment for the benefit of its creditors.
- Airplanes Limited, AeroUSA and Airplanes Holdings also have the right to terminate the servicing agreement upon six months' written notice to the servicer if:
- the servicer fails to perform any of its specified tax related undertakings to preserve the Shannon tax benefits as described below; and
- as a result, we experience a material adverse tax event as defined in the servicing agreement.

The servicer may resign if it determines that directions given, or services required, would, if carried out:

- be unlawful under applicable law;
- violate GE policy as written and in effect for GE and its controlled subsidiaries at that time;
- be likely to lead to an investigation by any governmental authority;
- expose the servicer to liabilities for which, in the servicer's good faith opinion, it is not adequately indemnified; or
- place the servicer in a conflict of interest so that, in the servicer's good faith opinion, it could not continue to perform its obligations under the servicing agreement according to its terms.

Generally, the servicer may only resign, and the parties may only terminate the servicing agreement, if a replacement servicer has been appointed and the rating agencies have confirmed that the current ratings of any certificates will not be lowered or withdrawn.

TAX STATUS

Because GECAS owns 5% of the outstanding issued ordinary share capital of Airplanes Holdings and it maintained particular employment levels in Shannon, Ireland, Airplanes Holdings and its Irish tax-resident subsidiaries enjoyed reduced rates of corporation tax, and improved entitlements to capital allowances until December 31, 2005. In addition, these Shannon tax benefits included the right to pay interest in various circumstances without paying Irish withholding tax, and to deduct payments of interest in calculating corporate tax liability. We cannot guarantee that the management of the aircraft by the servicer will not expose Airplanes Holdings or the Irish tax resident companies to tax liabilities outside Ireland. The servicing agreement sets out various tax-related undertakings of the servicer to maintain a favorable tax treatment in Ireland for Airplanes Holdings and its Irish tax resident subsidiaries. These include:

- maintaining minimum levels of employment in Ireland if required for Airplanes Holdings or its Irish tax resident subsidiaries to maintain their Shannon licenses and tax certification;
- holding meetings of the board of directors of the servicer in Shannon at least quarterly, and only occasionally outside Shannon; and not outside Ireland;
- holding meetings of the servicer's transaction approval committee in Shannon at least monthly and only occasionally outside Ireland;
- a majority of the committee members must be employees of the servicer;
- generally signing aircraft-related contracts in Ireland or outside of Ireland pursuant to a limited power of attorney;
- compensating any of the servicer's affiliates for services provided outside Ireland in respect of the aircraft only to the extent those services are provided by express agreement;
- ensuring the managing director of the servicer is an officer and employee based in Shannon; and

- maintaining no offices outside Shannon.

If the servicer breaches a tax-related undertaking as a result of its gross negligence or willful misconduct and we experience a material tax event, our sole remedy is to terminate the servicing agreement after notice. The servicer has the right for any good faith commercial reason to modify the tax-related undertakings, which could lead to a loss of favorable tax treatment for Airplanes Holdings and its Irish tax resident subsidiaries.

On expiry of the preferential 10% corporate tax regime on December 31, 2005, Airplanes Holdings and its Irish tax resident subsidiaries became subject to Irish corporate tax on their net trading income, including leasing income, at the general Irish statutory rate for trading income which is currently 12.5%. The Irish Government has introduced amendments to Irish tax legislation over the last number of years to minimize the impact for companies on termination of the IFSC and Shannon regimes.

Overall, as a result of these amendments, it is not anticipated that the termination of the Shannon tax regime will have a material impact on Airplanes Holdings and its subsidiaries' Irish tax position although the absence of specific exemptions will require continued attention from the group to certain tax issues.

ASSIGNMENT OF SERVICING AGREEMENT

None of the servicer, Airplanes Limited, Airplanes Holdings or AeroUSA can assign their rights and obligations under the servicing agreement without the other parties' consent. However, the servicer may delegate a portion, but not all, of its duties to GE Capital or GE or any 75% or more owned subsidiary of GE Capital or GE.

PRIORITY OF PAYMENT OF SERVICING FEES AND REIMBURSABLE EXPENSES

The fees and expenses of the servicer rank senior in priority of payment to all payments of interest, principal and any premium on the notes.

The obligations of Airplanes Limited, Airplanes Holdings and AeroUSA under the servicing agreement have been guaranteed by each other, Airplanes Trust and their respective subsidiaries and affiliates.

GECAS's address is GE Commercial Aviation Services Limited, Aviation House, Shannon, Ireland and its telephone number is +353-61-706500.

C. THE ADMINISTRATIVE AGENT AND CASH MANAGER

AERCAP IRELAND

Subsidiaries of AerCap Ireland serve as our administrative agent and cash manager. AerCap Ireland is a wholly-owned indirect subsidiary of AerCap Holdings N.V., a major participant in the global commercial aviation industry. AerCap Holdings N.V., directly and through AerCap Ireland and other subsidiaries, also owns and manages aircraft, both for its own account and for third parties, including AerCo, ALS and ALS II, three other aircraft securitization vehicles. At March 31, 2011, AerCap Holdings N. V. owned and managed a portfolio of 350 aircraft which were on-lease to 110 lessees in 52 countries. AerCap Ireland is also the holder of all of the class E-1 and E-2 notes issued by AerCo, all of the class E-1 and E-2 notes issued by ALS and all of the class E-1 notes issued by ALS II. AerCap Ireland and its subsidiary act as servicer for the portfolio of aircraft owned by AerCo, ALS and ALS II. Subsidiaries of AerCap Ireland also act as administrative agent and cash manager to AerCo and as administrative agent to ALS and ALS II.

On April 27, 2005, the shareholders of AerCap Holdings N.V. announced that they had reached agreement in relation to the sale of the entire issued share capital of the company to Cerberus Capital Management L.P.

AerCap Holdings N.V. acquired AeroTurbine in April 2006. AeroTurbine is a non original equipment manufacturer affiliated provider of after-market commercial transport category engines for sale, lease and exchange and also offers engine and airframe parts trading.

On November 27, 2006, AerCap Holdings N.V. and certain shareholders each sold a portion of the ordinary shares in AerCap Holdings N.V. in a public offering listed on the New York Stock Exchange.

On July 31, 2007 AerCap Holdings N.V. and certain shareholders each sold a further portion of the ordinary shares in AerCap Holdings N.V. in a secondary offering.

On March 25, 2010 AerCap Holdings N.V. and Genesis Lease Aviation (“**Genesis**”) announced the completion of their amalgamation, under which Genesis shareholders received one AerCap ordinary share for every Genesis common share they owned. Under the amalgamation, Genesis became a wholly owned subsidiary of AerCap and its shares ceased trading at the New York Stock Exchange.

On November 11, 2010 AerCap Holdings N.V. issued approximately \$29.8 million new shares to Waha Capital PJSC. Shares held by public investors have now increased to 60.4%.

At March 31, 2011, AerCap Holdings N.V. employed 391 people worldwide, with 58 employees in Shannon, Ireland, where AerCap Ireland is located. AerCap Holdings N.V. has its headquarters in Amsterdam, the Netherlands and it also has offices and facilities in Florida, Arizona, Texas, Beijing, Singapore, Abu Dhabi and the United Kingdom.

ADMINISTRATIVE AGENT

AerCap Financial Services (Ireland) Limited, as administrative agent, is responsible for providing administrative and accounting services to the directors and controlling trustees. Its duties include:

- monitoring the performance of the servicer;
- liaising with rating agencies;
- maintaining accounting ledgers (although we retain responsibility for all discretionary decisions and judgments relating to the preparation and maintenance of ledgers and accounts, and we retain responsibility for, and prepare, our financial statements);
- preparing and presenting annual budgets to us for approval;
- authorizing payment of various expenses;
- coordinating any amendments to the transaction documents other than the leases;
- supervising outside counsel and coordinating legal advice;
- preparing and coordinating reports to investors and managing investor relations with the assistance of outside counsel and auditors, if appropriate;
- preparing, or coordinating the preparation of, all required tax returns for our approval and filing;
- maintaining, or monitoring the maintenance of, our books and records that are not maintained by our company secretary or the Delaware trustee;
- preparing agendas and any required papers for meetings of the governing bodies of Airplanes Group entities;
- assisting us in (i) developing financial models, cashflow projections and forecasts, and (ii) making aircraft lease, sale and capital investment decisions;
- advising us as to the appropriate levels of the liquidity reserve amount; and
- assisting us in the refinancing of all or a portion of the notes and certificates.

We may also ask the administrative agent to provide additional services.

Under the administrative agency agreement, the administrative agent is entitled to a fixed annual fee and an annual fee which varies depending on the number of aircraft we own. These fees are paid monthly in arrears. The fixed annual fee during the year ended March 31, 2011 was \$3.3 million and the variable fee was approximately \$1.0 million. These fees have been index-linked with effect

from April 1, 2003. The amount of the fixed annual fee payable to the administrative agent was renegotiated with effect from April 1, 2005. Such fee was reduced (on a non-cumulative basis before indexation) by \$0.6 million for each of the years ended March 31, 2006, 2007 and March 31, 2008 and by \$0.92 million for each of the years ended March 31, 2009, 2010 and 2011 and will be reduced (on a non-cumulative basis before indexation) by \$0.92 million per annum on a non-cumulative basis for each of the next four financial years and by \$1.5 million per annum on a non-cumulative basis for each subsequent financial year. We reimburse the administrative agent for expenses incurred on our behalf and indemnify the administrative agent for any liability it incurs, other than through its own deceit, fraud, willful default or gross negligence.

The administrative agent may resign upon 60 days' written notice in defined circumstances. We may remove the administrative agent upon 180 days' written notice with or without cause. However, the resignation or removal of the administrative agent will not become effective until a successor administrative agent has been appointed with the consent of the servicer and has accepted appointment as the successor administrative agent under the administrative agency agreement.

CASH MANAGER

AerCap Cash Manager Limited, as cash manager, provides cash management and related services to us, including establishing and administering our accounts, providing information about our accounts and investing the funds held by us in the collection account and the lessee funded account in prescribed investments (“**permitted account investments**”) on permitted terms. These accounts (but not the rental accounts) are maintained in the name of the security trustee. See “6N. Management’s Discussion and Analysis of Financial Condition and Results of Operations—The Accounts” for a more detailed description of our accounts.

The cash manager calculates monthly payments and makes other calculations required under the cash management agreement based on data it receives from the servicer. The cash manager also assists Airplanes Group in developing and implementing its interest rate management policy. The cash manager also provides the trustee with the information required for the monthly reports to the certificateholders. It is the responsibility of the cash manager to ensure that the proceeds from the lease or sale of our assets are deposited in the collection account. Upon the occurrence of a note event of default, the cash manager will distribute funds in the manner set forth in the indentures.

We paid the cash manager an annual fee of \$1.1 million for the year ended March 31, 2011, which has been index-linked with effect from April 1, 2003, and indemnify the cash manager against any loss or liability it incurs, other than through its own deceit, fraud, willful default or gross negligence, or simple negligence in the handling of funds.

The cash manager may resign upon 30 days' written notice so long as a replacement cash manager has been appointed. We may remove the cash manager at any time upon 180 days' written notice with or without cause.

COMPANY SECRETARY

State Street Secretaries (Jersey) Limited (formerly known as Mourant & Co. Secretaries Limited), as company secretary for Airplanes Limited, provides secretarial services for, and maintains the books and records, including minute books and stock transfer records, of Airplanes Limited.

