

# ANNUAL REPORT

For the fiscal year ended March 31, 2016

of

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**Subclass A-9 Certificates due March 15, 2019**

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

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**AIRPLANES LIMITED AND AIRPLANES U.S. TRUST**

**2016 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, and now selling, aircraft to aircraft operators around the world. In this Annual Report, references to the “**United States**” or the “**US**” are to the United States of America and references to “**US dollars**”, “**US\$**” or “**\$**” are to United States dollars.

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](http://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 plc and its subsidiaries. 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 plc (previously known as GPA Group plc and now known as AerCap Ireland Limited) 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 that, effective on that date, GE Capital discharged and released Airplanes Trust from any and all payment and other obligations thereunder. On October 21, 2011 GE Capital, as holder of class E notes issued by Airplanes Limited in the principal amount of \$526,314,418, notified Airplanes Limited that, effective on that date, GE Capital discharged and released Airplanes Limited from any and all payment and other obligations thereunder. The discharges and releases by GE Capital are described in more detail under “6F. Surrender of Class E Notes”. The subclass A-5 certificates were fully repaid as of May 15, 1998. We established an additional 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**” or “**trust 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**"). The remaining 5% of the capital stock of Airplanes Holdings is owned by GE Capital Aviation Services Limited ("**GECAS**" or the "**Servicer**"). As of March 31, 2016, Airplanes Holdings owned a total of two aircraft and two spare engines directly and through its sole remaining aircraft-owning subsidiary. Subsequent to March 31, 2016, these two aircraft and two engines have been sold. Thirteen subsidiaries of Airplanes Holdings which had become dormant were liquidated during the year ended March 31, 2015 and a further two dormant subsidiaries were placed into liquidation during the year ended March 31, 2016. As of March 31, 2016 Airplanes Limited also owned one aircraft-leasing subsidiary which previously leased aircraft from aircraft-owning subsidiaries and subleased them to a lessee. Subsequent to March 31, 2016 this aircraft-leasing subsidiary has become dormant and has commenced a liquidation process.

Airplanes Limited has a board of directors, which is currently composed of four directors. On October 21, 2011, when GE Capital, as holder of class E notes issued by Airplanes Limited in the principal amount of \$526,314,418, notified Airplanes Limited that, effective on that date, GE Capital discharged and released Airplanes Limited from any and all payment and other obligations thereunder, GE Capital ceased to be entitled to appoint a class E note director of Airplanes Limited; such right is now vested in the holder of the majority of the remaining class E notes issued by Airplanes Limited, which holder has not exercised such right.

## **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 subsidiary, AeroUSA, Inc. ("**AeroUSA**"), and 100% of the capital stock of AeroUSA which as of March 31, 2016, owned five aircraft. Subsequent to March 31, 2016, these five aircraft have been sold. AeroUSA's dormant subsidiary, AeroUSA 3, Inc., was liquidated during the year ended March 31, 2015. The shares of AeroUSA are held by a separate voting trust with Wells Fargo Bank Northwest, acting as trustee, in order to satisfy the US Federal Aviation Administration regulations regarding the US citizenship of the owners of US 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 plc (now known as AerCap Ireland Limited) 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 Limited and GECAS that GE Capital thereby waived, discharged and released all of its 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 would 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.

## **B. RECENT DEVELOPMENTS AND ANTICIPATED REMAINING TRADING ACTIVITIES**

### ***Further increase in cash liquidity reserve on November 2, 2015***

In connection with the ongoing litigation with Transbrasil involving our subsidiary Airplanes Holdings, as described in more detail below under “3. Legal Proceedings”, the Board determined on November 2, 2015 to further increase the liquidity reserve held by way of the maintenance reserve amount, required to be held at the level of the “First Collection Account Top-up” in the priority of payments (the “**Liquidity Reserve**”), from US\$140 million to US\$190 million with immediate effect. This increase resulted in the suspension of payments of subclass A-9 minimum principal (but not subclass A-9 interest payments), which commenced on November 16, 2015.

The decision to further increase the Liquidity Reserve was taken by the Board on November 2, 2015 in light of an updated assessment as at that date of a worst case allocation of liability to Airplanes Holdings in the Transbrasil litigation, the ongoing nature of the litigation and the absence of a concrete prospect of settlement or resolution. The Board determined that such further increase in the Liquidity Reserve was necessary to allow for the potential payment by Airplanes Holdings in accordance with the judgment issued against Airplanes Holdings by the Appellate Court of the State of Sao Paulo in May 2010 (the “**2010 Judgment**”) as well as for the interest, monetary adjustments for inflation, court mandated legal fees, court costs, fines, and legal and other expenses which have accrued since the initial increase in the Liquidity Reserve in June 2012 and are continuing to accrue. Although the October 2013 Decision (as defined below) overturned the 2010 Judgment in a number of respects (as described in more detail in “3. Legal Proceedings” below), the filing by Transbrasil of the Divergence Appeal (as defined below) means that the October 2013 Decision is not yet final, thereby allowing for the possibility of reinstatement of the 2010 Judgment. The Board determined that such further increase was also necessary to provide sufficient funds to allow for the payment of other potential liabilities of Airplanes Group (including in respect of the indemnification claim which has been made by AerCap Ireland Limited (as described in more detail in “3. Legal Proceedings” below) as well as the continued operation of the vehicle until the ultimate resolution of the Transbrasil litigation, the duration of which cannot be determined with any certainty at this time.

The level of US\$190 million to which the Board determined that the Liquidity Reserve should be increased took account of the Board’s best reasonable estimate at that time, based upon a worst case allocation of liability to Airplanes Holdings under the 2010 Judgment (described in detail below under “3. Legal Proceedings”), with the understanding that additional amounts could be payable but are not yet capable of being estimated, as well as the other potential liabilities and possible future costs to be incurred by the vehicle as described above.

The increase in the Liquidity Reserve to US\$190 million on November 2, 2015 followed earlier increases in the Liquidity Reserve from US\$45 million to US\$110 million on June 28, 2012 and from US\$110 million to US\$140 million on October 8, 2013.

The terms of the 2010 Judgment are described in detail in “3. Legal Proceedings.” Since the date of issuance of the 2010 Judgment each of Transbrasil’s former owners, its trustee in bankruptcy, and its lawyers have been seeking separately to enforce this judgment and, as described in “3. Legal Proceedings”, in June 2012 a Lower Court judge issued to Airplanes Holdings and the other Lessor Companies (as defined in “3. Legal Proceedings”) two orders to pay (the “**Orders to Pay**”). The total amounts specified in the Orders to Pay as being directly allocable to Airplanes Holdings were approximately R\$160 million / US\$80 million (based on an exchange rate of US\$1:R\$2. While the actual exchange rate fluctuates regularly and will cause the US\$ amounts to vary accordingly, this is the exchange rate used for all Brazilian currency conversions provided herein and is not necessarily the exchange rate on the date hereof). The Orders to Pay also directed that payments be made by all the Lessor Companies, including Airplanes Holdings, with respect to the AerCap Leasing Note (as defined in “3. Legal Proceedings”), but the Orders to Pay did not assign any particular amount to be paid by Airplanes Holdings or any of the other Lessor Companies with respect to that promissory note, nor is it possible to calculate such amount without further guidance from the Lower Court.

As was the case with the June 2012 and October 2013 increases in the Liquidity Reserve, the Board determined on November 2, 2015 that, despite the fact that it believed the 2010 Judgment (which, as described below, may be

reinstated if Transbrasil's Divergence Appeal is successful) lacked merit, fairness or rationale, it had no option but to continue to take measures that would allow Airplanes Holdings to comply with the 2010 Judgment, if enforced against Airplanes Holdings. Since, under the trust indentures, claims on Airplanes Group subsidiaries, such as the judgment against Airplanes Holdings, are senior to the subclass A-9 notes and certificates, such claims are required to be satisfied before we can make payments on the subclass A-9 notes and certificates. If we do not reserve a portion of our future cashflows, this could prevent Airplanes Holdings from being able to satisfy its liability and we will instead have distributed this limited cashflow as subclass A-9 minimum principal (ranking below this claim in the priority of payments) in contravention of our contractual requirements and of applicable law.

As described in more detail in "3. Legal Proceedings", on June 8, 2010, GECAS, on behalf of Airplanes Holdings as well as the GE Lessors (as defined in "3. Legal Proceedings"), filed two appeals against the 2010 Judgment. One appeal (the "**Special Appeal**") was filed with the Federal Court of Appeals of Brazil (Superior Tribunal de Justiça). The Special Appeal was heard on October 22, 2013 and a decision was rendered on the same day by the Federal Court of Appeals (the "**October 2013 Decision**"). In the October 2013 Decision the Federal Court of Appeals judges (by a unanimous vote) overturned the 2010 Judgment of the State Appellate Court in a number of respects as described in more detail in "3. Legal Proceedings". In early November 2013 both Transbrasil and the Lessor Companies filed motions to clarify against the October 2013 Decision. On November 26, 2013 the Federal Court of Appeals rejected both Transbrasil's and the Lessor Companies' motions to clarify, meaning that the October 2013 Decision became effective (for the purpose described below) on December 9, 2013 and remains unaltered and in force as at the date of this Annual Report.

Against the October 2013 Decision, Transbrasil filed a divergence appeal on February 7, 2014 (the "**Divergence Appeal**") and the Lessor Companies also filed two divergence appeals on February 20, 2014 (the "**Lessor Companies Divergence Appeal**"). A divergence appeal is an appeal filed by a party that was unsuccessful in one or more issues brought to the attention of the Federal Court of Appeals whereby the unsuccessful party argues that the decision of that court was inconsistent with previous decisions of the same court and should therefore be overturned. The filing of the Divergence Appeal means that the October 2013 Decision, whilst effective for the purpose of allowing Airplanes Holdings and the other Lessor Companies to request termination of the various provisional enforcement proceedings initiated by Transbrasil in the Lower Courts (as described in "3. Legal Proceedings"), is not yet final. Airplanes Holdings understands that the Divergence Appeal was filed by Transbrasil after the permitted deadline for filing such an appeal and therefore may be challenged on that basis. The Divergence Appeal seeks to nullify the October 2013 Decision and restore the terms of the 2010 Judgment. The Lessor Companies Divergence Appeal seeks to expand the October 2013 Decision to eliminate any aspects thereof that are favorable to Transbrasil. On November 27, 2015, the reporting judge for the Lessor Companies Divergence Appeal denied admissibility to such appeal. On November 30, 2015, the Lessor Companies filed an Internal Appeal against such decision. In response, on December 7, 2015, Transbrasil filed an opposition to the Internal Appeal. On March 2, 2016, the Special Court of the Federal Court of Appeals denied the Lessor Companies Internal Appeal and upheld the decision not to admit the Lessor Companies Divergence Appeal. Such decision was published on the Official Gazette on March 21, 2016. Recently, the court records of the Declaratory Case were sent to the 2nd Section of the Federal Court of Appeals, which will decide the residual portion of the Lessor Companies Divergence Appeal and the Divergence Appeal.

Airplanes Holdings will continue to vigorously dispute liability in the litigation with Transbrasil in an effort to favorably resolve the litigation and to have as much as possible of the Liquidity Reserve ultimately be paid to the subclass A-9 noteholders if the litigation is ultimately resolved in favor of Airplanes Holdings or if Airplanes Holdings' ultimate liability is for a lower amount. The Board will continue to keep these matters under close review and to make adjustments as appropriate and necessary.

We can provide no assurances as to the ultimate outcome of the litigation, the amounts that may be payable by Airplanes Holdings, or the timing of any resolution of the litigation.

As a result of the October 2013 Decision, Airplanes Holdings expected that the Orders to Pay would be effectively cancelled and the letters of guarantee presented to the Lower Court (as described in "3. Legal Proceedings") would be returned to Airplanes Holdings and the other Lessor Companies given that the October

2013 Decision had become effective for this purpose. The Lessor Companies filed requests before the Lower Court where such provisional enforcement proceedings were ongoing seeking the cancellation of the Orders to Pay and the release of each of the letters of guarantee presented. The request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover court mandated legal fees was granted by the Lower Court judge on February 4, 2014 and the related letters of guarantee were released on August 22, 2014. In addition, the request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover twice the amount of the promissory notes was granted by the Lower Court judge on August 7, 2014 and the related letters of guarantee were released on August 22, 2014. Transbrasil has, however, appealed these decisions that have dismissed these provisional enforcement proceedings and cancelled the Orders to Pay. As a result, such decisions are not yet final and the Orders to Pay may be reinstated if Transbrasil is successful in its appeal. On March 30, 2016 the State Appellate Court denied Transbrasil's appeal and partially granted the Lessor Companies' appeals. In what pertains to the Lessor Companies' appeals, the State Appellate Court ruled that the assessment of the losses suffered by the Lessor Companies due to the provisional enforcement proceedings initiated by Transbrasil be made in the same court records and denied the request to increase the court mandated legal fees. The State Appellate Court denied Transbrasil's appeal and upheld the Lower Court's decision that dismissed the provisional enforcement proceeding relating to the recovery of twice the amount of the promissory notes.

#### ***Sale of final aircraft and transfer of Liquidity Reserve***

As described in "2. The Aircraft, Related Leases and Collateral" below, we sold our final aircraft on May 6, 2016. For each payment date following the sale of Airplanes Group's final aircraft, the Liquidity Reserve is required to be zero pursuant to the trust indentures. In accordance with the trust indentures, certain amounts previously included in the calculation of the Liquidity Reserve were included in the calculation of permitted accruals forming the "Required Expense Amount" for the May 16, 2016 payment date and continue to be included in such calculations for the June 15, 2016 payment date. The Required Expense Amount reserved in the expense account will be available in accordance with the trust indentures to pay Expenses (as defined in the trust indentures) of Airplanes Group, including any judgments ultimately awarded against Airplanes Holdings in the Transbrasil litigation, and will be reduced on future payment dates to allow payment in full of accrued interest on the subclass A-9 notes.

#### ***Overview of current financial condition***

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 since the December 15, 2003 payment date, we have been paying in full only 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 have used any remaining cashflows towards payment of minimum principal on the class A notes which at June 15, 2016 was \$419 million in arrears.

As at the date of this Annual Report, our material assets consist solely of the cash reserve held by way of the Required Expense Amount and we will therefore be unable to repay in full the subclass A-9 notes or to make any further payments on the class B, C, D or E notes. The Transbrasil litigation adds further uncertainty with regard to the exact amount of principal we will ultimately be able to pay on the subclass A-9 notes.

#### ***Anticipated remaining trading activities – negotiations with GECAS***

Having regard to the absence of any prospect of settlement or resolution of the Transbrasil litigation in the foreseeable future and the expectation that all remaining aircraft in the portfolio were shortly to be sold, as announced on November 25, 2015 the Board have entered into discussions with GECAS regarding a possible agreement between Airplanes Group and GECAS which would allow Airplanes Group to effectively cap its potential liability in respect of the Transbrasil litigation. The objective of such an agreement with GECAS would be to enable the Board to reduce the amount previously held by way of the Liquidity Reserve and now held by way of the Required Expense Amount, allowing a portion of the reserved cash to be distributed in accordance with the

priority of payments under the trust indentures. The agreement with GECAS would also be an important step in the process towards the winding up of Airplanes Group, which the Board are seeking to achieve as soon as possible. At this time, there is no certainty that such an agreement will be reached with GECAS or as to the terms of any such agreement. Further information will be provided in due course.

In tandem with the negotiations with GECAS, the Board are continuing to simplify the corporate structure of Airplanes Group by liquidating subsidiaries which have become dormant. In addition to the fourteen dormant subsidiaries liquidated in the year ended March 31, 2015, two further subsidiaries which had become dormant were placed into liquidation in the year ended March 31, 2016 and a further dormant subsidiary has been placed into liquidation subsequent to March 31, 2016. As at the date of this Annual Report, Airplanes Limited and Airplanes Trust have three remaining subsidiaries, two of which no longer own aircraft and are expected to become dormant shortly. The third remaining subsidiary is Airplanes Holdings which is party to the Transbrasil litigation. The Board are also considering the appropriate procedure to enable the eventual winding up of Airplanes Limited and Airplanes Trust as quickly as possible.

#### ***Termination of Servicing Agreement***

During the year ended March 31, 2016 and until the sale of our final aircraft and engines on May 19, 2016 GECAS provided various aircraft-related services to us pursuant to the servicing agreement. The servicing agreement terminated in accordance with its terms on May 19, 2016. GECAS has, however, agreed to continue to provide services to Airplanes Group in relation to the ongoing litigation with Transbrasil. GECAS may terminate the provision of such services at any time. Such services will be provided on the terms of the servicing agreement as previously in place, insofar as such terms are relevant. Please refer to Airplanes Group's annual report for the year ended March 31, 2015 (which is available on our website) for an outline of the terms of the servicing agreement.

#### ***Indemnification claim by AerCap Ireland Limited***

In February 2015 Airplanes Group was notified by AerCap Ireland Limited that it intended to seek indemnification from Airplanes Group in relation to certain Indian litigation proceedings. At this time Airplanes Group does not accept that it has any liability in connection with this matter; however it is in discussions with AerCap Ireland Limited in order to assess both the validity of the purported indemnification obligation and the possible size of any potential claim which may ultimately be made against Airplanes Group. See "3. Legal Proceedings" below for further information.

#### ***Financial Statements***

At the date of preparation of the financial statements for Airplanes Group for the year ended March 31, 2015 the Board considered that it was no longer appropriate to prepare the financial statements on a going concern basis given that at that date the then current expectation was that the vehicle would cease its aircraft leasing and sale activities within the next twelve months and the Board were considering the strategy to wind up the vehicle. Accordingly the financial statements for the year ended March 31, 2015 were prepared on a liquidation basis in accordance with the Financial Accounting Standards Board ("**FASB**") Accounting Standards Codification No. 205-30, "*Presentation of Financial Statements—Liquidation Basis of Accounting*" ("**FASB ASC 205-30**"). While there have been unanticipated delays in the sale of Airplanes Group's final aircraft, as at May 19, 2016 all aircraft have now been sold and the Board are continuing to consider the strategy to wind up the vehicle. The financial statements for the year ended March 31, 2016 included in Exhibit 1 therefore continue to be prepared on a liquidation basis. In accordance with the requirements of FASB ASC 205-30, all assets are stated at the best estimate of their recoverable amount and the results for the year ended March 31, 2016 are described as being on a discontinuing basis. In addition, an accrual has been made for the estimated winding up costs of the vehicle.

### ***Downgrade in the rating of Deutsche Bank Trust Company Americas***

On June 9, 2015, Standard & Poor's downgraded the long-term unsecured debt rating of Deutsche Bank Trust Company Americas ("DBTCA") from A to BBB+ and the certificate of deposit rating of DBTCA from A-1 to A-2. On May 23, 2016, Moody's downgraded the long-term deposit rating of DBTCA from A1 to A2. The P-1 short-term deposit rating of DBTCA was affirmed. Following the recent Moody's downgrade, DBTCA continues to satisfy the rating requirements of Moody's as an Operating Bank under the definition of "Eligible Institution" in the trust indentures. It is, however, unclear whether DBTCA satisfies the rating requirements of Moody's as Indenture Trustee under the definition of "Eligible Institution" in the trust indentures. As a result of the Standard & Poor's downgrade on June 9, 2015, DBTCA no longer satisfies the eligibility requirements for an "Eligible Institution" in the trust indentures and therefore the bank accounts of Airplanes Group currently maintained with DBTCA no longer satisfy the eligibility requirements for an "Eligible Account" in the trust indentures. As a consequence, under the trust indentures, DBTCA is required to be replaced as "Operating Bank" and as Indenture Trustee and Airplanes Group is required to establish new bank accounts with a bank which satisfies the eligibility requirements for an "Eligible Institution." Airplanes Group is currently considering the appropriate course of action to take in light of the downgrade in the rating of DBTCA by Standard & Poor's.

### ***Ratings***

The 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 the date of this Annual Report:-

<u>Certificate</u>	<u>Outstanding Principal Balance as at May 16, 2016</u>	<u>S&amp;P</u>	<u>Fitch</u>	<u>Moody's (S&amp;P equivalent)</u>
Subclass A-9.....	\$419.0m	CC	NR*	Ca (CC)
Class B .....	\$226.8m	NR*	NR*	C (C)
Class C .....	\$349.8m	NR*	NR*	C (C)
Class D .....	\$395.1m	NR*	NR*	C (C)

\* Ratings withdrawn.