DELAWARE TRUSTEE

Wilmington Trust Company, as the Delaware Trustee for Airplanes Trust, maintains the books and records, including minute books and trust certificate records, of Airplanes Trust.

CODE OF ETHICS

Each of Airplanes Limited and Airplanes Trust has adopted a code of ethics. The code is applicable only to the directors of Airplanes Limited and the controlling trustees of Airplanes Trust, respectively, as Airplanes Limited and Airplanes Trust are special purpose vehicles that do not employ any principal executive officer or principal financial officer or other employees. We have been informed by each of the servicer and the administrative agent that it is governed by a code of ethics instituted to fulfill its corporate governance requirements. Copies of the code of ethics for each of Airplanes Limited and Airplanes Trust are available upon request from Airplanes Group’s administrative agent, AerCap Financial Services (Ireland) Limited, AerCap House, 4450 Atlantic Avenue, Westpark, Shannon, Ireland.

D. COMPENSATION

All directors of Airplanes Limited and controlling trustees of Airplanes Trust are compensated for travel and other expenses incurred in the performance of their duties. Each independent director and independent controlling trustee is paid an index-linked annual fee, currently \$107,643, for their services in both capacities. The chairman of Airplanes Limited and Airplanes Trust also receives an additional index-linked annual fee, currently \$71,762, for his services in that capacity. The fees are index-linked and were last adjusted for inflation on April 1, 2011 for the period to March 31, 2014 by reference to the increase in the US CPI from April 1, 2008 to March 31, 2011. The aggregate fees paid to the independent directors and independent controlling trustees by Airplanes Trust and Airplanes Limited may not exceed \$550,000 in any year. In addition, Mr. Dantzig and Mr. McCann each receive index-linked annual amounts, currently \$10,764, for their services as directors of Airplanes Holdings and certain of its subsidiaries and Ms. Smith receives an index-linked annual amount, currently \$3,588, for her services as a director of a subsidiary of Airplanes Holdings. Mr. Dantzig, Mr. McCann and Ms. Smith are also each entitled to receive an additional \$1,435 in respect of each board meeting of these companies which they attend, subject to a maximum payment of \$7,176 annually for each of them. Mr. Francht is entitled to receive an index-linked annual fee, currently \$3,588, from AeroUSA and AeroUSA 3 for his services as a director of these companies and is also entitled to receive an additional \$1,435 in respect of each board meeting of these companies which he attends, subject to a maximum payment of \$7,176 annually. The directors and controlling trustees are reimbursed for travel and other expenses, and premiums for directors' and officers' insurance are paid on their behalf. If the holder of a majority in aggregate principal amount of the Airplanes Limited class E notes exercises its right to appoint a director of Airplanes Limited such director would not receive any remuneration from Airplanes Limited for his services to Airplanes Limited, except reimbursement of travel and other expenses and payment of premiums for directors' and officers' insurance. Various individuals other than the four directors of Airplanes Limited and controlling trustees of Airplanes Trust, including Mr. Brian Hayden, the former controlling trustee of Airplanes Trust and former director of Airplanes Limited previously appointed by GE Capital, also act as directors of subsidiaries of Airplanes Group. The aggregate annual compensation for such other individuals in respect of the subsidiaries does not exceed \$125,000.

The directors and the controlling trustees do not receive any additional cash or non-cash compensation from Airplanes Limited or Airplanes Trust (either in the form of stock options, stock appreciation rights or pursuant to any long-term incentive plan, benefit or actuarial plan or any other similar arrangements of any kind) as salary or bonus for their services as directors or controlling trustees. None of the directors or controlling trustees currently has an employment contract with either Airplanes Limited or Airplanes Trust or serves as a member of a compensation committee of either Airplanes Limited or Airplanes Trust. The compensation of the directors of Airplanes Limited is set forth in the Articles of Association of Airplanes Limited and that of the controlling trustees is set forth in the Airplanes Trust Agreement. None of the directors or controlling trustees has any beneficial ownership in any of the equity securities of Airplanes Limited, Airplanes Trust or any of their subsidiaries.

None of the directors, controlling trustees or any member of their families, or any person owning five percent or more of Airplanes Limited's capital stock, has been party to any transaction, or is party to any currently proposed transaction, with Airplanes Limited, Airplanes Trust or any of their subsidiaries. No director or controlling trustee or any member of his family, or any corporation, organization or trust in which that director or controlling trustee is an executive officer, partner, trustee or has a beneficial interest, has been indebted in any amount to Airplanes Limited or Airplanes Trust.

11. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Airplanes Group has had and currently maintains various relationships with GE Capital and GECAS. First, GECAS acts as servicer for Airplanes Group. Secondly, GECAS is the holder of 5% of the ordinary share capital of Airplanes Holdings. Thirdly, GE Capital holds the majority of the Airplanes Group class E notes and as the holder of the majority in aggregate principal amount of the Airplanes Limited class E notes has the right to appoint one director to the board of Airplanes Limited.

Airplanes Group has had and currently maintains various relationships with AerCap Ireland Limited, formerly known as AerFi Group plc which was previously known as GPA Group plc. First, AerCap Ireland acted as promoter in establishing the entities that comprise Airplanes Group. Second, Airplanes Group purchased substantially all of its assets from AerCap Ireland. See "1A. Introduction—Overview of Capital Structure." Third, AerCap Ireland was the holder of 5% of the ordinary share capital of Airplanes Holdings until November 20, 1998. Fourth, AerCap, Inc., a subsidiary of AerCap Ireland, holds the residual interest in Airplanes Trust. Fifth, subsidiaries of AerCap Ireland act as the administrative agent and cash manager for Airplanes Group. See "10C. Directors and Trustees of Airplanes Group—The Administrative Agent and Cash Manager." In addition, on November 20, 1998, GE Capital acquired the Airplanes Group class E notes previously held by AerCap Ireland.

12. PRINCIPAL ACCOUNTANT'S FEES AND SERVICES

A. ACCOUNTANT'S FEES

	Year Ended March 31, 2011		Year Ended March 31, 2010	
	\$	% approved by Audit Committee	\$	% approved by Audit Committee
Audit Fees.....	423,999	100%	422,568	100%
Audit-Related Fees	160,861	100%	139,395	100%
Tax Fees.....	182,954	100%	179,667	100%
All Other Fees.....	53,513	100%	53,142	100%
Total.....	821,327	100%	794,772	100%

Audit-related fees in the table above for the years ended March 31, 2011 and 2010 relate to quarterly reviews, review of our Annual Report and Audit Committee work.

All other fees in the table above for the years ended March 31, 2011 and 2010 relate to accounting advice and statutory filings for our subsidiaries. All fees include out of pocket expenditure and Value Added Tax (VAT).

B. AUDIT COMMITTEE

Audit committees of Airplanes Limited and Airplanes Trust were established in August 2000, consisting of their four independent directors or controlling trustees, respectively. In light of the Sarbanes-Oxley Act of 2002, we adopted revised terms of reference for a single audit committee acting for Airplanes Group, currently consisting of the four independent directors/controllers trustees, since the financial statements combine the operating results, assets, liabilities and cashflows of Airplanes Limited and Airplanes Trust. The duties of the audit committee include the following:

- to retain, oversee and terminate the independent auditors of Airplanes Group, including, the approval of all audit and engagement fees and terms;
- to discuss and agree with the external auditor before the audit commences the nature, staffing and scope of the audit;
- to pre-approve all permissible non-audit services performed by the external auditors. (Audit services include the statutory audit of group and subsidiary companies, the review of annual reports and other related work). Pre-approval is delegated to any member to cater for matters arising between meetings, however, the full committee shall approve at the next scheduled meeting;
- to review from time to time the cost effectiveness of the audit and the independence and objectivity of the external auditor;
- to review submissions to the boards in relation to any audited accounts, focusing particularly on:
 - critical accounting policies and practices and any changes in accounting policies and practice;
 - all alternative treatments of financial information presented that have been or are to be discussed with the boards;
 - any unadjusted audit differences;
 - the going concern assumption;
 - compliance with accounting standards (and in particular accounting standards adopted in the financial year for the first time);
 - compliance with applicable legal requirements;
- to review, on behalf of the boards, Airplanes Group's system of internal control over financial reporting and disclosure controls and procedures (including financial, operational compliance and risk management, and whether there are any

significant deficiencies in the design or operation of such controls and procedures, material weaknesses and any fraud involving any persons with a significant role in such controls and procedures) and make recommendations to the boards;

- to review the statement proposed to be included in each quarterly and annual report on the review of the system of internal and disclosure controls and procedures (including financial, operational compliance and risk management, and whether there are any significant deficiencies in the design or operation of such controls and procedures, material weaknesses and any fraud involving any persons with a significant role in such controls and procedures) prior to endorsement by the boards;
- to consider other matters as defined by the boards;
- to report on all of the above matters to the boards.

SIGNATURES

Date: June 15, 2011

For and on behalf of Airplanes Limited

By: /s/William M. McCann

Name: William M. McCann

Title: Chairman of the Board of Directors

For and on behalf of Airplanes U.S. Trust

By: /s/William M. McCann

Name: William M. McCann

Title: Chairman of the Board of Controlling Trustees

AIRPLANES GROUP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Airplanes Limited
and the Controlling Trustees of Airplanes U.S. Trust

We have audited the accompanying balance sheets of Airplanes Limited and Airplanes U.S. Trust (“**Airplanes Group**”) as of March 31, 2011 and 2010, and the related statements of operations, comprehensive loss, changes in shareholders’ deficit/net liabilities and cashflows for each of the years in the three year period ended March 31, 2011. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Airplanes Group’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in notes 8 and 10 to the financial statements, a number of factors have had a significant adverse effect on the aircraft industry in general and on Airplanes Group which has resulted in reductions in aircraft values and lease rates. These conditions have affected Airplanes Group’s ability to make scheduled principal and interest payments on the various classes of notes.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Airplanes Group as at March 31, 2011 and 2010, and the results of their operations and cashflows for each of the years in the three year period ended March 31, 2011, in conformity with generally accepted accounting principles in the United States.

Dublin, Ireland
June 15, 2011

KPMG
Chartered Accountants

AIRPLANES GROUP

BALANCE SHEETS

	March 31, 2010			March 31, 2011		
	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined
	(\$ millions)			(\$ millions)		
ASSETS						
Cash (Note 5).....	78	—	78	69	—	69
Accounts receivable						
Trade receivables (Note 6).....	7	1	8	6	1	7
Allowance for doubtful debts.....	(1)	—	(1)	—	—	—
Amounts due from Airplanes Limited (Note 7).....	—	52	52	—	28	28
Prepaid expenses.....	4	—	4	2	—	2
Other Current Assets.....	4	—	4	2	—	2
Total Current Assets	92	53	145	79	29	108
Aircraft, Held for Use (Note 8).....	555	25	580	324	17	341
Aircraft, Held for Sale (Note 8).....	7	—	7	37	1	38
Total assets	654	78	732	440	47	487
LIABILITIES						
Accrued expenses and other liabilities (Note 9).....	14,752	1,455	16,207	19,600	78	19,678
Amounts due to Airplanes Trust (Note 7).....	52	—	52	28	—	28
Total Current Liabilities.....	14,804	1,455	16,259	19,628	78	19,706
Indebtedness (Note 10).....	2,182	212	2,394	2,051	146	2,197
Deferred income taxes	—	23	23	—	5	5
Total liabilities	16,986	1,690	18,676	21,679	229	21,908
Common Stock, \$1 par value per share, Authorised 10,000 shares; issued and outstanding 30 shares (Note 11).....	—	—	—	—	—	—
Net liabilities.....	(16,332)	(1,612)	(17,944)	(21,239)	(182)	(21,421)
Shareholders' deficit and total liabilities.....	(654)	(78)	(732)	(440)	(47)	(487)

Commitments and Contingent Assets/Liabilities (Notes 18 and 19)

The accompanying notes are an integral part of the financial statements.