\*\* During the year ended March 31, 2016, Fitch withdrew their ratings of our certificates. In addition, on December 15, 2015 Standard & Poor's downgraded their rating of the subclass A-9 certificates from CCC- to CC.

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 Airplanes Limited and Airplanes Trust and the level of cash available to make payments on the notes and certificates. 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. Events of default other than those resulting from non-payment (such as could arise in connection with the Transbrasil litigation if a Brazilian court were to issue one or more judgments or orders expressly requiring Airplanes Holdings to pay an amount in excess of \$100 million) may affect all classes of noteholders, including the subclass A-9 notes. The class A notes are the most senior class of notes currently outstanding.

### ***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 did 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, if their subsidiaries do not make any distributions to them, or if a subsidiary suffers an unanticipated expense, 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 expenses and will rank ahead of other payment obligations of Airplanes Limited and Airplanes Trust.

***CLAIMS ON OUR SUBSIDIARIES ARE SENIOR TO THE CLAIMS OF NOTEHOLDERS AND OUR SUBSIDIARIES MAY HAVE MATERIAL CONTINGENT LIABILITIES UNKNOWN TO US AND OTHER SIGNIFICANT LIABILITIES.***

Any claims on the subsidiaries of Airplanes Limited and Airplanes Trust are 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 former lessees and other contingent liabilities, such as liabilities to third parties from operating and leasing the aircraft. They also include claims resulting from judgments and related orders to pay awarded against Airplanes Holdings in the litigation with Transbrasil as described in more detail under “3. Legal Proceedings”. There may also be liabilities of our subsidiaries that arose before we acquired them from GPA Group plc (now AerCap Ireland Limited) in 1996 of which we are not aware. If the subsidiaries are called upon to pay any of these contingent or other 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 B, 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 our financial condition.

***RISKS RELATING TO AIRPLANES GROUP AND THIRD PARTIES***

***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 and other executive and administrative functions relating to the various entities comprising Airplanes Group. As noted under “3. Legal Proceedings” below, we are relying on GECAS, as Servicer, to handle the ongoing litigation with Transbrasil on our behalf. 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 at our sole discretion. 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.

***EXCEPT IN CERTAIN CIRCUMSTANCES, 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.

***GECAS, THE SERVICER, MAY HAVE CONFLICTS OF INTEREST IN THE PERFORMANCE OF ITS SERVICES FOR US***

As noted below under “3. Legal Proceedings”, GECAS is conducting the Brazilian litigation with Transbrasil on our behalf and since various affiliates of GECAS are also parties to such litigation conflicts of interest may arise. We are closely monitoring this litigation and if material conflicts arise, separate Brazilian counsel will be required to represent our interests in this litigation.

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

AerCap Holdings N.V. and AerCap Ireland Limited, 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 Limited and its subsidiary also act as the servicer for Aircraft Lease Securitisation Limited (“ALS”) and Aircraft Lease Securitisation II Limited (“ALS II”), two securitization vehicles similar to Airplanes Group, and AerCap Ireland Limited currently holds all of the class E-1 notes issued by ALS II. Subsidiaries of AerCap Ireland Limited also act 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 Limited are represented by the same Jersey legal counsel. 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 Limited. If a significant dispute does arise in the future between Airplanes Group and AerCap Ireland Limited 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 an Airplanes Group subsidiary, is also a director of another aircraft securitization/leasing vehicle whose business activities are similar to the business activities of Airplanes Group.

***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 and its subsidiaries are organized, reside or operate. The tax consequences of the purchase and holding of the certificates depend to some extent upon certificateholders’ individual circumstances.

***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.

**2. THE AIRCRAFT, RELATED LEASES AND COLLATERAL**

As of March 31, 2016, our portfolio comprised a total of seven aircraft and two engines, of which seven aircraft were on-lease to two lessees in two countries and two engines were off-lease. As of the date of this Annual Report, all seven aircraft and two engines have been sold and no aircraft or engines remain in the portfolio.

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, 2016, we obtained independent appraisals from three independent appraisers and calculated the appraised base value of each aircraft and engine by taking the average of the three appraisals. On this basis, the average appraised base value for our portfolio of seven aircraft and two engines at March 31, 2016 based upon the appraised values as of January 31, 2016 was approximately \$26.1 million, as compared to \$40.9 million for the same seven aircraft and two engines at March 31, 2015 based upon the appraised values as of January 31, 2015.

The table below entitled “Airplanes Group Portfolio Analysis at March 31, 2016” sets forth information about our portfolio as of March 31, 2016.

**AIRPLANES GROUP PORTFOLIO ANALYSIS  
AT MARCH 31, 2016**

***Aircraft***

Airplanes Group Region Name	Lessee Country	Lessee	Aircraft/Engine Type	Serial Number	Year of Manufacture	Lease Start Date	Lease End Date	Appraised Base Value as of January 31, 2016 (\$'000)
North America .....	Canada(1)	AC Leasing	A320-200	174	1991	12/Apr/1991	30/Sep/2019	3,386
	Canada(1)	AC Leasing	A320-200	175	1991	30/Apr/1991	31/Jan/2019	3,371
	Canada(1)	AC Leasing	A320-200	232	1991	03/Oct/1991	30/Nov/2019	3,388
	Canada(1)	AC Leasing	A320-200	284	1991	10/Mar/1992	31/Oct/2019	3,899
	Canada(1)	AC Leasing	A320-200	309	1992	13/May/1992	30/Nov/2019	3,346
	Canada(1)	AC Leasing	A320-200	404	1993	24/Jan/1994	24/Mar/2019	3,719
Asia & Far East .....	Indonesia(2)	PT Sriwijaya Air	B737-400	25180	1992	07/Jul/2009	12/Jul/2015	3,288
<b>Total Aircraft .....</b>								<b>24,397</b>

***Engines***

Airplanes Group Region Name	Lessee Country	Lessee	Aircraft/Engine Type	Serial Number	Year of Manufacture	Lease Start Date	Lease End Date	Appraised Base Value as of January 31, 2016 (\$'000)
Off Lease .....	Unassigned(3)	Unassigned	CFM56-3C1	723104	1986	—	—	881
Off Lease .....	Unassigned(3)	Unassigned	CFM56-3C1	723199	1986	—	—	869
<b>Total Engines .....</b>								<b>1,750</b>
<b>Total .....</b>								<b>26,147</b>

(1) As at March 31, 2016 these aircraft were subject to a contract for sale to a third party. As at the date of this Annual Report, each of these aircraft have been sold.

(2) As at March 31, 2016 this aircraft was subject to a letter of intent for sale to a third party. As at the date of this Annual Report, this aircraft has been sold.

(3) As at the date of this Annual Report, these two engines have been sold.

### 3. LEGAL PROCEEDINGS

#### TRANSBRASIL

Airplanes Holdings leased two aircraft to Transbrasil, a now defunct Brazilian airline, in the 1990s. At the same time, other aircraft were leased to Transbrasil by General Electric Capital Corporation (“**GE Capital**”), two affiliates of GE Capital (Alcyone FSC Corporation (“**Alcyone**”) and Aviation Financial Services Inc. (now known as NAS Holdings LLC, (“**NAS**”)) (collectively, with GE Capital, the “**GE Lessors**”), AerFi Group plc (now renamed AerCap Ireland Limited) and an affiliate of AerFi Group plc (AerFi Leasing USA II Inc. (now renamed AerCap Leasing USA II Inc.) (“**AerCap Leasing**”). Airplanes Holdings, GE Capital, Alcyone, NAS, AerFi Group plc and AerCap Leasing are collectively referred to as the “**Lessor Companies**”. GECAS was the servicer for all of the leases entered into between the Lessor Companies and Transbrasil at that time.

In 1998 and 1999, following default by Transbrasil under its leases with the Lessor Companies, GECAS, on behalf of the Lessor Companies, restructured the debt owed to them by Transbrasil, which issued seven promissory notes to the Lessor Companies as guarantees of the payment obligations under such restructured debt. The Servicer has informed Airplanes Holdings that the promissory note issued to Airplanes Holdings is in the amount of US\$7,196,700 (the “**Holdings Note**”). In 2000, Transbrasil defaulted on the promissory notes. In January 2001, GECAS, acting on behalf of Airplanes Holdings, took steps toward initiating a collection against Transbrasil by presenting the Holdings Note to a notary public for payment (also known as a ‘protest’). At the same time, GECAS, acting on behalf of the other Lessor Companies, presented five of the other six promissory notes to a notary public for payment. Shortly thereafter (though Airplanes Holdings was not informed of this until well after the fact), in response to the presentment of the Holdings Note, as well as the promissory notes presented on behalf of the other Lessor Companies, Transbrasil sought an injunction to stay the protest of the six promissory notes and, thereafter, commenced a lawsuit (the “**Declaratory Action**”) against Airplanes Holdings and the other Lessor Companies (i) seeking a declaration that the promissory notes which Airplanes Holdings and the other Lessor Companies were seeking to collect had already been paid by Transbrasil (initially arguing that they were, at least, partially paid, but subsequently asserting that they were fully paid) and were therefore invalid and (ii) seeking the imposition of a penalty against Airplanes Holdings and the other Lessor Companies of twice the amount of the promissory notes. In addition, Transbrasil sought to have Airplanes Holdings and the other Lessor Companies indemnify Transbrasil for the losses resulting from the alleged wrongful collection of the promissory notes.

In July 2001, GE Capital, as a Lessor Company holding one of the promissory notes, initiated an action in its own name seeking the declaration of the bankruptcy of Transbrasil, which was granted on appeal. This decision was challenged by Transbrasil through a special appeal filed before the Federal Court of Appeals and an extraordinary appeal filed before the Supreme Court. This special appeal was denied and the motion to clarify subsequently filed by Transbrasil was also denied. Currently, a divergence appeal by Transbrasil against the decision on the motion to clarify is pending (based on a dissenting opinion previously rendered by the Federal Court of Appeals in a case that Transbrasil alleges to be similar to the request for its bankruptcy). The extraordinary appeal before the Supreme Court remains dormant until the Federal Court of Appeals decides the divergence appeal premised upon the referenced dissenting opinion. That divergence appeal remains dormant until the separate divergence appeals filed in connection with the Declaratory Action (as discussed below) are heard by the Federal Court of Appeals.