AIRPLANES GROUP
STATEMENTS OF OPERATIONS

	Year Ended March 31,								
	2009			2010			2011		
	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined
	(\$ millions)			(\$ millions)			(\$ millions)		
Revenues									
Aircraft leasing (Note 12).....	214	13	227	188	10	198	178	10	188
Other income	6	—	6	2	—	2	3	—	3
Aircraft sales.....	9	—	9	10	—	10	35	—	35
Expenses									
Cost of aircraft sold	(7)	—	(7)	(9)	—	(9)	(28)	—	(28)
Impairment charge	(116)	—	(116)	(59)	—	(59)	(125)	(4)	(129)
Depreciation and amortization	(61)	(2)	(63)	(58)	(3)	(61)	(46)	(3)	(49)
Net interest expense (Note 13)	(2,809)	(275)	(3,084)	(3,646)	(356)	(4,002)	(4,841)	(285)	(5,126)
Bad and doubtful debts	1	—	1	(1)	—	(1)	—	—	—
Other lease costs (Note 14).....	(60)	(1)	(61)	(65)	(4)	(69)	(57)	(2)	(59)
Selling, general and administrative expenses (Note 15).....	(27)	(1)	(28)	(27)	(1)	(28)	(26)	(1)	(27)
Operating loss before extraordinary item and provision for income taxes	(2,850)	(266)	(3,116)	(3,665)	(354)	(4,019)	(4,907)	(285)	(5,192)
Extraordinary item (Note 16).....	—	—	—	—	—	—	—	1,697	1,697
Operating (loss)/profit before provision for income taxes.....	(2,850)	(266)	(3,116)	(3,665)	(354)	(4,019)	(4,907)	1,412	(3,495)
Income tax credit (Note 17).....	—	—	—	—	—	—	—	18	18
Net (Loss)/Profit	(2,850)	(266)	(3,116)	(3,665)	(354)	(4,019)	(4,907)	1,430	(3,477)

The accompanying notes are an integral part of the financial statements.

AIRPLANES GROUP

STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Year Ended March 31,								
	2009			2010			2011		
	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined
	(\$ millions)			(\$ millions)			(\$ millions)		
(Loss)/Profit for the period.....	(2,850)	(266)	(3,116)	(3,665)	(354)	(4,019)	(4,907)	1,430	(3,477)
Other Comprehensive Income/(Loss)									
Net change in cashflow hedges.....	2	1	3	8	1	9	—	—	—
Total Comprehensive (Loss)/Income	(2,848)	(265)	(3,113)	(3,657)	(353)	(4,010)	(4,907)	1,430	(3,477)

The accompanying notes are an integral part of the financial statements.

AIRPLANES GROUP

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT/NET LIABILITIES Years ended March 31, 2009, 2010 and 2011

	Airplanes Limited				Airplanes Trust			Combined
	Share Capital	Accumulated Loss	Other Comprehensive Loss	Shareholders' Deficit	Accumulated Loss	Other Comprehensive Loss	Shareholders' Deficit	Shareholders' Deficit/Net Liabilities
	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)	(\$ millions)
Balance at March 31, 2008	—	9,816	11	9,827	993	1	994	10,821
Net loss for the period	—	2,850	—	2,850	266	—	266	3,116
Other Comprehensive Loss.....	—	—	(2)	(2)	—	(1)	(1)	(3)
Balance at March 31, 2009	—	12,666	9	12,675	1,259	—	1,259	13,934
Net loss for the period	—	3,665	—	3,665	354	—	354	4,019
Other Comprehensive Loss.....	—	—	(8)	(8)	—	(1)	(1)	(9)
Balance at March 31, 2010	—	16,331	1	16,332	1,613	(1)	1,612	17,944
Net loss/(profit) for the period.....	—	4,907	—	4,907	(1,430)	—	(1,430)	3,477
Other Comprehensive Loss.....	—	—	—	—	—	—	—	—
Balance at March 31, 2011	—	21,238	1	21,239	183	(1)	182	21,421

The accompanying notes are an integral part of the financial statements.

AIRPLANES GROUP
STATEMENTS OF CASHFLOWS

	Year Ended March 31,								
	2009			2010			2011		
	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined
	(\$ millions)			(\$ millions)			(\$ millions)		
Cashflows from operating activities									
Net loss	(2,850)	(266)	(3,116)	(3,665)	(354)	(4,019)	(4,907)	1,430	(3,477)
Adjustment to reconcile (net loss) to net cash provided by operating activities:									
Depreciation	61	2	63	58	3	61	46	3	49
Impairment charge.....	116	—	116	59	—	59	125	4	129
Profit on disposal of aircraft.....	(2)	—	(2)	(1)	—	(1)	(7)	—	(7)
Deferred income taxes.....	—	—	—	—	—	—	—	(18)	(18)
Provision for bad debts.....	(1)	—	(1)	—	—	—	—	—	—
Accrued and deferred interest expense	2,774	276	3,050	3,630	357	3,987	1,934	1,836	3,770
Extraordinary item.....	—	—	—	—	—	—	—	(1,697)	(1,697)
Changes in operating assets and liabilities:									
Sale of aircraft	9	—	9	10	—	10	37	—	37
Accounts receivable, net	2	—	2	(6)	(3)	(9)	2	22	24
Other accruals and liabilities	(2)	1	(1)	(11)	1	12	2,890	(1,567)	1,323
Other assets.....	—	—	—	—	—	—	2	—	2
Net cash provided by operating activities.....	107	13	120	96	4	100	122	13	135
Cashflows from financing activities									
Repayment of indebtedness.....	(105)	(13)	(118)	(98)	(10)	(108)	(131)	(13)	(144)
Net cash used in financing activities.....	(105)	(13)	(118)	(98)	(10)	(108)	(131)	(13)	(144)
Net increase/(decrease) in cash	2	(—)	2	(2)	(6)	(8)	(9)	—	(9)
Cash at beginning of year.....	91	6	97	80	6	86	78	—	78
Less: restricted cash (Note 5).....	—	(6)	(6)	(2)	—	(2)	—	—	—
Cash and cash equivalents at beginning of year	91	—	91	78	6	84	78	—	78
Net increase in restricted cash.....	(13)	—	(13)	11	—	11	—	—	—
Net (decrease)/increase in cash and cash equivalent.....	(11)	—	(11)	(2)	—	(2)	9	—	9
Cash and cash equivalents paid at end of year.....	80	—	80	76	—	76	69	—	69
Cash paid in respect of:									
Interest	31	3	34	6	1	7	7	—	7

The accompanying notes are an integral part of the financial statements.

AIRPLANES GROUP

NOTES TO THE FINANCIAL STATEMENTS

1. SECURITIZATION TRANSACTION

On March 28, 1996 (the “**closing date**”), AerCap Ireland Limited (then known as GPA Group plc) and its subsidiary undertakings (“**AerCap**”) re-financed on a long term basis certain indebtedness due to commercial banks and other senior secured debt. The refinancing was effected through a major aircraft securitization transaction (the “**Transaction**”).

Under the terms of the Transaction, a combination (“**Airplanes Group**”) comprising Airplanes Limited, a special purpose company formed under the laws of Jersey, Channel Islands (“**Airplanes Limited**”) and Airplanes U.S. Trust, a trust formed under the laws of Delaware (“**Airplanes Trust**”) acquired directly or indirectly from AerCap a portfolio of 229 commercial aircraft (collectively the “**aircraft**”) and related leases (the “**leases**”). The Transaction was effected by transferring existing subsidiaries of AerCap that owned the aircraft to Airplanes Limited and Airplanes Trust, respectively. References to Airplanes Group in these notes to the financial statements may relate to Airplanes Limited and Airplanes Trust on a combined or individual basis, as applicable.

Airplanes Group is in the business of leasing and selling aircraft. At March 31, 2011, the Airplanes Group fleet consisted of 84 aircraft, three airframes and eight engines of which 75 aircraft, three airframes and six engines were on-lease to 36 lessees in 26 countries (March 31, 2010: 101 aircraft, five airframes and 12 engines of which 95 aircraft, one airframe and four engines were on-lease to 42 lessees in 30 countries).

Simultaneously with the transfers described above, Airplanes Group issued notes of \$4,048 million in aggregate principal amount in four classes: class A, class B, class C and class D (“**notes**”) with approximately 91% of the principal amount of notes in each class being issued by Airplanes Limited and approximately 9% by Airplanes Trust. Airplanes Group also issued class E notes ranking after the notes and these were taken up by AerCap as part consideration for the transfer of the aircraft and certain related lease receivables. Airplanes Limited and Airplanes Trust have each fully and unconditionally guaranteed each others’ obligations under the relevant notes.

On March 16, 1998 Airplanes Group successfully completed a refinancing of \$2,437 million related to class A and class B notes.

On November 20, 1998 AerCap (then known as AerFi Group plc) transferred its holding of Airplanes Limited and Airplanes Trust class E notes to GE Capital Corporation (“**GE Capital**”).

On March 15, 2001 Airplanes Group successfully completed a refinancing of \$750 million related to class A notes.

2. BASIS OF PREPARATION

The accompanying financial statements of Airplanes Limited, Airplanes Trust and the combined balance sheets, statements of operations, statements of comprehensive loss, statements of changes in shareholders’ deficit/net liabilities and statements of cashflows of Airplanes Group (together the “**Financial Statements**”) have been prepared on a going concern basis in accordance with the accounting policies set out in Note 4 and in conformity with United States of America generally accepted accounting principles. As set out in Note 10, “**Indebtedness**,” Airplanes Group has not maintained payments to all classes of noteholders, however all interest payments (other than step-up interest) to class A noteholders as required under the Trust Indentures remain up to date.

Airplanes Group accounting policies are consistent with previous periods. The Financial Statements are stated in United States Dollars which is Airplanes Group’s functional currency.

3. RELATIONSHIP WITH GE COMMERCIAL AVIATION SERVICES LIMITED (“**GECAS**”) AND AERCAP AND MANAGEMENT ARRANGEMENTS

GECAS provides, in consideration for management fees, certain management services to Airplanes Group pursuant to a servicing agreement entered into by GECAS with certain members of Airplanes Group. In certain circumstances, GECAS may resign from the performance of its duties in relation to the management of all the aircraft generally, or the management of one or more aircraft individually, provided in either case that a replacement has been appointed to manage the aircraft. In addition, Airplanes Group will, in certain circumstances, have the right to terminate the servicing agreement.

Airplanes Limited has a board of directors of four directors (March 31, 2010: five). The controlling trustees of Airplanes Trust are the same individuals. As the holder of the majority of the outstanding principal amount of the Airplanes Limited class E notes, GE Capital has the right to appoint one director to the board of Airplanes Limited. As at March 31, 2011 GE Capital had not exercised such right following the resignation of Mr. Brian Hayden as Airplanes Limited class E note director on January 19, 2011. As the holder of all of the Airplanes Trust class E notes, GE Capital previously had the right to appoint one of the controlling trustees of Airplanes Trust however GE Capital no longer has such right following the submission on November 15, 2010 by GE Capital of a notice to Airplanes Trust stating that GE Capital thereby discharged and released Airplanes Trust from any and all payment and other obligations under such class E notes (see Note 16).

Certain cash management and administrative services are being provided by AerCap subsidiaries to Airplanes Group, pursuant to a cash management agreement and an administrative agency agreement entered into by such AerCap subsidiaries with Airplanes Group.

In the year to March 31, 2011, fees of \$18.0 million and \$5.1 million (2010: \$19.9 million and \$5.3 million) were charged by GECAS and AerCap, respectively. At March 31, 2011, included in accrued expenses are fee amounts of \$2.3 million and \$0.3 million payable to GECAS and AerCap, respectively.

Although Airplanes Group's portfolio will at all times be held in two different entities, Airplanes Limited and Airplanes Trust, Airplanes Group is managed and the note covenants structured on the basis of a single economic entity owning a single aircraft portfolio.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Airplanes Group's accounting policies conform with United States generally accepted accounting principles. The following paragraphs describe the main accounting policies followed in these financial statements.

(a) Principles of consolidation

The financial statements separately consolidate the financial statements of Airplanes Limited and all of its subsidiary undertakings and the financial statements of Airplanes Trust and all of its subsidiary undertakings. All significant intercompany balances and transactions have been eliminated in each consolidation. The individual consolidated accounts are then aggregated to give a "combined" position for Airplanes Group as a whole. The combined accounts show the intercompany loan receivable and payable balances between Airplanes Limited and Airplanes Trust separately.

(b) Revenue recognition

Revenue from aircraft on operating leases is recognized as income on a straight line basis over the term of the leases. Airplanes Group accounts for lease agreements that include stepped rentals on a straight line basis. In certain cases, leases provide for rentals based on usage. Unearned revenue from capital and sales type leases is amortized and included in income under the interest/effective yield method.

Most of Airplanes Group's lease agreements require payment in advance. Rentals received, but unearned under these lease agreements are recorded as unearned revenue on the balance sheet.

Maintenance contributions for the period are recognized as supplemental income and are included in lease income as they arise.

At the time Airplanes Group disposes of assets, the cost, accumulated depreciation and impairments are removed from the related accounts and recorded as cost of aircraft sold. The proceeds are recorded in revenue as aircraft sales.

(c) Aircraft

Aircraft held for use, including engines, are stated at cost, less accumulated depreciation and, where considered necessary, impairment provisions. Cost comprises the invoiced cost net of manufacturers' discounts. Depreciation is calculated on a straight line basis. The estimates of useful lives and residual values are reviewed periodically.

Aircraft are periodically reviewed for impairment in accordance with the Financial Accounting Standards Board's Accounting Standards Codification No. 360 "Property, Plant and Equipment" ("**FASB ASC 360**"). An impairment loss is evaluated when the

undiscounted estimated future cashflows of the aircraft are less than its carrying value, and the loss is measured as the excess of the carrying value over the fair value.

The fair value of the aircraft is based on independent appraisals of aircraft and other available information, including past experience, actual lease rates, sales prices achievable in the current market, the servicer’s experience in the market and estimated discounted future cashflows. The independent appraisals are determined based on the assumption that there is an “open, unrestricted stable market environment with a reasonable balance of supply and demand”. Where the other available information indicates a lower value for an aircraft than its appraised base value, such information is evaluated in detail in making the determination of the fair value for that aircraft. Estimated discounted future cashflows are used as a more accurate indication of fair value where appropriate. The estimated discounted future cashflows assume, among other things, market lease rates or sale of the aircraft at the end of the existing lease term, other lease or sale costs, downtime and the risk inherent in the cashflows.

The current estimates for residual values are the lower of 15% of cost or the estimated recoverable amount, and for useful lives are as follows:

	<u>Years</u>	<u>From</u>
Turboprop aircraft.....	up to 22.5	Manufacture date
All other aircraft.....	up to 25	Manufacture date

Aircraft classified as held for sale are recorded at the lower of carrying amount or fair value, less costs to sell. Aircraft are not depreciated while classified as held for sale. Costs to sell are the incremental direct costs to transact a sale, that is, the costs that result directly from and are essential to a sale transaction and that would not have been incurred by Airplanes Group had the decision to sell not been made.

(d) Accounts receivable

Accounts receivable represent only amounts billed and currently due from customers. Deferred lease receivables represent deferral of rent, maintenance and miscellaneous payments due from lessees due to a restructuring of the receivable. Interest is charged on deferred receivables.

(e) Allowance for doubtful debts

Allowances are made for doubtful debts where it is considered that there is a significant risk of non recovery.

The assessment of risk of non recovery is primarily based on the extent to which amounts outstanding exceed the expected value of security held together with an assessment of the financial strength and condition of a lessee and the economic conditions existing in the lessee’s operating environment at the balance sheet date.

(f) Taxation

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Income tax is provided based on the results for the year. Airplanes Limited’s underlying taxable entities in Ireland are subject to Irish corporate income tax on approved trading operations at general Irish statutory rates, which are currently 12.5%. Airplanes Trust’s underlying taxable entities in the U.S. are subject to U.S. federal and state taxes on their trading operations. The US federal statutory tax rate was 35% for 2009, 2010 and 2011.

(g) Concentrations of credit risk

Financial instruments which potentially subject Airplanes Group to significant concentrations of credit risk consist primarily of trade accounts receivable and interest rate caps. Details of Airplanes Group’s interest rate caps are set out at Note 4(h) below.

Credit risk with respect to trade accounts receivable is generally diversified due to the number of lessees comprising Airplanes Group's customer base and the different geographic areas in which they operate. At March 31, 2011, Airplanes Group owned 84 aircraft, three airframes and eight engines of which 75 aircraft, three airframes and six engines were on-lease to 36 lessees in 26 countries, with nine aircraft and two engines off-lease. The geographic concentrations of leasing revenues are set out in Note 12.

The exposure of Airplanes Group to particular countries and customers is managed partly through concentration limits provided for under the terms of the notes and through obtaining security from lessees by way of deposits, letters of credit and guarantees. Airplanes Group will continue to manage its exposure to particular countries, regions and lessees through concentration limits. In the normal course of its business Airplanes Group has reached agreements with certain of its lessees to restructure their leases and defer certain receivable balances. Details of accounts receivable, deferred balances and allowance for doubtful debts are set out in Note 6. Any repossession of aircraft by Airplanes Group could result in the redelivery condition of the aircraft being significantly worse than expected. Given the age of the aircraft within the Airplanes Group portfolio this could have a significant impact on the ability of Airplanes Group to re-market the aircraft and could have an adverse impact on Airplanes Group's cashflows.

(h) Fair Value of Financial Instruments

Financial Accounting Standards Board's Accounting Standards Codification No. 820 "*Fair Value Measurements and Disclosures*" ("**FASB ASC 820**") defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values of financial instruments have been determined with reference to available market information and the valuation methodologies discussed below. However, considerable management judgment is required in interpreting market data to arrive at estimates of fair values. Accordingly, the estimates presented herein may not be indicative of the amounts that Airplanes Group could realise in a current market exchange.

- (i) The fair value of cash, trade receivables and trade payables approximates the carrying amount because of the nature and short maturity of these instruments.
- (ii) The fair value of the class A, B, C and D notes issued by Airplanes Group outstanding at March 31, 2011 and 2010 was \$496.6 million and \$433.4 million respectively (carrying value at March 31, 2011 and 2010 was \$1,660 million and \$1,804 million respectively). Although the estimated fair values of the class A to D notes outstanding have been determined by reference to prices as at March 31, 2011 provided by an independent third party based on information available to that third party at that date, these fair values do not reflect the market value of these notes at a specific time and should not be relied upon as a measure of the value that could be realised by a noteholder upon sale. The actual amount that may be returned to noteholders is likely to be materially different. While the amount subscribed for the class E notes was based on the appraised value of the aircraft at the closing date, the fair value of these notes at March 31, 2011 cannot be determined, as it represents the holders' residual interest in the aircraft owned by Airplanes Group.
- (iii) Airplanes Group manages its interest rate exposure through the use of interest rate caps ("**caps**") and in the past has also used interest rate swaps ("**swaps**") and options to enter into interest rate swaps ("**swaptions**"). At March 31, 2010, Airplanes Group had entered into swaps with an aggregate notional principal amount of \$100 million. Under these swaps, Airplanes Group paid fixed, and received floating, amounts on a monthly basis. These swaps matured in the year ended March 31, 2011. At March 31, 2011 and 2010, Airplanes Group had entered into caps with an aggregate notional principal amount of \$494 million and \$387 million, respectively. Under these caps, Airplanes Group will receive the excess, if any, of one month LIBOR, reset monthly on an actual /360 adjusted basis over the strike rate of the relevant cap. Before November 17, 2003, the primary objective of Airplanes Group's interest rate risk management policy was to correlate fixed and floating rate interest payments on the notes and certificates to the mix of contracted fixed and floating rental receipts for different rental periods. Since November 17, 2003, however, Airplanes Group has ceased paying interest on the class B notes and certificates (a floating rate obligation) and on the class C and D notes and certificates (both fixed rate obligations). At that date, the hedges that were deemed to be ineffective were marked to market through the Income Statement. During the year ended March 31, 2004, Airplanes Group therefore reviewed and modified its hedging policy with the approval of the rating agencies and no longer enters into hedges of the class B notes and certificates. The fair values of swaps and caps are provided by third parties and are calculated by discounting expected cashflows using market interest rates over the remaining term of the relevant instrument. The fair value of these swaps at March 31, 2010 was (\$0.3) million. The fair value of these caps at March 31, 2011 and 2010 was \$0.5 million and \$0.6 million, respectively.

Interest rate exposures which may arise in the event that lessees paying fixed rate rentals default have in the past been managed in part through the purchase of swaptions. At March 31, 2011 and 2010, Airplanes Group had no swaptions in place.

Airplanes Group is exposed to losses in the event of non-performance by counterparties to interest rate cap agreements. However, Airplanes Group does not anticipate non-performance by these counterparties.

Counterparty risk is monitored on an ongoing basis. Counterparties are subject to the prior approval of the directors of Airplanes Limited and the controlling trustees of Airplanes Trust. Airplanes Group's counterparties at March 31, 2011 comprise major U.S./European financial institutions.

(i) *Foreign Currency Transactions*

Airplanes Group's foreign currency transactions are not significant, as virtually all revenues and most costs are denominated in U.S. dollars.

(j) *Derivative Instruments and Hedging Activities*

Airplanes Group has adopted Financial Accounting Standards Board's Accounting Standards Codification No. 815, "*Derivatives and Hedging*" ("**FASB ASC 815**"). As a result, all derivatives are recognized on the balance sheet at their fair value. All derivatives are designated as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), a hedge of a forecasted transaction or of the variability of cashflows to be received or paid related to a recognized asset or liability ("cashflow" hedge), a foreign-currency fair value or cashflow hedge ("foreign currency" hedge) or a "held for trading" instrument. At March 31, 2011, all of Airplanes Group's interest rate caps were designated as "held for trading" instruments.