In November 2001, GECAS, on behalf of five of the Lessor Companies (including Airplanes Holdings, but excluding GE Capital), commenced separate suits (the “**Collection Proceedings**”) against Transbrasil seeking to collect on the Lessor Companies’ respective promissory notes. Some of the Collection Proceedings have been suspended until the Declaratory Action is finally decided.

On May 3, 2007, the Declaratory Action of 2001 was decided in favour of Transbrasil by the 22nd Lower Court of the county of Sao Paulo, Brazil (the “**Lower Court**”). Both Transbrasil and GECAS, on behalf of the Lessor Companies appealed that judgment (the “**2007 Judgment**”), which was confirmed by the 2010 Judgment rendered by the Appellate Court of the State of Sao Paulo (the “**State Appellate Court**”) in February 2010, which ruling was not made public by the State Appellate Court until May 25, 2010. The 2010 Judgment ordered that the Lessor Companies (including Airplanes Holdings) pay to Transbrasil twice the amount of the promissory notes plus

damages for the loss suffered by Transbrasil due to the attempted enforcement/collection of the promissory notes (including the loss suffered due to the declaration of Transbrasil's bankruptcy) as well as court mandated legal fees and court costs. Transbrasil alleged that the 2010 Judgment also provides for certain interest and monetary adjustments for inflation to be applied to the amounts awarded. The 2010 Judgment allowed the calculation of the amounts to be completed at a later stage. In the case of Airplanes Holdings, twice the amount of the Holdings Note is approximately US\$15 million. The State Appellate Court provided no basis for calculating the amount of damages or the loss suffered as a result of the declaration of Transbrasil's bankruptcy. The court mandated legal fees were awarded in an amount equal to ten percent of the total liability due under the other elements of the 2010 Judgment, but an exact dollar amount is not capable of calculation at this time given the lack of clarity in the amount of the other elements of the 2010 Judgment.

Airplanes Holdings, together with the other Lessor Companies, also held a portion of another one of the promissory notes (the "**AerCap Leasing Note**") that is the subject of a Collection Proceeding commenced only in the name of AerCap Leasing. Airplanes Holdings was not a party to that case. Airplanes Holdings understands that it is unlikely to have liability with respect to actions taken to collect on the AerCap Leasing Note, but that AerCap Leasing nevertheless may seek to hold it responsible for a percentage of AerCap Leasing's exposure to Transbrasil arising from the Collection Proceeding commenced in AerCap Leasing's name. (Though this action was dismissed as part of the 2010 Judgment, Transbrasil's claims for damages arising from the action continue.) The AerCap Leasing Note (of which Airplanes Holdings' share would be approximately 42%) was in the amount of approximately US\$5.3 million. As noted above, if Airplanes Holdings were found to be responsible for a portion of AerCap Leasing's exposure, its potential liability would increase.

Following the decisions in the Declaratory Action in Transbrasil's favor, Transbrasil filed a motion to dismiss the Collection Proceedings commenced by GECAS on behalf of Airplanes Holdings and the other Lessor Companies (with the exception of AerCap Leasing). This motion was denied by the Lower Court judge and the interlocutory appeal filed against such decision was also denied by the State Appellate Court. A motion to clarify filed by Transbrasil against such decision was denied, and a special appeal filed by Transbrasil was rejected pursuant to a decision which became final on April 28, 2014. (Transbrasil also filed a motion to dismiss the Collection Proceeding commenced by AerCap Leasing, which was granted. That decision was challenged in an appeal filed by AerCap Leasing, which was heard by the three judges of the State Appellate Court in June 2013, who ruled that the Collection Proceeding should be suspended until the final judgment of the Declaratory Action by the Federal Court of Appeals in the Special Appeal referred to below).

On June 8, 2010, GECAS, on behalf of Airplanes Holdings as well as the GE Lessors, filed two appeals against the 2010 Judgment. One appeal (the "**Special Appeal**") was filed with the Federal Court of Appeals of Brazil (Superior Tribunal de Justiça). The other appeal was filed by way of a Request for Certiorari coupled with an extraordinary appeal addressed to the Supreme Court of Brazil (Supremo Tribunal Federal). The appeal to the Supreme Court was to stay dormant until the Federal Court of Appeals had decided the Special Appeal, but will now also stay dormant until the Federal Court of Appeals decides the divergence appeal which was filed by Transbrasil on February 7, 2014 as well as the two divergence appeals which were filed by the Lessor Companies on February 20, 2014 (as described in more detail below).

The Special Appeal was heard on October 22, 2013 and a decision was rendered on the same day by the Federal Court of Appeals (the "**October 2013 Decision**"). In the October 2013 Decision the Federal Court of Appeals judges (by a unanimous vote) overturned the 2010 Judgment of the State Appellate Court in a number of respects. The October 2013 Decision overturned the order contained in the 2010 Judgment that Airplanes Holdings and the other Lessor Companies pay a penalty of twice the amount of the promissory notes. Moreover, the October 2013 Decision dismissed Transbrasil's claim for indemnification for loss suffered due to the declaration of Transbrasil's bankruptcy and ruled that the Lessor Companies (including Airplanes Holdings) should only be liable to indemnify Transbrasil for the loss it suffered as a result of the protest of the promissory notes during the period between the submission of the promissory notes for protest and the date when the request for Transbrasil's bankruptcy was filed (subject to Transbrasil providing satisfactory evidence of any such loss). The October 2013 Decision recognised that by the time the promissory notes were submitted for protest, Transbrasil was already experiencing serious financial difficulties. In addition, the Federal Court of Appeals ruled in the October 2013 Decision that each party

should bear its own legal fees, thereby effectively eliminating that element of the 2010 Judgment which provided for the Lessor Companies to pay court mandated legal fees to Transbrasil's lawyers.

In early November 2013 both Transbrasil and the Lessor Companies filed motions to clarify against the October 2013 Decision. On November 26, 2013 the Federal Court of Appeals rejected both Transbrasil's and the Lessor Companies' motions to clarify (the "**November 2013 Decision**"), meaning that the October 2013 Decision became effective (for the purpose described below) on December 9, 2013 and remains unaltered and in force as at the date of this Annual Report. The October 2013 Decision and the November 2013 Decision are together referred to below simply as the "October 2013 Decision". Against the October 2013 Decision, Transbrasil filed a divergence appeal on February 7, 2014 (the "**Divergence Appeal**") and the Lessor Companies also filed two divergence appeals on February 20, 2014 (the "**Lessor Companies Divergence Appeal**"). A divergence appeal is an appeal filed by a party that was unsuccessful in one or more issues brought to the attention of the Federal Court of Appeals whereby the unsuccessful party argues that the decision of that court was inconsistent with previous decisions of the same court and should therefore be overturned. The filing of the Divergence Appeal means that the October 2013 Decision, whilst effective for the purpose of allowing Airplanes Holdings and the other Lessor Companies to request termination of the various provisional enforcement proceedings initiated by Transbrasil in the Lower Courts (as described below), is not yet final. Airplanes Holdings understands that the Divergence Appeal was filed by Transbrasil after the permitted deadline for filing such an appeal and therefore may be challenged on that basis.

The Divergence Appeal seeks to nullify the October 2013 Decision and restore the terms of the 2010 Judgment. The Lessor Companies Divergence Appeal seeks to expand the October 2013 Decision to eliminate any aspects thereof that are favorable to Transbrasil.

On March 1, 2014 the Lessor Companies Divergence Appeal was forwarded to the Special Court of the Federal Court of Appeals (the "**Special Court**"), which is comprised of 15 judges of the Federal Court of Appeals. The Lessor Companies Divergence Appeal will be decided by the Special Court in the majority of the issues of merit, with the remainder of the issues of merit to be subsequently decided by the 2nd Section of the Federal Court of Appeals. The Lessor Companies Divergence Appeal will be decided in advance of the Divergence Appeal. Once this happens, the Divergence Appeal will be addressed to the 2nd Section of the Federal Court of Appeals, which is a group of two chambers of the Federal Court of Appeals (including the one which rendered the October 2013 Decision) where it will be decided by ten judges *en banc*. On November 27, 2015, the reporting judge for the Lessor Companies Divergence Appeal denied admissibility to such appeal. On November 30, 2015, the Lessor Companies filed an Internal Appeal against such decision. In response, on December 7, 2015, Transbrasil filed an opposition to the Internal Appeal. On March 2, 2016, the Special Court denied the Lessor Companies Internal Appeal and upheld the decision not to admit the Lessor Companies Divergence Appeal. Such decision was published on the Official Gazette on March 21, 2016. Recently, the court records of the Declaratory Case were sent to the 2nd Section of the Federal Court of Appeals, which will decide the residual portion of the Lessor Companies Divergence Appeal and the Divergence Appeal. A summary outline of the decision tree for both the Lessor Companies Divergence Appeal and the Divergence Appeal is as follows:

- (i) If the decision by the Special Court is to uphold the October 2013 Decision and expand it for the benefit of the Lessor Companies, then Transbrasil will be able to file motions to clarify against such decision.
- (ii) If such motions are not granted, such that the decision by the Special Court remains unaltered, the 2nd Section of the Federal Court of Appeals will proceed with the review and decision in connection with the Divergence Appeal in respect of issues raised in such appeal that were not decided by the Special Court in the Lessor Companies Divergence Appeal.
- (iii) If the decision by the Special Court upholds the October 2013 Decision, even after Transbrasil's motions to clarify, Transbrasil will be able to then file an extraordinary appeal with the Supreme Court, within 15 days of the publication of the decision by the 2nd Section indicated immediately below.

- (iv) After the Special Court renders its decision in connection with the Lessor Companies Divergence Appeal, the portion of such appeal that needs to be decided by the 2nd Section as well as the Divergence Appeal will be reviewed and decided by the 10 judges that make up the 2nd Section, concomitantly with the Divergence Appeal. If the decision by the judges of the 2nd Section in connection with both the remaining portion of the Lessor Companies Divergence Appeal as well as the Divergence Appeal (a) is in favor of maintaining intact or improving the Lessor Companies' position vis-à-vis the October 2013 Decision, Transbrasil will be able to file motions to clarify before the same group of judges, and if such motions are denied, then Transbrasil will be able to file an extraordinary appeal against such decisions before the Supreme Court; or (b) is in favor of Transbrasil, then the Lessor Companies will be able to file motions to clarify before the same group of judges, which, if denied, would allow the Lessor Companies to file an extraordinary appeal against such decisions before the Supreme Court.
- (v) If Airplanes Holdings and the other Lessor Companies, or Transbrasil, file an extraordinary appeal as indicated above, such appeal will be evaluated for purposes of admissibility by the Supreme Court and, if admitted, will run its course together with the extraordinary appeal filed by GECAS on behalf of Airplanes Holdings and the GE Lessors in 2010 and which has been dormant pending the decision in the Special Appeal by the Federal Court of Appeals (and which now also remains dormant pending the decision in the Lessor Companies Divergence Appeal and the Divergence Appeal). If, however, one or more of such extraordinary appeals is not admitted, the party affected may still file an interlocutory appeal with the Supreme Court seeking admittance of the extraordinary appeal that was denied processing. If the interlocutory appeal is granted, then the extraordinary appeal to which it related will be forwarded to the Supreme Court. If the interlocutory appeal is rejected, the party affected may file an internal appeal with the Supreme Court to try to reverse such decision barring which such extraordinary appeal will not be processed. If Transbrasil is the party whose extraordinary appeal is not admitted, and its interlocutory appeal and internal appeal are rejected, then it will have no further opportunity to appeal the October 2013 Decision or the decisions by the Special Court and the 2nd Section of the Federal Court of Appeals.
- (vi) Any extraordinary appeal filed by Airplanes Holdings and the other Lessor Companies or Transbrasil, would be in addition to the one filed already by GECAS on behalf of Airplanes Holdings and the GE Lessors in 2010 and which (a) will be kept dormant until a final decision relating to the Lessor Companies Divergence Appeal and the Divergence Appeal, and (b) will be adjusted to reflect the fact that various issues discussed therein may have become moot because of the October 2013 Decision as well as other decisions of the Special Court and the 2nd Section of the Federal Court of Appeals.

If the October 2013 Decision is maintained in full after the final decision in the Lessor Companies Divergence Appeal and the Divergence Appeal, then the calculation of possible damages to Transbrasil indicated by the October 2013 Decision will be performed in the context of the provisional enforcement proceeding filed by the former owners of Transbrasil in which they were originally seeking indemnification for the bankruptcy of Transbrasil and which now will be used for this purpose. If this occurs, the calculation will be performed before the Supreme Court addresses the extraordinary appeal and for this reason, the calculation will be performed on a preliminary basis.

On July 13, 2011, a lower court in the county of Sao Paulo, State of Sao Paulo, Brazil made public a motion filed by the bankruptcy trustee for Transbrasil (the "**Bankruptcy Trustee**") for provisional enforcement of the 2010 Judgment, in which the Bankruptcy Trustee provided the court with its calculation of the amounts owed. The Bankruptcy Trustee's calculation covered twice the amount of the promissory notes plus interest and monetary adjustments, but did not include any amount for court mandated legal fees and court costs or for damages for the loss suffered by Transbrasil as a result of it being placed into bankruptcy. The Bankruptcy Trustee's calculation of twice the amount of the promissory notes plus interest and monetary adjustments is approximately R\$330 million / US\$165 million in the aggregate for all Lessor Companies. Airplanes Holdings believes that the amount sought by

the Bankruptcy Trustee is grossly overstated because the calculation has been made in a manner inconsistent with the applicable law and the terms of the 2010 Judgment. The aggregate amount of approximately US\$165 million calculated by the Bankruptcy Trustee did not differentiate between the amounts owed by each of the Lessor Companies and the 2010 Judgment did not address whether there was joint and several liability as between each of the Lessor Companies and the proportion that should be observed for the split of the liability among the Lessor Companies.

Two other similar motions for provisional enforcement of the 2010 Judgment were also filed – one by the former owners of Transbrasil and another by Transbrasil’s lawyers. The amount calculated by the former owners of Transbrasil as being payable by the Lessor Companies also sought twice the amount of the promissory notes (plus interest and monetary adjustments), but their calculation of such amount was approximately R\$397 million / US\$198.5 million. The motions filed by the Bankruptcy Trustee and the former owners of Transbrasil were manifestly duplicative.

On August 8, 2012, the Lower Court ruled that the motion for provisional enforcement filed by the Bankruptcy Trustee should be terminated. Following this decision, the provisional enforcement proceeding initiated by the Bankruptcy Trustee has been used by Transbrasil to seek the establishment of the amount of the indemnification for the losses resulting from the alleged wrongful collection of the promissory notes as determined in the 2010 Judgment. The criteria for the calculation of this element of the 2010 Judgment is being challenged by the GE Lessors as Transbrasil is trying to perform such calculation through an expert examination (known as an “*arbitration*”) while it is Airplanes Holdings’ understanding that the Brazilian Civil Procedure Code provides that such calculation should be performed through a more detailed proceeding (known as “*articles*”). The Lower Court judge issued a decision which in turn had failed to decide whether the calculation of the indemnification to Transbrasil under the provisional enforcement proceeding should be performed through “*arbitration*” or “*articles*” on the grounds that this matter had already been decided by the State Appellate Court. Brazilian legal counsel retained by the Servicer on behalf of Airplanes Holdings (“**Brazilian Counsel**”), on behalf of the GE Lessors and Airplanes Holdings, filed interlocutory appeals against such decision, which were dismissed, on a preliminary basis, by the State Appellate Court judge, sitting alone, on the same basis as for the decision rendered by the Lower Court judge. The preliminary decision issued by the State Appellate Court judge was, however, reversed on November 7, 2012 in response to two motions filed by Brazilian Counsel on behalf of the GE Lessors and Airplanes Holdings by way of internal interlocutory appeals, and, as a result, the interlocutory appeals regarding the procedure to be followed for calculation of the indemnification amount were heard by the full chamber of the State Appellate Court in June 2013. The full chamber of the State Appellate Court denied (by 2 to 1 vote) the interlocutory appeals filed by Airplanes Holdings and the GE Lessors and ruled that the calculation of the indemnification should be performed through “*arbitration*”. Against this ruling, Airplanes Holdings and the GE Lessors filed motions to clarify with the same chamber, which were denied. On September 30, 2013 a special appeal was filed before the Federal Court of Appeals by Airplanes Holdings and the GE Lessors, challenging this decision. Brazilian Counsel has advised Airplanes Holdings that as a result of the October 2013 Decision, it expects that the provisional enforcement proceeding seeking the indemnification for the losses resulting from the alleged wrongful collection of the promissory notes should terminate in the near future given that the October 2013 Decision has now become effective (for the purpose of allowing the Lessor Companies to request termination of the various provisional enforcement proceedings initiated by Transbrasil), as the Federal Court of Appeals ruled that Airplanes Holdings and the other Lessor Companies had no liability for such losses. However, as stated above, the Federal Court of Appeals ruled in the October 2013 Decision that the Lessor Companies (including Airplanes Holdings) should be liable to indemnify Transbrasil for the loss, if any, which it suffered as a result of the protest of the promissory notes between the date when such protest was effected and the date of filing of the request for bankruptcy (subject to Transbrasil providing satisfactory evidence of any such loss). In this regard, the November 2013 Decision has clarified that the calculation of the indemnification shall be performed through “*arbitration*”.

Airplanes Holdings understands that as a result of the October 2013 Decision, there is no basis for the provisional enforcement proceeding filed by the former owners of Transbrasil seeking indemnification for the bankruptcy of Transbrasil to continue and Airplanes Holdings expects that it will be terminated in the near future given that the October 2013 Decision has now become effective for this purpose. Airplanes Holdings also

understands that Transbrasil is likely to try to keep this provisional enforcement proceeding alive, or to start a new one, encompassing the indemnification for the loss, if any, which it suffered as a result of the protest of the promissory notes. Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, has requested that, at a minimum, such provisional enforcement proceeding be halted until a final decision is rendered in connection with the appeals relating to the October 2013 Decision. The Lower Court judge has indicated that the parties to such provisional enforcement proceeding must wait until the case is finally decided in order to determine whether or not there is a need for the court to appoint an expert to assess any losses suffered by Transbrasil further to the October 2013 Decision.

The motion for provisional enforcement of the 2010 Judgment filed by Transbrasil's lawyers sought payment of court mandated legal fees in an aggregate amount of approximately R\$40 million / US\$20 million, which amount represented ten percent of their own calculation of twice the amount of the promissory notes plus interest and monetary adjustments. Airplanes Holdings understands that as a result of the October 2013 Decision, the claim by Transbrasil's lawyers for court mandated legal fees no longer had any basis as the Federal Court of Appeals ruled that each of the litigating parties should bear the costs of its own counsel. On February 3, 2014 the Lower Court judge ruled that the provisional enforcement proceeding seeking payment of court mandated legal fees should be terminated and that the related letters of guarantee presented on behalf of the Lessor Companies (as described below) should be released, but (whilst the related letters of guarantee have now been released) this ruling regarding termination of this provisional enforcement proceeding has not yet become final since Transbrasil and the Lessor Companies filed appeals to the State Appellate Court. Transbrasil requested the annulment of the decision that has terminated the provisional enforcement proceeding and the stay of the proceedings (including the maintenance of the letters of guarantee presented by the Lessor Companies) until a final decision is issued in the Special Appeal. The Lessor Companies requested that the assessment of the losses suffered by them due to the provisional enforcement proceedings initiated by Transbrasil be made in the court records of the proceeding and that the court mandated legal fees awarded to the Lessor Companies' counsel be increased. At the same time, the Lessor Companies asked the Lower Court to release all of the letters of guarantee which they had previously supplied to guarantee their ability to file an opposition against the provisional enforcement proceedings initiated by Transbrasil's former owners and their lawyers (which release has now occurred, as described below).