Airplanes Group has a detailed hedging policy, which has been approved by the board of directors of Airplanes Limited and controlling trustees of Airplanes Trust and the rating agencies. As part of this hedging policy, Airplanes Group has formally documented all relationships between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking various hedge transactions.

This process included linking all derivatives that were designated as cashflow hedges to specific liabilities on the balance sheet. Airplanes Group formally assessed, both at the hedge's inception and on an ongoing basis, whether the derivatives that were used in hedging transactions were highly effective in offsetting changes in cashflows of hedged items.

Changes in the fair value of a derivative that were highly effective and that was designated and qualified as a cashflow hedge were included in "Net change in cashflow hedges" in "other comprehensive income" ("**OCI**"), until earnings were affected by the variability in cashflows of the designated hedged item.

Hedge accounting was discontinued prospectively when it was determined that the derivative was no longer highly effective in offsetting changes in the cashflows of the hedged item, the derivative expired or was sold, terminated, or exercised, or it was determined that designation of the derivative as a hedging instrument was no longer appropriate. In all situations in which hedge accounting was discontinued, the derivative would have continued to be carried at its fair value on the balance sheet, and any changes in its fair value were recognized in earnings.

In all situations where derivatives are designated as "held for trading" instruments, they are carried at fair value on the balance sheet and any changes in fair value are recorded in the Income Statement. Interest rate caps are marked to market at each quarter end.

As described more fully in Note 10, Airplanes Group's cashflows have been inadequate to pay interest on the class B, C and D notes since the November 2003 payment date. Accordingly derivatives which had been documented as having a hedging relationship with the interest payments on the class B notes and certificates could no longer be classed as highly effective cashflow hedges, and therefore the decrease in value of these derivatives for the year ended March 31, 2004 of \$2.0 million was recorded in the Income Statement in accordance with FASB ASC 815. These derivatives continued to be a hedge of Airplanes Group's interest rate exposure in respect of the class B notes and certificates until the date interest ceased being paid. During the year ended March 31, 2004, Airplanes Group accordingly reviewed and modified its hedging policy as more fully described in Note 4(h) above.

At March 31, 2011, Airplanes Group held caps with a maximum maturity of 36 months to hedge its exposure to interest rate risk.

(k) Fair Value Measurement of Financial Instruments

In September 2006, the FASB issued FASB ASC 820. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value of financial instruments and requires additional disclosures about the use of fair value measurements. FASB ASC 820 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Under FASB ASC 820, Airplanes Group determines fair value based on the price that would be received to sell a financial asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is Airplanes Group's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements in accordance with the fair value hierarchy as described below. Where limited or no observable market data exists, fair value measurements for financial assets and liabilities are based primarily on management's own estimates and are calculated based upon Airplanes Group's pricing policy, the economic and competitive environment, the characteristics of the financial asset or liability and other such factors. Therefore, the results may not be realized in actual sale or immediate settlement of the asset or liability.

Airplanes Group adopted FASB ASC 820 for all financial assets and liabilities required to be measured at fair value on a recurring basis, prospectively from January 1, 2008. The application of FASB ASC 820 for financial instruments which are periodically measured at fair value did not have a material effect on Airplanes Group's results of operations or financial position.

Under FASB ASC 820, there is a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. The three broad levels defined by the FASB ASC 820 hierarchy are as follows:

Level 1 - Quoted prices are available in active markets for identical financial assets or liabilities as at the reported date.

Level 2 - The fair values determined through Level 2 of the fair value hierarchy are derived principally from or corroborated by observable market data. Inputs include quoted prices for similar financial assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow value to be determined.

Level 3 - The fair values pertaining to Level 3 of the fair value hierarchy are derived principally from unobservable inputs from Airplanes Group's own assumptions about market risk developed based on the best information available, subject to cost benefit analysis, and may include Airplanes Group's own data.

When there are no observable comparables, inputs used to determine value are derived through extrapolation and interpolation and other Airplanes Group-specific inputs such as projected financial data and Airplanes Group's own views about the assumptions that market participants would use.

In October 2008, the FASB issued Accounting Standards Codification No. 820-10-35, "Fair Value Measurements and Disclosures – Subsequent Measurement" ("**FASB ASC 820-10-35**") which clarifies the application of FASB ASC 820 in a market that is not active and is intended to address the following application issues:

- How the reporting entity's own assumptions (that is, expected cashflows and appropriately risk-adjusted discount rates) should be considered when measuring fair value when relevant observable inputs do not exist.
- How available observable inputs in a market that is not active should be considered when measuring fair value.
- How the use of market quotes (for example, broker quotes or pricing services for the same or similar financial assets) should be considered when assessing the relevance of observable and unobservable inputs available to measure fair value.

FASB ASC 820-10-35 is effective on issuance, including prior periods for which financial statements have not been issued. As such, FASB ASC 820-10-35 was effective for Airplanes Group for the year ended March 31, 2009. Adoption of FASB ASC 820-10-35 did not have a significant impact on Airplanes Group's financial statements.

Airplanes Group's policy is to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy of FASB ASC 820. The fair values determined by Airplanes Group are derived principally from or corroborated by observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow fair value to be determined. Due to the prevailing market conditions, Airplanes Group applied additional inputs to the

fair value determination in the form of credit spreads, credit default swaps and an assessment of the probability of its own non performance and of default by either of the cap counterparties.

The following table summarizes the fair value of Airplanes Group's financial assets and liabilities as of March 31, 2011 by level within the fair value hierarchy.

	Net Fair Value	Using Quoted Prices in Active Markets for Identical Assets	Using Significant Other Observable Inputs	Using Significant Unobservable Inputs
	March 31, 2011	(Level 1)	(Level 2)	(Level 3)
	(\$ Thousands)			
Cash and cash equivalents	66,745	66,745		
Restricted cash	1,950	1,950		
Debt.....	(496,582)		(496,582)	
Derivatives:				
Interest rate caps	494		494	
Total.....	(427,393)	68,695	(496,088)	-

Airplanes Group expects \$nil of the gross fair value of the derivatives to be recognized within one year.

Accounting Standards Codification No. 825, "Financial Instruments" ("FASB ASC 825") requires a company to disclose the fair value of all financial instruments along with significant assumptions used to estimate fair value and any changes to those methods and significant assumptions.

Accounting Standards Codification No. 825-10-50-3 "Financial Instruments -Disclosures" ("FASB ASC 825-10-50-3") amended FASB ASC 825, requiring that such disclosures be included in interim financial statements as well as year end financial statements.

Airplanes Group's financial instruments consist principally of derivative liabilities, note indebtedness, cash and cash equivalents and restricted cash. The fair value of cash and cash equivalents and restricted cash approximates the carrying value of these financial instruments because of their short term nature.

The fair value of Airplanes Group's debt is estimated by reference to prices as at March 31, 2011 provided by an independent third party based on information available to that third party at that date. The fair value does not reflect the market value of the debt at a specific time and should not be relied upon as a measure of the value that could be realised by a noteholder upon sale. The actual amount that may be returned to noteholders is likely to be materially different.

The carrying amounts and fair values of Airplanes Group's financial instruments as of March 31, 2011 are as follows:

	Carrying Amount of Asset/(Liability)	Fair Value of Asset/(Liability)
	(\$ Thousands)	(\$ Thousands)
Assets		
Cash and cash equivalents	66,745	66,745
Derivatives.....	494	494
Restricted cash.....	1,950	1,950
	69,189	69,189
Liabilities		
Debt	(2,197,394)	(496,582)
	(2,197,394)	(496,582)

(l) *Use of Estimates*

The preparation of financial statements in conformity with United States of America generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. For Airplanes Group, the use of estimates is or could be a significant factor affecting the reported carrying values of aircraft, accounts receivable, deferred tax assets and accruals and reserves. Management utilize professional appraisers and valuation specialists, where possible, to support estimates, particularly with respect to aircraft valuation. Despite management’s best efforts to accurately estimate such amounts, actual results could differ from those estimates. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Management adjusts such estimates and assumptions when facts and circumstances dictate. Illiquid and volatile credit markets, energy markets, and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

(m) *Maintenance*

In most lease contracts the lessee has the obligation to pay for maintenance costs on airframes and engines which arise during the term of the lease and in many lease contracts the lessee makes a full or partial prepayment calculated at an hourly rate. Under our policy we have adopted the “direct expense” method of accounting for maintenance which involves recognizing maintenance contributions as supplemental incomes included in lease income as they arise and cost of overhauls as an expense as it is incurred. Any uncollected supplemental rent is included in debtors at period end and assessed for recoverability as part of the balance.

In other lease contracts, the lessee is required to redeliver 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 redelivery.

(n) *Security Deposits on Leases*

Security deposits on leases are made by the lessee on the execution of the lease and are non-refundable during the term of the lease. The amounts are held as a security for the timely and faithful performance by the lessee of its obligations during the lease. The deposit may be applied against amounts owing from the lessee for rent or returned to the lessee on the termination of the lease.

5. CASH

	March 31			
	2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)	
Cash	78	—	69	—

Substantially all of the cash balances at March 31, 2011 and 2010 are held for specific purposes under the terms of the Transaction. Included in the cash balances at March 31, 2011 and 2010 is restricted cash of \$2 million and \$2 million, respectively. During the year ended March 31, 2009, the credit rating of one of Airplanes Group’s swap and cap counterparties was downgraded and in accordance with the requirements of the interest rate swap agreement and interest rate cap agreement in place with Airplanes Group, cash collateral was placed with Airplanes Group by the swap/cap counterparty and deposited in a blocked cash collateral account maintained with the Security Trustee. The balance on the blocked cash collateral account as of March 31, 2011 and 2010 was \$1.9 million and \$1.7 million, respectively.

6. ACCOUNTS RECEIVABLE

	March 31			
	2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)	
Trade receivables	7	1	6	1
Allowance for doubtful debts.....	(1)	—	—	—
	<u>6</u>	<u>1</u>	<u>6</u>	<u>1</u>
Included in trade receivables are deferred amounts as follows:				
Gross deferred lease receivables	5	—	1	—
Allowance for doubtful debts.....	—	—	—	—
	<u>5</u>	<u>—</u>	<u>1</u>	<u>—</u>

Deferred lease receivables at March 31, 2011 represent deferrals of rent, maintenance and miscellaneous payments due from lessees in accordance with the terms of restructuring agreements signed with such lessees. The most significant of these lessees are located in Russia (see Note 4(g).)

Receivables, before allowance for doubtful debts, include amounts classified as due after one year of \$nil (Airplanes Limited: \$nil; Airplanes Trust: \$nil) at March 31, 2011 and \$nil (Airplanes Limited: \$nil; Airplanes Trust: \$nil) at March 31, 2010.

A number of Airplanes Group's lessees are in a weak financial position. As of March 31, 2011, amounts outstanding for a period greater than 30 days in respect of rental payments, maintenance reserves and other miscellaneous amounts due under the leases (net of amounts in respect of default interest and cash in transit) amounted to \$3.2 million in respect of 12 lessees (who leased a combined total of 29 aircraft representing 33.7% of the portfolio by appraised value as of January 31, 2011). Of the total \$3.2 million, \$2.0 million was in arrears for a period between 30 and 60 days and \$1.2 million was in arrears for a period greater than 60 days.