The motions presented by the former owners of Transbrasil and Transbrasil's lawyers both indicated the Lessor Companies' liability as several (save with regard to the AerCap Leasing Note, where the allocation of liability as between the Lessor Companies is unclear) and indicated the amounts being sought from each Lessor Company. The amounts payable by Airplanes Holdings with respect to the Holdings Note were listed in the motions as follows: approximately R\$146 million / US\$73 million (representing twice the amount of the Holdings Note plus interest and monetary adjustments) and approximately R\$14 million / US\$7 million (representing court mandated legal fees related to the Holdings Note plus interest and monetary adjustments). Airplanes Holdings believes that both figures are grossly overstated because in each case the calculation has been made in a manner inconsistent with the applicable law and with the terms of the 2010 Judgment.

Since commencement of the provisional enforcement proceedings in July 2011 to enforce the 2010 Judgment, Brazilian Counsel has taken several measures seeking to suspend such proceedings pending the decision on the Special Appeal, which has now been rendered on October 22, 2013. Brazilian Counsel, on behalf of the GE Lessors and Airplanes Holdings, filed an interlocutory appeal in the provisional enforcement proceeding initiated by the Bankruptcy Trustee, which although it was preliminarily granted in favor of such Lessor Companies, was ultimately denied by the State Appellate Court. Brazilian Counsel, on behalf of the GE Lessors and Airplanes Holdings, also instituted a number of measures in the provisional enforcement proceedings initiated by Transbrasil's former owners and their lawyers. These measures were ultimately denied by the Lower Court in the proceeding brought by Transbrasil's former owners and an appeal of that decision was also denied by the State Appellate Court. The measures brought in the proceeding commenced by Transbrasil's lawyers were also denied. Two requests for injunction filed by Brazilian Counsel on behalf of Airplanes Holdings and the GE Lessors before the State Appellate Court and the Federal Court of Appeals each seeking the suspension of the decision rendered on the Declaratory Action and a stay of the provisional enforcement proceedings were preliminarily denied. Interlocutory appeals challenging those denials were filed and also denied.

Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, filed three motions to clarify against the decisions in such interlocutory appeals – one in connection with the interlocutory appeal filed by Airplanes Holdings and the GE Lessors and one in each of the two interlocutory appeals filed by Transbrasil. The decisions on such motions, rendered in May 2012, were unfavorable to Airplanes Holdings and the GE Lessors. Three special appeals were filed against these decisions by Brazilian Counsel on behalf of Airplanes Holdings and the GE Lessors, which are still pending judgment before the Federal Court of Appeals. However, as a result of the October 2013 Decision, no further appeals have been made by Brazilian Counsel, who have sought the dismissal of all pending provisional enforcement proceedings and related motions and appeals given that the October 2013 Decision has now become effective for this purpose.

In an effort to speed up the development of the provisional enforcement proceedings in respect of the 2010 Judgment, in June 2012 Transbrasil filed three interlocutory appeals (one in each provisional enforcement proceeding) against the decision by the Lower Court judge of March 2012 that required certain steps to be taken prior to moving ahead with the provisional enforcement proceedings. On June 19, 2012, the reporting judge of the State Appellate Court issued decisions finding two of the three interlocutory appeals to be without grounds, but directing the third provisional enforcement proceeding (brought by Transbrasil's former owners seeking twice the amount of the promissory notes) to move forward. Notwithstanding the more limited decision of the reporting judge of the State Appellate Court, Transbrasil nevertheless presented this decision to the Lower Court not only in respect of that provisional enforcement proceeding, but also in respect of the provisional enforcement proceeding brought by Transbrasil's lawyers seeking to recover court mandated legal fees.

On June 21, 2012, the Lower Court judge responsible for hearing the provisional enforcement proceedings issued the following two Orders to Pay: (i) ordering the Lessor Companies to make a payment to the Lower Court of twice the amount of the promissory notes (plus interest and monetary adjustments) and (ii) ordering the Lessor Companies to make a payment to the Lower Court for court mandated legal fees (plus interest and monetary adjustments). Transbrasil alleged in its pleading that Airplanes Holdings' share of these amounts is approximately R\$146 million / US\$73 million and approximately R\$14 million / US\$7 million, respectively, for amounts directly attributable to the Holdings Note. The Orders to Pay direct payment of approximately R\$118 million / US\$59 million to be made by the Lessor Companies with respect to the AerCap Leasing Note, but it is not possible to attribute any particular amount to any particular Lessor Company nor do the Orders to Pay contain any provision providing for joint liability. As a result, without further clarification from the Lower Court, it is impossible for Airplanes Holdings to discern what amount, if any, is due from it under the terms of the Orders to Pay with respect to the AerCap Leasing Note. Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, filed both a writ of mandamus and complaint with the State Appellate Court seeking to deny the effect of the reporting judge's June 19, 2012 decision and, by extension, the Lower Court judge's June 21, 2012 Orders to Pay. Brazilian Counsel also filed a request for the suspension of the decisions rendered by the Lower Court judge, which were published in the Brazilian official gazette on June 26, 2012. On June 27, 2012, both the writ of mandamus and the aforementioned complaint were dismissed. Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, also filed two motions to dismiss the provisional enforcement proceedings brought by the former owners of Transbrasil and Transbrasil's lawyers. The preliminary requests for suspension of such provisional enforcement proceedings were denied by the Lower Court judge and interlocutory appeals were filed against these decisions. These interlocutory appeals were withdrawn once Airplanes Holdings and the GE Lessors were able to present full defenses, including through the filing of certain motions to stay, upon the presentation of letters of guarantee to the Lower Court. On behalf of Airplanes Holdings and the GE Lessors, Brazilian Counsel presented letters of guarantee in order to avoid any judicial lien or other enforcement against their assets and to allow the presentation of the full defense in these provisional enforcement proceedings. These letters of guarantee were filed with the Lower Court on July 25, 2012. (On December 18, 2012, GECAS posted additional letters of guarantee to cover the actions against AerCap Ireland Limited and AerCap Leasing, including with respect to the AerCap Leasing Note). Shortly after the July 25, 2012 submission of the letters of guarantee, Brazilian Counsel, on behalf of Airplanes Holdings and the GE Lessors, also filed two motions to stay the provisional enforcement proceedings brought by the former owners of Transbrasil and Transbrasil's lawyers.

As a result of the October 2013 Decision Airplanes Holdings expected that the Orders to Pay would be effectively cancelled and the letters of guarantee presented to the Lower Court would be returned to Airplanes Holdings and the other Lessor Companies given that the October 2013 Decision had become effective for this purpose. The Lessor Companies filed requests before the Lower Court where such provisional enforcement proceedings were ongoing seeking the cancellation of the Orders to Pay and the release of each of the letters of guarantee presented. The request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover court mandated legal fees was granted by the Lower Court judge on February 4, 2014 and the related letters of guarantee were released on August 22, 2014. In addition, the request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover twice the amount of the promissory notes was granted by the Lower Court judge on August 7, 2014 and the related letters of guarantee were released on August 22, 2014. Transbrasil has, however, appealed these decisions that have dismissed these provisional enforcement proceedings and cancelled the Orders to Pay. As a result, such decisions are not yet final and the Orders to Pay may be reinstated if Transbrasil is successful in its appeal. On March 30, 2016 the State Appellate Court denied Transbrasil's appeal and partially granted the Lessor Companies' appeals. In what pertains to the Lessor Companies' appeals, the State Appellate Court ruled that the assessment of the losses suffered by the Lessor Companies due to the provisional enforcement proceedings initiated by Transbrasil be made in the same court records and denied the request to increase the court mandated legal fees. The State Appellate Court denied Transbrasil's appeal and upheld the Lower Court's decision that dismissed the provisional enforcement proceeding relating to the recovery of twice the amount of the promissory notes.

The motion to stay filed in July 2012 in respect of the provisional enforcement proceeding relating to twice the amount of the promissory notes was rejected by the Lower Court judge. In the same decision, the related letters of guarantee were not accepted by the Lower Court judge. A motion to clarify was filed against such decision by Brazilian Counsel on behalf of one of the Lessor Companies, NAS. The decision on that motion to clarify, among other things, reaffirmed the denial of the motion to stay and the rejection of the related letters of guarantee. In the same decision the Lower Court judge directed the Lessor Companies to provide information regarding their financial assets in Brazil, if any, their Brazilian tax ID numbers, if any, and their legal representation in Brazil. In response to such decision, new motions to clarify were filed by Brazilian Counsel on behalf of Airplanes Holdings and the other Lessor Companies. Those motions were rejected. An interlocutory appeal addressed to the State Appellate Court was filed on February 4, 2013 against the rejection of the motions to clarify. The Lessor Companies also made a request for injunctive relief in order to suspend the challenged decision, but this request was denied. As of the date hereof, the interlocutory appeal remains pending, but has been rendered moot by the October 2013 Decision, which has also rendered moot the orders directing the Lessor Companies to provide financial information and Brazilian tax ID numbers.

On the motion to stay filed in July 2012 in respect of the provisional enforcement proceeding relating to the court mandated legal fees a decision accepting the related letters of guarantee was rendered. The Lower Court judge also denied the motion to stay and directed that the court files should be sent to a judicial accountant or to an expert in order to determine the correct amount of the court mandated legal fees awarded in the 2010 Judgment. Transbrasil filed a motion to clarify with respect to this decision that was granted and the Lessor Companies were directed to provide the same information as that referred to above regarding their financial assets in Brazil, if any, their Brazilian tax ID numbers, if any, and their legal representation in Brazil. Transbrasil and Brazilian Counsel on behalf of NAS filed further motions to clarify with respect to this decision. With respect to those motions to clarify, the Lower Court rejected the motion filed on behalf of NAS and determined that the letters of guarantee would be accepted for the purposes of the preliminary enforcement proceeding seeking recovery of court mandated legal fees, but determined that the court files should not be sent to a judicial accountant or expert. An interlocutory appeal against these decisions to the State Appellate Court was filed by Brazilian Counsel on February 4, 2013. The Lessor Companies also made a request for injunctive relief in order to suspend the challenged decision, but this request was denied. Since the October 2013 Decision effectively eliminated the obligations of Airplanes Holdings and the other Lessor Companies to pay court mandated legal fees, the interlocutory appeals filed in connection with such proceedings became moot and the expectation is that the provisional enforcement proceeding related thereto initiated by Transbrasil's lawyers will be terminated and the related letters of guarantee that have been presented to

the Lower Court judge will be returned to Airplanes Holdings and the other Lessor Companies given that the October 2013 Decision has now become effective for this purpose. As stated above, the request for the termination of this provisional enforcement proceeding, cancellation of the related Orders to Pay and release of the related letters of the guarantee was granted by the Lower Court judge and the related letters of guarantee were released on August 22, 2014, however this decision is not yet final, since Transbrasil has appealed from it. On March 30, 2016 the State Appellate Court denied Transbrasil's appeal and partially granted the Lessor Companies' appeals. In what pertains to the Lessor Companies' appeals, the State Appellate Court ruled that the assessment of the losses suffered by the Lessor Companies due to the provisional enforcement proceedings initiated by Transbrasil be made in the same court records and denied the request to increase the court mandated legal fees. The State Appellate Court denied Transbrasil's appeal and upheld the Lower Court's decision that dismissed the provisional enforcement proceeding relating to the court mandated legal fees.

Although Airplanes Holdings has filed a proof of claim with the estate of Transbrasil's bankruptcy for amounts it is owed by Transbrasil, it is unlikely that Airplanes Holdings will recover any such amounts because such claims rank in priority behind claims for labor and taxes. Transbrasil opposed such filing by Airplanes Holdings and obtained a decision favorable to it, which includes the order for Airplanes Holdings to pay court mandated legal fees, court costs and fines. Brazilian Counsel, on behalf of Airplanes Holdings, appealed this decision to the State Appellate Court. This appeal was heard and denied and the order maintaining the decision was rendered by the Lower Court judge. Brazilian Counsel filed a motion to clarify in respect of this decision, which was rejected and followed by a special appeal filed in November 2013. Such special appeal is still pending judgment. The Lower Court judge authorized Transbrasil and the Bankruptcy Trustee to initiate proceedings to collect the court mandated legal fees. However, as there are appeals from both sides yet to be adjudicated by the Federal Court of Appeals, Transbrasil and the Bankruptcy Trustee refused to initiate a provisional enforcement proceeding. As a result, the Lower Court judge rendered a decision that determined the stay of all proceedings until the judgment of the special appeal.

In accordance with US Generally Accepted Accounting Principles, a provision of US\$19 million in respect of the Transbrasil litigation was reflected in the financial statements as at September 30, 2013. The October 2013 Decision, whilst not yet final (as a result of the Divergence Appeal filed by Transbrasil on February 7, 2014), overturns the 2010 Judgment in a number of respects. The Board reassessed the amount of the provision as at December 31, 2013 in accordance with the requirements of US Generally Accepted Accounting Principles and determined that it was necessary to reduce the amount of the provision to US\$10 million as at December 31, 2013. Having regard, inter alia, to the payment during the quarter ended March 31, 2014 of US\$4.6 million to the Servicer by way of reimbursement of legal fees and expenses incurred in relation to the Transbrasil litigation (which amount had previously been provided for), the Board further reassessed the amount of the provision as at March 31, 2014 in accordance with the requirements of US Generally Accepted Accounting Principles and updated the amount of the provision to US\$6 million as at March 31, 2014. The Board have further reassessed the amount of the provision as at the end of each quarter and have updated the amount of the provision from US\$4 million as at December 31, 2014 to US\$3 million as of March 31, 2015. The provision remains at US\$3 million as of March 31, 2016. The Board will continue to keep these matters under close review and to make adjustments as appropriate and necessary.

The representation of Airplanes Holdings in each of the legal proceedings referenced above has been and continues to be directed by GECAS as the Servicer of Airplanes Group. GECAS, as Servicer, together with Brazilian Counsel, are obligated to keep Airplanes Group fully informed as to developments in this matter.

As noted above, Airplanes Holdings believes it has strong defences against the substantive issues raised in the 2010 Judgment and the related proceedings brought by Transbrasil's former owners, the Bankruptcy Trustee and Transbrasil's lawyers. The October 2013 Decision has overturned the 2010 Judgment in a number of respects however, as discussed above, as a result of the filing of the Divergence Appeal the October 2013 Decision is not yet final and there remains uncertainty as to the final outcome of this litigation, both as regards whether the October 2013 Decision becomes final as currently written and whether the Brazilian courts ultimately rule in favor of Airplanes Holdings in other respects and, in the event they do not do so, as regards the amount which could ultimately be adjudged to be payable by Airplanes Holdings. In addition, the timing for finalisation of the October

2013 Decision as well as any further proceedings including any extraordinary appeal to the Supreme Court remains unclear. Therefore, the timing of when any amount ultimately adjudged to be payable by Airplanes Holdings would be due also remains unclear.

As discussed in “1B. Introduction — Recent Developments and Anticipated Remaining Trading Activities” above, the Board (having taken legal advice, including as to the position of Airplanes Holdings as a matter of Irish law and the position of Airplanes Limited as a matter of Jersey law and New York law) determined on June 28, 2012 that, commencing July 16, 2012, it was necessary to increase the level of the Liquidity Reserve (held by way of the Maintenance Reserve Amount). On October 8, 2013 and November 2, 2015 the Board determined that it was necessary to further increase the level of the Liquidity Reserve. The increases in the Liquidity Reserve were intended to ensure that in all currently reasonably foreseeable circumstances Airplanes Holdings will have funds available to be able to comply with any order to pay (including those published on June 26, 2012), to challenge calculations made by Transbrasil in the provisional enforcement proceedings, and/or to pay any judgments ultimately awarded against Airplanes Holdings in the Transbrasil litigation. For each payment date following the sale of Airplanes Group's final aircraft, which sale occurred on May 6, 2016, the Maintenance Reserve Amount is required to be zero pursuant to the trust indentures. Therefore, in accordance with the trust indentures, certain amounts previously included in the calculation of the Maintenance Reserve Amount were included in the calculation of Permitted Accruals forming the Required Expense Amount for the May 16, 2016 payment date. The Required Expense Amount reserved in the expense account will be available in accordance with the trust indentures to pay expenses of Airplanes Group, including any judgments ultimately awarded against Airplanes Holdings in the Transbrasil litigation. Whilst no assurance can be given as to whether any of the reserve now held by way of the Required Expense Amount may ultimately need to be utilised to make payments under the Transbrasil proceedings, to the extent not so utilised, such reserve would ultimately be available to fund payments on the subclass A-9 notes (to the extent not otherwise required to discharge any other liability of Airplanes Group ranking senior thereto in the priority of payments).

The Board determined that this action was necessary to ensure compliance with Airplanes Group's contractual requirements and applicable law while at the same time continuing to vigorously dispute liability in an effort to have as much as possible of these reserves paid ultimately to the subclass A-9 noteholders if the litigation is ultimately resolved in favor of Airplanes Holdings or if Airplanes Holdings' ultimate liability is for a lower amount. The Board will continue to keep these matters under close review and to make adjustments as appropriate and necessary.

#### **INDEMNIFICATION CLAIM BY AERCAP IRELAND LIMITED**

In February 2015 Airplanes Group was notified by AerCap Ireland Limited that it intended to seek indemnification from Airplanes Group in relation to certain Indian litigation proceedings.

AerCap Ireland Limited has asserted that Airplanes Finance Limited, a subsidiary of Airplanes Holdings, is liable to indemnify AerCap Ireland Limited under the terms of a sub-lease assignment agreement entered into between such parties on March 8, 1996 pursuant to which the lease of one B737-200A aircraft to East West Travel and Trade Links Limited (“**East West**”) was assigned by AerCap Ireland Limited to Airplanes Finance Limited. AerCap Ireland Limited has indicated that it is one of several defendants under Indian litigation proceedings concerning East West, which proceedings were commenced by the Airports Authority of India (the “**AAI**”) in 1997 and remain ongoing. AerCap Ireland Limited has indicated that whilst it continues to defend itself in the proceedings, it intends to seek indemnification both for any liability which it may ultimately be adjudged to have to the AAI as well as its reasonable legal fees in defending the proceedings.

At this time Airplanes Group does not accept that it has any liability in connection with this matter; however it is in discussions with AerCap Ireland Limited in order to assess both the validity of the purported indemnification obligation and the possible size of any potential claim which may ultimately be made against Airplanes Group.

In light of the uncertainties around both the validity of the purported indemnification obligation as well as the likelihood and possible size of any potential claim, no provision in respect of this matter has been made in the

financial statements as at March 31, 2015 or March 31, 2016. The ultimate resolution of the matter could however have a further adverse impact on our cashflows.

#### 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.....	Pavilion Trustees Limited (formerly known as Maurant & Co. Trustees Limited) as trustee of Holdings Trust I, 47 Esplanade, St. Helier, Jersey, Channel Islands	10 Shares	33 1/3%
Common stock.....	Pavilion Trustees Limited (formerly known as Maurant & Co. Trustees Limited) as trustee of Holdings Trust II, 47 Esplanade, St. Helier, Jersey, Channel Islands	10 Shares	33 1/3%
Common stock.....	Pavilion Trustees Limited (formerly known as Maurant & Co. Trustees Limited) as trustee of Holdings Trust III, 47 Esplanade, 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.

Pavilion Trustees Limited (formerly known as Maurant & 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 for the year ended March 31, 2016 set out below 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 show the combined net liabilities of Airplanes Limited and Airplanes Trust as well as a combined statement of the change in net liabilities for the year ended March 31, 2016. The separate notes thereto 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/liabilities of Airplanes Limited and Airplanes Trust have been 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. The financial statements for Airplanes Group, and accordingly the selected combined financial data set forth below, have been prepared on a liquidation basis in accordance with FASB ASC 205-30. For further details, see “6B. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidation Basis of Preparation” below.

Airplanes Group’s accounting policies are consistent with those followed in the previous year.