As of March 31, 2011, in addition to the \$3.2 million in respect of payments past due more than 30 days, Airplanes Group had agreed to allow one lessee to defer payments totaling \$1.0 million in respect of rental payments, maintenance reserves and other miscellaneous amounts due under its leases for a period up to 15 months.

7. AMOUNTS DUE FROM AIRPLANES LIMITED TO AIRPLANES TRUST

	March 31			
	2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)	
Amount receivable from Airplanes Limited/Payable to Airplanes Trust.....	(52)	52	(28)	28

Included in the balance at March 31, 2011 and March 31, 2010 was \$6 million and \$17 million, respectively, payable from Airplanes Trust to Airplanes Limited in respect of aircraft sales and purchases. The remaining balance of \$34 million (2010: \$69 million) represents the net amount due to Airplanes Trust in respect of Airplanes Trust's trading activities, including servicing of its debt obligations.

8. AIRCRAFT

	March 31			
	2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)	
Aircraft—Held for use				
Cost.....	2,390	100	1,735	75
Less impairment charge	(543)	(19)	(421)	(13)
Less accumulated depreciation	(1,292)	(56)	(990)	(45)
	<u>555</u>	<u>25</u>	<u>324</u>	<u>17</u>
Aircraft—Held for sale				
Cost.....	227	—	472	26
Less impairment charge	(105)	—	(172)	(12)
Less accumulated depreciation	(115)	—	(263)	(13)
	<u>7</u>	<u>—</u>	<u>37</u>	<u>1</u>
Fleet Analysis				
On operating lease for a further period of:				
More than five years	123	—	111	—
From one to five years	343	25	207	17
Less than one year.....	89	—	6	—
Non revenue earning aircraft:				
Available for lease	1	—	3	—
Held for sale.....	6	—	34	1
	<u>562</u>	<u>25</u>	<u>361</u>	<u>18</u>

At March 31, 2011, three aircraft were subject to purchase options granted to existing lessees. The latest date on which a purchase option could be exercised was September 3, 2012.

	Year ended March 31					
	2009		2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)		(\$ Millions)	
Depreciation expense.....	61	2	59	2	46	3
Impairment charge	116	—	58	1	125	4
	<u>177</u>	<u>2</u>	<u>117</u>	<u>3</u>	<u>171</u>	<u>7</u>

At March 31, 2011, Airplanes Group owned 84 aircraft, three airframes and eight engines (March 31, 2010: 101 aircraft, five airframes and 12 engines).

At March 31, 2011, nine aircraft were off-lease, of which five were contracted for sale, one was subject to a letter of intent for sale and one was subject to a contract for lease. In addition, as of the date of these financial statements one other aircraft which was on-lease at March 31, 2011 has subsequently redelivered from the lessee in line with the terms of its lease agreement.

At March 31, 2011, two engines were off-lease and were being marketed for sale or lease.

In the year ended March 31, 2011, Airplanes Group has continued to suffer as a result of difficult leasing conditions.

As of March 31, 2011, the B737-400 and the A320-200 models of aircraft each comprised more than 20% of Airplanes Group's portfolio by appraised value as of January 31, 2011, each of the B767-300ER and B737-500 models of aircraft comprised more than 10% of Airplanes Group's portfolio by appraised value as of January 31, 2011 and, in addition, the DHC8-300 model of aircraft

comprised more than 5% of Airplanes Group's portfolio by appraised value as of January 31, 2011. Furthermore, at March 31, 2011, widebody aircraft comprised more than 15% and turboprop aircraft comprised more than 5% of Airplanes Group's portfolio by appraised value as of January 31, 2011.

During the years ended March 31, 2011 and March 31, 2010, Airplanes Group evaluated all aircraft for impairment and this impairment analysis resulted in 61 and 31 aircraft, respectively, being identified with a carrying value greater than the undiscounted estimated future cashflows for such aircraft. An impairment loss was calculated for these aircraft based on the excess of their carrying value over their fair value. The fair value of the aircraft is based on independent appraisals of aircraft and other available information, including past experience, actual lease rates, sales prices achievable in the current market, the servicer's experience in the market and estimated discounted future cashflows. The independent appraisals are determined based on the assumption that there is an "open, unrestricted stable market environment with a reasonable balance of supply and demand". Where the other available information indicates a lower value for an aircraft than its appraised base value, such information is evaluated in detail in making the determination of the fair value for that aircraft. Estimated discounted future cashflows are used as a more accurate indication of fair value where appropriate. The estimated discounted future cashflows assume, among other things, market lease rates or sale of the aircraft at the end of the existing lease term, other lease or sale costs, downtime and the risk inherent in the cashflows.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	March 31			
	2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)	
Accrued expenses and other liabilities include:				
Unearned revenue	5	—	4	—
Other accruals	40	—	43	—
Interest accrued	14,688	1,455	19,540	78
Deposits received	19	—	13	1
	<u>14,752</u>	<u>1,455</u>	<u>19,600</u>	<u>79</u>
Of which:				
Payable within one year	34	—	57	—
Payable after one year	14,718	1,455	19,543	79
	<u>14,752</u>	<u>1,455</u>	<u>19,600</u>	<u>79</u>

During 2010, a court ruling in Brazil found against Airplanes Holdings Limited in an action brought by a former lessee, Transbrasil. Airplanes Holdings Limited has filed appeals against this ruling. While Airplanes Holdings Limited believes it has meritorious defences against the suit and the ruling, the ultimate resolution of the matter is expected to take a considerable length of time, and in accordance with U.S. GAAP, as at March 31, 2011 and March 31, 2010 the directors have made a provision of \$15 million in respect of this matter in the financial statements.

10. INDEBTEDNESS

The components of the debt are as follows:

	March 31			
	2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)	
Indebtedness in respect of notes issued:				
Subclass A-8	75	7	—	—
Subclass A-9	683	67	627	61
Class B	207	20	207	20
Class C	320	30	320	30
Class D	360	35	360	35

March 31

	2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)	
Class E.....	538	53	538	—
	2,183	212	2,052	146
Discounts/costs arising on issue of notes.....	(1)	—	(1)	—
	<u>2,182</u>	<u>212</u>	<u>2,051</u>	<u>146</u>

Debt maturity

The repayment terms of the class A, B, C and D notes are such that certain principal amounts were expected to be repaid on certain dates based on certain assumptions (each such date, the “**expected final payment date**”) or refinanced through the issue of new notes by specified expected final payment dates but in any event are ultimately due for repayment on specified final maturity dates (each such date, the “**final maturity date**”). The expected final payment dates, final maturity date, outstanding principal balance and interest rates applicable to each class of note are set out below:

Class/Subclass of Notes	Interest Rates	Outstanding Principal Balance at March 31, 2011	Expected Final Payment Date*	Final Maturity Date
		(\$ Millions)		
Subclass A-8**	(LIBOR+.375%)	—	—	—
Subclass A-9	(LIBOR+.55%)	688	November 15, 2008	March 15, 2019
Class B	(LIBOR+.75%)	227	February 15, 2017	March 15, 2019
Class C	8.15%	350	December 15, 2013	March 15, 2019
Class D	10.875%	395	February 15, 2017	March 15, 2019
Class E	See below	538	See below	See below
		<u>2,198</u>		

* The expected final payment dates were determined in March 2001 based on the base case assumptions in Airplanes Group’s offering memorandum dated March 15, 2001 (the “**2001 Base Case**”).

** The principal of the subclass A-8 notes was repaid in full on November 15, 2010. Although accrued and unpaid step-up interest on such notes remains outstanding and interest continues to accrue on such unpaid step-up interest, these amounts are payable at level (xv) in the priority of payments and Airplanes Group does not have sufficient cashflows to pay them.

Discounts on notes issues and costs arising on refinanced notes are netted against debt on the balance sheet. These amounts are accreted to the income statement over the expected life of the refinancing notes.

On March 15, 2001, Airplanes Group successfully completed a \$750 million refinancing of its subclass A-4 and subclass A-7 notes into subclass A-9 notes using the effective interest method.

The dates on which principal repayment, if any, on the notes will actually occur will depend on the cash generated by Airplanes Group. Airplanes Group was due to refinance the subclass A-8 notes in the capital markets on March 15, 2003. Given market conditions and the impact these conditions have had on Airplanes Group’s performance as compared to the 2001 Base Case, a refinancing was not economically viable. In the absence of a refinancing of the subclass A-8 notes, step-up interest at a rate of 0.5% per annum became payable from March 15, 2003. The expected final payment date for the subclass A-8 notes under the 2001 Base Case has proved incorrect. Due to insufficient cashflows and the low priority of step-up interest in the priority of payments, no step-up interest has been paid and it is not expected to be paid in the future, but full accrual has been made in the financial statements. The subclass A-9 notes have also not been repaid by their expected final payment date of November 15, 2008 however no step-up interest accrues in respect of the subclass A-9 notes.

LIBOR on the class A and class B notes equates to the London interbank offered rate for one month U.S. dollar deposits.

Interest on the class C and class D fixed rate notes is calculated on the basis of a 360-day year, consisting of twelve 30-day months.

The class E notes accrue interest for each interest accrual period at a rate of 20% per annum. The stated interest rate on the class E notes is adjusted by reference to the U.S. consumer price index. Except for the class E note minimum interest amount plus the class E note supplemental interest amount, each of which are payable at a rate of 1% and 19% multiplied by the outstanding principal balance of the class E notes, respectively, no interest will be payable on the class E notes until all of the interest, principal and premium, if any, on the notes have been repaid in full. The principal on the class E notes will be repaid, subject to adequate funds being available, after the interest on the class E notes.

On November 15, 2010, GE Capital, as holder of the class E notes issued by Airplanes Trust in the principal amount of \$52,668,807, notified Airplanes Trust that GE Capital thereby discharged and released Airplanes Trust from any and all payment and other obligations under such class E notes with the intent and for the purpose of discharging the indebtedness and other contractual obligations that such class E notes represent and cancelling those class E notes. On the basis of this notice and other considerations, the class E notes of Airplanes Trust in the principal amount of \$52,668,807 and the accrued interest thereon amounting to \$1,644,637,626 have been released in the Statement of Operations for the year ended March 31, 2011. The interest expense was originally recorded in Net Interest Expense in the Statements of Operations, however, due to the unique and infrequent nature of this transaction the principal and interest released have been included as an Extraordinary Item in the Statement of Operations. This transaction has also resulted in the reversal of a \$18 million deferred tax liability during the year ended March 31, 2011.

In general the priority of repayment of the principal payments on the notes is as set out below:

1. Specified minimum principal amounts on the class A and the class B notes in that order.
2. Additional amounts on the class A notes in the event that the value of the portfolio falls below specified amounts.
3. Scheduled principal repayments on the class C notes and the class D notes in that order.
4. Specified additional amounts on the class B notes and the class A notes in that order.
5. Thereafter cash available to repay the principal on the notes is applied on each payment date to repay the outstanding principal on the class D notes, the class C notes, the class B notes and the class A notes in that order.

Prior to March 15, 2003, on each payment date the priority of repayment of the principal amounts outstanding in respect of the various subclasses of class A notes was subclass A-6, subclass A-9 and subclass A-8 in that order. Because there was no refinancing of the subclass A-8 notes by March 15, 2003, the priority of repayment of the principal amounts outstanding in respect of the various subclasses of class A notes was subclass A-8 and subclass A-9 in that order, the subclass A-6 notes having been repaid in full on October 15, 2004. The subclass A-8 notes were repaid in full (save for accrued step-up interest and accrued interest thereon) on November 15, 2010.

The concentration on particular models or types of aircraft magnifies the adverse impact to Airplanes Group's cashflow of a decline in lease rates or aircraft values for these models or types of aircraft and of specific governmental or technical regulations imposed on those aircraft types or other external factors relevant to particular aircraft types. In this connection, Airplanes Group has seen (x) an increase in the price of fuel adversely impact the attractiveness of certain aircraft types, in particular the MD80s, which are considered to be less fuel-efficient, (y) decreasing popularity of the turboprop aircraft, the cessation of production of MD80s and B757s, and the bankruptcy of Fokker, and (z) Airworthiness Directives with respect to a number of aircraft types, including the MD80s and B737s. These events have contributed to, and are likely to continue to contribute to, a significant reduction in overall lease rates and aircraft values, and may cause Airplanes Group to incur significant costs which would further reduce its cashflows.

Administrative and lease expenses and certain other payments in the ordinary course of business are senior to the notes in priority of payment and are therefore payable before any payments are made on the notes (and thus the corresponding certificates).

Class A principal adjustment amount

As a result of Airplanes Group's low revenues and a greater than assumed decline in the appraised value of the aircraft in its portfolio, Airplanes Group has been required to pay class A principal adjustment amount to the extent of available cashflows in order to maintain certain loan to current appraised value ratios on the class A notes. Airplanes Group has not always had sufficient cashflows to pay class A principal adjustment amount in full and since the April 15, 2003 payment date, Airplanes Group has not had sufficient cashflows to pay any class A principal adjustment amount, resulting in accumulating arrears. In the year to January 31, 2011, there has been a decline of 8.9% in the appraised value of Airplanes Group's fleet, being \$93 million less than the decline assumed in setting the payment schedules on Airplanes Group's notes. This has resulted in a decrease in the arrears of class A principal adjustment amount of \$14.1 million at February 16, 2011 (the first payment date following the 2011 appraisals).

Class A principal adjustment amount ranks ahead of scheduled principal payments on the class C and D notes. If, on any payment date, Airplanes Group was unable to make payment in full of class A principal adjustment amount, then by definition Airplanes Group was unable to make any scheduled principal payments on the class C and D notes. Between February 1999 and March 2000, Airplanes Group was unable to make some scheduled principal payments on the class C and D notes and since April 2000 Airplanes Group has not paid any scheduled principal on the class C and D notes (or paid any minimum interest on the class E notes) which continues to be deferred.

Class A minimum principal amount

To the extent that Airplanes Group has sufficient available funds, Airplanes Group is also required to pay a minimum principal amount on the class A notes in order to maintain certain loan to initial appraised value ratios. (Since class A minimum principal amount is determined by reference to initial appraised values, it is unaffected by the annual appraisals referred to above.) As a result of earlier payments of class A principal adjustment amount described above Airplanes Group remained ahead of the required class A minimum principal payment schedule. However as described above, Airplanes Group has not always had sufficient cashflows to pay class A principal adjustment amount in full and since the April 15, 2003 payment date, Airplanes Group has not had sufficient cashflows to pay any class A principal adjustment amount. As a result, since the August 15, 2003 payment date Airplanes Group has no longer been ahead of the required class A minimum principal payment schedule. Therefore on that date Airplanes Group had to recommence payments of minimum principal on the class A notes to the extent of available cashflows and Airplanes Group was consequently unable to fund the "Second Collection Account Top-up" in full. Beginning on the December 15, 2003 payment date its cashflows were insufficient to allocate any funds at all to the "Second Collection Account Top-up" or to pay minimum principal on the class A notes in full.

Since the January 31, 2007 appraisals, the outstanding principal balance of the class A notes has exceeded the adjusted portfolio value (determined by reference to the annual appraised value). As a result, the methodology for calculation of class A minimum principal amounts has changed under the terms of the trust indentures, resulting in an increase in the amount of class A minimum principal payable on each payment date and accordingly, an increase in the arrears thereof. While it is possible that the outstanding principal balance of the class A notes may be less than the adjusted portfolio value on one or more future payment dates which would result in class A minimum principal being calculated as it has been up until February 15, 2007, Airplanes Group believes that it is likely that the class A outstanding principal balance will continue to exceed the adjusted portfolio value and Airplanes Group expects that the corresponding method of calculation of class A minimum principal will continue to be applicable. Actual payments to class A noteholders, however, are dependent on available cashflows and are not affected by the calculation of class A minimum principal payments or the annual aircraft appraisals. Since minimum principal on the class A notes ranks ahead of interest and minimum principal on the class B notes and interest on the class C and D notes in the priority of payments, Airplanes Group's cashflows have been inadequate to pay any interest or minimum principal on the class B notes or any interest on the class C and D notes, since the December 15, 2003 payment date. Airplanes Group's failure to make payments on a class of notes results in failure to make payments on the corresponding class of certificates.

Class B, C and D notes

Airplanes Group does not believe that it will ever be able to resume making payments of interest or principal on the class B, C and D notes. Given Airplanes Group's failure to pay interest when due on these notes beginning on the December 15, 2003 payment date, interest has begun to accrue on the unpaid interest in accordance with the terms of the notes and will continue to accrue until all interest arrears are paid in full. Since interest (and minimum principal) on the class A notes is payable prior to payment of interest and minimum/scheduled principal on the class B, C and D notes (and all other amounts of principal on the class B, C and D notes), available cashflows will be used first to service interest and, to the extent possible, minimum principal on the class A notes. The

minimum principal arrears on the class A notes on each payment date have been and will continue to be carried over to the next payment date causing the amount payable to increase over time, making it more difficult to make payments in full. Even if cash were available at any subsequent time to make payments ranking below class A minimum principal, cashflows would first be used to pay interest on the class B notes, which would then include all the accrued interest from the period when no payments were made on these notes. Thus the likelihood of remaining cashflows over the life of Airplanes Group being sufficient to resume any payments ranking below class B interest is even further diminished.

If Airplanes Group were able to resume making payments on the class B, C and D notes, payments would be made according to the priority of payments, commencing with the then most senior class and only making payments on more junior classes to the extent of available cashflows. The more junior the class of notes is in the order of priority, the greater the risk that Airplanes Group would be unable to make further payments on that class of notes. Airplanes Group's failure to make payments on a class of notes results in failure to make payments on the corresponding class of certificates.

Ratings

This vulnerability of the various classes of notes and corresponding certificates has been reflected in actions taken by the rating agencies which continue to re-evaluate structured aircraft financings.

Set out in the table below are the ratings of Airplanes Group's certificates at the date of these financial statements:

Certificate	Outstanding Principal Balance as at May 16, 2011	S&P	Fitch	Moody's (S&P equivalent)
Subclass A-9	\$670.4m	CCC	CCC	B1 (B+)
Class B	\$226.8m	NR*	C	C (C)
Class C	\$349.8m	NR*	C	C (C)
Class D	\$395.1m	NR*	C	C (C)

* Ratings withdrawn

On March 18, 2010 Standard & Poor's issued a press release stating that 35 "D" ratings on eight aircraft ABS deals and two U.S. franchise loan ABS deals had been withdrawn. As a result of this action, the ratings on the class B, class C and class D certificates were withdrawn and these certificates are no longer rated by Standard & Poor's. On December 12, 2010 Moody's issued a press release stating that the class B and class C certificates had been downgraded from "Ca" to "C". On March 16, 2011 Standard & Poor's issued a press release affirming its rating of the subclass A-9 certificates. On May 18, 2011 Fitch issued a press release affirming its rating of the subclass A-9, class B, class C and class D certificates.

Given the continuing difficulties in the aircraft industry and their impact on the factors which determine Airplanes Group's revenues, there can be no assurance that the rating agencies will not further downgrade any class or subclass of Airplanes Group's certificates.

The ratings of the certificates address the likelihood of the timely payment of interest and the ultimate payment of principal and premium, if any, on the certificates. A rating is not a recommendation to buy, sell or hold certificates because ratings do not comment as to market price or suitability for a particular investor. A rating may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

11. SHARE CAPITAL

	Airplanes Limited March 31,	
	2010	2011
	(\$)	
Ordinary shares, par value \$1		
Authorised 10,000.....	10,000	10,000
Issued 30	30	30

The holders of the issued ordinary shares are entitled to an annual cumulative preferential dividend of \$4,500. As Airplanes Limited does not have distributable profits, this dividend has not been paid. As at March 31, 2011, the total unpaid cumulative preferential dividend amounted to \$67,500.

12. REVENUES

The following table sets forth the amount and percentage of total revenues attributable to the indicated geographic areas based on each airline's principal place of business for the years indicated:

	Year ended March 31,					
	2009		2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)		(\$ Millions)	
The distribution of revenues by geographic area is as follows:						
Europe.....	54	6	28	—	30	—
North America	17	—	22	—	41	—
South America	67	3	50	3	33	3
Asia/rest of world.....	91	4	100	7	112	7
	<u>229</u>	<u>13</u>	<u>200</u>	<u>10</u>	<u>216</u>	<u>10</u>
Of which, aircraft sales revenue from third parties represents	(9)	—	(10)	—	(35)	—
Leasing revenue	214	13	190	10	181	10
Of which, maintenance reserve receipts represents	73	7	57	4	57	4

As of March 31, 2011, in addition to the nine aircraft and two engines which were off-lease, there were 16 aircraft and two engines which were scheduled to come off lease before March 31, 2012.

At March 31, 2011, Airplanes Group had contracted to receive the following minimum rentals under operating leases:

Year ending March 31,	2011	
	Airplanes Limited	Airplanes Trust
	(\$ Millions)	
2012	98	10
2013	76	9
2014	55	3
2015	36	—
2016	15	—
2017	1	—
	<u>281</u>	<u>22</u>

Contracted rentals are based on actual rates up to the first recalculation date, and thereafter are based on a budget LIBOR of 1.6%.

Each of Airplanes Limited and Airplanes Trust operates in one business segment, the leasing of aircraft.

For Airplanes Limited, no customer accounted for more than 10% of revenue in any of the years ended March 31, 2009, 2010 or 2011 respectively. For Airplanes Trust: (a) two lessees accounted for more than 10% of leasing revenue for the year ended March 31, 2009 and individually these lessees accounted for 47% and 32% of leasing revenue, respectively, (b) three lessees accounted for more than 10% of leasing revenue for the year ended March 31, 2010 and individually these lessees accounted for 68%, 17% and 15% of leasing revenue, respectively, and (c) three lessees accounted for more than 10% of leasing revenue for the year ended March 31, 2011 and individually these lessees accounted for 73%, 16% and 11% of leasing revenue, respectively.

13. NET INTEREST EXPENSE

	Year ended March 31,					
	2009		2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)		(\$ Millions)	
Interest on notes issued (before Extraordinary Item (see Note 16)).....	2,811	275	3,647	356	4,843	285
Interest income.....	(2)	—	(1)	—	(2)	—
	<u>2,809</u>	<u>275</u>	<u>3,646</u>	<u>356</u>	<u>4,841</u>	<u>285</u>
Cash paid in respect of interest	<u>31</u>	<u>3</u>	<u>6</u>	<u>1</u>	<u>7</u>	<u>1</u>

14. OTHER LEASE COSTS

	Year ended March 31,					
	2009		2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)		(\$ Millions)	
Maintenance costs.....	40	—	35	2	47	1
Other lease costs	20	1	30	2	10	1
	<u>60</u>	<u>1</u>	<u>65</u>	<u>4</u>	<u>57</u>	<u>2</u>

In the year ended March 31, 2010 other lease costs contained a provision of \$15 million (Airplanes Limited: \$15 million; Airplanes Trust: \$nil) in respect of litigation with a former lessee, Transbrasil. During 2010, a court ruling in Brazil found against Airplanes Holdings in an action brought by Transbrasil. Airplanes Holdings Limited has filed appeals against this ruling. While Airplanes Holdings believes it has meritorious defences against the suit and the ruling, the ultimate resolution of the matter is expected to take a considerable length of time.

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended March 31,					
	2009		2010		2011	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)		(\$ Millions)	
GECAS management fees.....	19	1	19	1	17	1
Other selling, general and administrative expenses	8	—	8	—	9	—
	<u>27</u>	<u>1</u>	<u>27</u>	<u>1</u>	<u>26</u>	<u>1</u>

In the year ended March 31, 2011, other selling, general and administrative expenses included an amount of \$5 million (Airplanes Limited: \$5 million; Airplanes Trust: \$nil) payable to AerCap in respect of administration and cash management fees as compared to the amount of \$5 million (Airplanes Limited: \$5 million; Airplanes Trust: \$nil) payable in the year ended March 31, 2010 and \$5 million (Airplanes Limited: \$5 million; Airplanes Trust: \$nil) payable in the year ended March 31, 2009.

16. EXTRAORDINARY ITEM

On November 15, 2010, GE Capital, as holder of the class E notes issued by Airplanes Trust in the principal amount of \$53 million, notified Airplanes Trust that GE Capital thereby discharged and released Airplanes Trust from any and all payment and other obligations under such class E notes with the intent and for the purpose of discharging the indebtedness and other contractual obligations that such class E notes represent and cancelling those class E notes. On the basis of this notice and other considerations,

the class E notes of Airplanes Trust in the principal amount of \$53 million and the accrued interest thereon amounting to \$1,645 million have been released in the Statement of Operations for the year ended March 31, 2011.

17. PROVISION FOR INCOME TAXES

References to Airplanes Limited and Airplanes Trust in the context of this note refer to the underlying taxable entities of Airplanes Limited (primarily Irish entities) and Airplanes Trust (primarily U.S. entities).

There was a credit in the year ended March 31, 2011 of \$18 million (Airplanes Limited: \$nil; Airplanes Trust: \$18 million) in relation to deferred tax as a result of the Extraordinary Item detailed above, as compared with a tax charge of \$nil (Airplanes Limited: \$nil; Airplanes Trust: \$nil) for the year ended March 31, 2010.

In respect of Airplanes Limited, as at March 31, 2011, no current tax or deferred tax provisions are being recognized in the financial statements. A deferred tax provision is deemed unnecessary due to the level of losses carried forward and additional forecasted losses.

Airplanes Trust has deferred tax assets relating to net operating loss carry forwards at March 31, 2011 of \$2 million. These deferred tax assets are offset by deferred tax liabilities on aircraft. The result is a net deferred tax liability of \$6 million (2010: \$23 million) as at March 31, 2011.

(a) Airplanes Limited

Income tax benefit of Airplanes Limited consists of the following:

	Year ended March 31,		
	2009	2010	2011
	(\$ Millions)		
Current income tax.....	—	—	—
Deferred income tax.....	—	—	—
	—	—	—

Airplanes Limited's income from trading activities is taxable at general statutory rates which are currently 12.5%.

A reconciliation of differences between actual income tax benefit of Airplanes Limited for 2009, 2010 and 2011 and the expected tax benefit based on a tax rate of 12.5% is shown below:

	Year ended March 31,		
	2009	2010	2011
	(\$ Millions)		
Tax benefit at tax rate	369	394	561
Non-deductible class E note interest.....	(369)	(394)	(561)
Actual tax credit.....	—	—	—

Class E note interest is not deductible for tax purposes in Ireland.

Airplanes Limited has net operating loss carryforwards of approximately \$2.293 million as of March 31, 2011 (2010: \$2,161 million), which are available for offset against future taxable income with no restrictions to expiration.

The deferred tax assets and liabilities of Airplanes Limited are summarised below:

	March 31,	
	2010	2011
	(\$ Millions)	
Deferred tax assets relating to:		
Net operating loss carryforwards	270	287
Valuation allowance.....	(206)	(241)
	64	46
Deferred tax liability relating to:		
Aircraft.....	64	46
	64	46
Net deferred tax	—	—

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that Airplanes Limited will not realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2011.

(b) Airplanes Trust

Income tax benefit/(expense) of Airplanes Trust consists of the following:

	Year ended March 31,		
	2009	2010	2011
	(\$ Millions)		
Current income tax:			
Federal.....	—	—	—
Total current	—	—	—
Deferred income tax:			
Federal.....	(1)	4	4
State.....	—	—	(1)
Increase in valuation allowance.....	1	(4)	15
Total deferred	—	—	18

A reconciliation of differences between actual income tax benefit of Airplanes Trust for 2009, 2010 and 2011 and the expected tax benefit/(expense) based on the U.S. federal statutory tax rate of 35% in 2009, 2010 and 2011 is shown below:

	Year ended March 31,		
	2009	2010	2011
	(\$ Millions)		
Tax benefit at statutory rate.....	92	124	(494)
Non-deductible class E note interest.....	(91)	(120)	(95)
Non-taxable cancellation of debt income	—	—	595
Increase in valuation allowance.....	1	(4)	15
Other.....	(2)	—	(3)
	—	—	18

Airplanes Trust has federal and state net operating loss (“NOL”) carryforwards of approximately \$4.1 million as of March 31, 2011 (2010: \$61.9 million). Due to an ownership change in November 1998, \$1.7 million of Airplanes Trust’s aforementioned federal NOL’s became limited under Section 382 of the Internal Revenue Code of 1986, as amended (Section 382). Under Section 382, NOL’s will generally be limited annually to the product of the long-term tax-exempt rate (published monthly by the Service) and the

value of the AeroUSA Inc. outstanding stock immediately before the ownership change (excluding certain capital contributions). However, the Section 382 limitation for a taxable year any portion of which is within the five-year period following the effective date (November 20, 1998) will be increased by the amount of any “recognized built-in gains” for such tax year (subject to certain limitations). With the lapsing of the five-year period to recognize built-in gains in November 2003, Airplanes Trust determined that \$37.4 million in NOL’s would never be realized and has thus written off the NOL’s. Due to the deconsolidation from GE Capital as a result of the discharge and release in respect of the Airplanes Trust class E notes, certain tax attributes and liabilities under the tax sharing agreement referred to below have been reversed. The remaining deferred tax assets for net operating loss carryforwards relate to losses incurred after the deconsolidation.

Deferred tax assets and liabilities of Airplanes Trust are summarised below:

	<u>Year ended March 31,</u>	
	<u>2010</u>	<u>2011</u>
	<u>(\$ Millions)</u>	
Deferred tax assets relating to:		
Net operating loss carryforwards.....	24	2
Valuation allowance.....	(15)	—
	<u>9</u>	<u>2</u>
Deferred tax liabilities relating to:		
Aircraft.....	9	7
AMT NOL Liability.....	23	—
	<u>32</u>	<u>7</u>
Net deferred tax liability.....	<u>23</u>	<u>5</u>

Based on Airplanes Trust’s consideration, given the reversal of deferred tax liabilities and available tax planning strategies, the valuation allowance for deferred tax assets was \$nil as of March 31, 2011 (2010: \$15 million; 2009: \$11 million). No valuation allowance was required for the year ended March 31, 2011 as management believes that it is more likely than not that the net operating loss carryforwards are recoverable. This is as a result of the deconsolidation from GE Capital and certain tax attributes being utilized by GE Capital.

Pursuant to a tax sharing agreement dated March 28, 1996, between Airplanes Trust and AerCap, Airplanes Trust was liable to AerCap for its share of the consolidated tax liability in years subsequent to the completion of the Transaction, in which Airplanes Trust generated taxable income. However, Airplanes Trust was obliged to satisfy this liability in cash only to the extent that payments due to tax authorities from AerCap were attributable to Airplanes Trust’s share of the consolidated tax liability; the remainder was to be paid in the form of subordinated notes. Conversely, Airplanes Trust was entitled to be reimbursed by AerCap for any tax benefits provided subsequent to the completion of the Transaction, to AerCap from Airplanes Trust’s tax losses. AerCap has also indemnified Airplanes Trust for any tax liabilities of AeroUSA, Inc. (a subsidiary of Airplanes Trust) that relate to tax years prior to the completion of the Transaction.

Subsequent to November 20, 1998, AeroUSA, Inc. and AeroUSA 3, Inc. now file consolidated United States federal tax returns and certain local tax returns with General Electric Company (“GE”), such returns being filed on a calendar basis. In addition, on November 20, 1998, Airplanes Trust entered into a tax sharing agreement with GE which is substantially similar to the tax sharing agreement between Airplanes Trust and AerCap which was in place prior to that date and which terminated on November 20, 1998, except with respect to those provisions relating to the position prior to the date on which AeroUSA, Inc. and AeroUSA 3, Inc. were deconsolidated from AerCap, Inc. As a result of the discharge and release in respect of the Airplanes Trust class E notes described above, AeroUSA, Inc. and AeroUSA 3, Inc. have been deconsolidated from GE and will file as a separate consolidated tax group as of November 16, 2010.

18. COMMITMENTS

Capital Commitments

Airplanes Group did not have any material contractual commitments for capital expenditures at March 31, 2011.

19. CONTINGENT ASSETS/LIABILITIES

Guarantees

Airplanes Limited and Airplanes Trust have unconditionally guaranteed each others' obligations under all classes of notes (as disclosed in Note 10) issued by Airplanes Trust and Airplanes Limited, respectively, pursuant to the Transaction, details of which are set out in Note 1.

Foreign Taxation

The international character of Airplanes Group's operations gives rise to some uncertainties with regard to the impact of taxation in certain countries. The position is kept under continuous review and Airplanes Group provides for all known liabilities. See Note 17 for tax warranties.

20. POST BALANCE SHEET EVENTS

Since March 31, 2011 Airplanes Group has signed a restructuring agreement with one lessee relating to two aircraft. In addition, since March 31, 2011 five off-lease aircraft at March 31, 2011 which were the subject of letters of intent or contracts for sale have delivered to the buyer and one of the engines of one aircraft which at March 31, 2011 was the subject of contracts for the sale, separately, of the airframe and the engines has delivered to the buyer. One aircraft which was on-lease at March 31, 2011 and subject to a letter of intent for a conditional sale agreement is now subject to a contract for a conditional sale agreement. Furthermore, one aircraft which was on-lease at March 31, 2011 and redelivered in line with its lease agreement has become subject to separate letters of intent for the sale of the airframe and the engines, insurance proceeds have been received in settlement of an insurance claim on one aircraft off-lease at March 31, 2011, a letter of intent for the sale of one aircraft on-lease and also the subject of an insurance claim has been signed and a letter of intent for the sale of one off-lease aircraft at March 31, 2011 has been signed.