<b>AIRPLANES GROUP</b>									
<b>STATEMENT OF NET LIABILITIES</b>									
<b>(prepared on a liquidation basis)</b>									
<b>March 31, 2015</b>			<b>Change in net liabilities</b>			<b>March 31, 2016</b>			
<b>Airplanes Limited</b>	<b>Airplanes Trust</b>	<b>Combined</b>	<b>Airplanes Limited</b>	<b>Airplanes Trust</b>	<b>Combined</b>	<b>Airplanes Limited</b>	<b>Airplanes Trust</b>	<b>Combined</b>	
(\$millions)			(\$millions)			(\$millions)			
(Discontinuing Operations)						(Discontinuing Operations)			
<b>Assets</b>									
Cash	155	–	155	4	–	4	159	–	159
Accounts receivable			–	–	–	–			
Trade receivables	1	1	2	–	(1)	(1)	1	–	1
Allowance for doubtful debts	–	(1)	(1)	–	1	1	–	–	–
Amounts due from Airplanes Trust	6	–	6	(1)	–	(1)	5	–	5
Prepaid expenses	–	–	–	–	–	–	–	–	–
Other Current Assets	–	–	–	–	–	–	–	–	–
<b>Total Current Assets</b>	<b>162</b>	<b>–</b>	<b>162</b>	<b>3</b>	<b>–</b>	<b>3</b>	<b>165</b>	<b>–</b>	<b>165</b>
Aircraft, Held for Sale	23	28	51	(14)	4	(10)	9	32	41
<b>Total assets</b>	<b>185</b>	<b>28</b>	<b>213</b>	<b>(11)</b>	<b>4</b>	<b>(7)</b>	<b>174</b>	<b>32</b>	<b>206</b>
<b>LIABILITIES</b>									
Accrued expenses and other liabilities	2,870	143	3,013	715	20	735	3,585	163	3,748
Accrued winding up costs	720	28	748	(37)	(9)	(46)	683	19	702
Amounts due to Airplanes Limited	–	6	6	–	(1)	(1)	–	5	5

Indebtedness	1,292	123	1,415	(11)	(1)	(12)	1,281	122	1,403
Total Current Liabilities	4,882	300	5,182	667	9	676	5,549	309	5,858
Common stock, \$1 par value per share									
Authorised 10,000 shares; issued and outstanding 30 shares.	-	-	-	-	-	-	-	-	-
<b>Net liabilities</b>	<b>(4,697)</b>	<b>(272)</b>	<b>(4,969)</b>	<b>(678)</b>	<b>(5)</b>	<b>(683)</b>	<b>(5,375)</b>	<b>(277)</b>	<b>(5,652)</b>

## 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 have been 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.

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.

### B. LIQUIDATION BASIS OF PREPARATION

At the date of preparation of the financial statements for Airplanes Group for the year ended March 31, 2015 the Board considered that it was no longer appropriate to prepare the financial statements on a going concern basis given that at that date the then current expectation was that the vehicle would cease its aircraft leasing and sale activities within the next twelve months and the Board were considering the strategy to wind up the vehicle. Accordingly the financial statements for the year ended March 31, 2015 were prepared on a liquidation basis in accordance with FASB ASC 205-30. While there have been unanticipated delays in the sale of Airplanes Group's final aircraft, as at May 19, 2016 all aircraft have now been sold and the Board are continuing to consider the strategy to wind up the vehicle. The financial statements for the year ended March 31, 2016 included in Exhibit 1 therefore continue to be prepared on a liquidation basis. In accordance with the requirements of FASB ASC 205-30, all assets are stated at the best estimate of their recoverable amount and the results for the year ended March 31, 2016 are described as being on a discontinuing basis. In addition, an accrual has been made for the estimated winding up costs of the vehicle.

FASB ASC 205-30 requires that all assets are stated at the best estimate of their recoverable amount. This means that the vehicle is required to measure assets to reflect the estimated amount of cash or other consideration that it expects to collect in settling or disposing of those assets. As a result, all aircraft were classified as held for sale as at March 31, 2015 and March 31, 2016 and the value of the aircraft as at each such date was based on the best estimate as at the date of the respective financial statements of the amount which Airplanes Group then expected to collect on the sale of the aircraft.

FASB ASC 205-30 also requires an accrual to be made for the estimated winding up costs of the vehicle. The accrual for estimated winding up costs included in the financial statements for the year ended March 31, 2016 represents the operating costs and interest costs estimated at the date of the financial statements to be incurred in the ordinary course of operating the vehicle until the date on which a winding up is assumed to commence (as well as certain costs anticipated to be incurred in order to place the vehicle into a winding up) net of the revenue contracted at the date of the financial statements to be received for such period. The Board are considering a number of options in respect of the future winding up of Airplanes Group and therefore the estimate of winding up costs included in the financial statements for the year ended March 31, 2016 has not taken into account certain costs that may be associated with the options potentially available as these costs are incapable of estimation at present. In accordance with the requirements of FASB ASC 205-30, the estimated interest costs which form part of the accrual include an amount of \$685 million in respect of step-up interest payable on the subclass A-8 notes and interest payable on the class B, C, D and E notes notwithstanding that Airplanes Group will not have sufficient cashflows to make any further payments of step-up interest on the subclass A-8 notes or interest on the class B, C, D or E notes. Following the sale of all remaining aircraft and engines subsequent to March 31, 2016, future payments in respect of the subclass A-9 notes will be dependent on the operating costs, winding up costs and other liabilities which are required to be discharged prior to or during the winding up process including, in particular, the resolution of the ongoing litigation between Airplanes Holding Limited and Transbrasil (as described in "3. Legal Proceedings" above). Airplanes Group does have sufficient assets to be able to repay the subclass A-9 notes in full or to make any further payments of interest or principal on the class B, C, D or E notes.

### **C. PAYMENTS ON THE NOTES AND CERTIFICATES**

On each payment date since the December 15, 2003 payment date, we have been paying in full only 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 have used any remaining cashflows towards payment of minimum principal on the class A notes which at June 15, 2016 was \$419.0 million in arrears. As at the date of this Annual Report, our material assets consist solely of the cash reserve held by way of the Required Expense Amount and we will therefore be unable to repay in full the subclass A-9 notes or to make any further payments on the class B, C, D or E notes. The Transbrasil litigation adds further uncertainty with regard to the exact amount of principal we will ultimately be able to pay on the subclass A-9 notes. For a detailed background, see "1B. Introduction—Recent Developments and Anticipated Remaining Trading Activities."

As discussed in "1C. Introduction—Risk Factors" 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 class A notes are the most senior class of notes currently outstanding.

Set out in the table in "1B. Introduction – Recent Developments and Anticipated Remaining Trading Activities" are the ratings of our certificates at the date of this Annual Report.

### **D. RESULTS OF OPERATIONS—YEAR ENDED MARCH 31, 2016**

The financial statements for the year ended March 31, 2016 have been prepared on a liquidation basis in accordance with FASB ASC 205-30. A Statement of Net Liabilities is presented as well as a Statement of Change in Net Liabilities. In accordance with the requirements of FASB ASC 205-30, all assets are stated at the best estimate of their recoverable amount and the results for the year ended March 31, 2016 are described as being on a discontinuing basis. In addition, an accrual has been made for the estimated winding up costs of the vehicle. The Statement of Change in Net Liabilities outlines the movement in the accrual for winding up costs between April 1, 2015 and March 31, 2016 and the trading activity in the year ended March 31, 2016, as well as the movement in other assets and liabilities.

Airplanes Group's results from its discontinuing operations for the year ended March 31, 2016 reflected a continuation of the very difficult trading conditions for Airplanes Group. Various factors, including the timing of receipts and expenditures and non-recurring items, can result in short term swings in any particular reporting period.

### *Change in Net Liabilities for the period April 1, 2015 to March 31, 2016*

The change in net liabilities totals \$683 million for the year ended March 31, 2016. The movement between April 1, 2015 and March 31, 2016 includes an increase in the cash balance in the year of \$4 million. There was a net nil movement in accounts receivable (including allowance for doubtful debts). The movement in the year also reflects an increase in accrued expenses and other liabilities of \$735 million. In addition there was a decrease in the accrued winding up costs of \$46 million. Additional estimated costs for the nine months to December 31, 2016 have now been included within the winding up accrual. Costs were previously included for the period up to March 31, 2016. The cumulative movements outlined above are further offset by a net decrease in the valuation of aircraft of \$10 million (due to an increase in the valuation of certain aircraft, offset by aircraft sales during the year) and a decrease in indebtedness during the year of \$12 million. The Board now expect that the winding up will not be completed prior to December 31, 2016.

### *Indebtedness*

Airplanes Group's outstanding indebtedness consisted of class A, B, C, D and E notes in the amount of \$1,403 million (Airplanes Limited: \$1,281 million; Airplanes Trust: \$122 million) at March 31, 2016 and \$1,415 million (Airplanes Limited: \$1,292 million; Airplanes Trust: \$123 million) at March 31, 2015. Airplanes Group had \$12 million of class E notes outstanding at March 31, 2016 and at March 31, 2015. The terms of each class or subclass of notes, including the outstanding principal amount as of March 15, 2016 and estimated fair market value as of March 31, 2016, are as follows:

<b>Class or Subclass of Certificates and Notes</b>	<b>Outstanding Principal Amount as of March 15, 2016</b>	<b>Annual Interest Rate (Payable Monthly)</b>	<b>Final Maturity Date</b>	<b>Estimated Fair Market Value as of March 31, 2016(3)</b>
	<b>(\$ Millions)</b>			<b>(\$ Millions)</b>
Subclass A-8(1) .....	—	—	—	—
Subclass A-9 .....	419.0	LIBOR+0.550%	March 15, 2019	113.1
Class B .....	226.8	LIBOR+0.750%	March 15, 2019	—
Class C .....	349.8	8.150%	March 15, 2019	—
Class D .....	395.1	10.875%	March 15, 2019	—
Class E (notes only)(2) .....	12.2	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 annual interest rate on the class E notes is adjusted by reference to changes in the US Consumer Price Index since March 28, 1996. As of March 31, 2016, the annual interest rate on the class E notes was 35.37%. 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, 2016, the accrued and unpaid class E minimum interest amount and supplemental interest amount was \$1,925 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, 2016 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.

## **E. FINANCIAL RESOURCES AND LIQUIDITY**

Prior to the sale of our final aircraft on May 6, 2016 our primary source of liquidity was rental payments made by lessees under the leases. Our principal uses of cash rental payments were expenses related to the aircraft and their

servicing, corporate expenses and the payment of interest, principal and any premium on indebtedness. See “6D. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations” for more information regarding our outstanding debt. As at the date of this Annual Report, Airplanes Group no longer owns any aircraft and its material assets consist of cash balances on deposit.

Airplanes Group’s cash balances at March 31, 2016 amounted to \$159 million (Airplanes Limited: \$159 million; Airplanes Trust: \$nil), compared to cash balances at March 31, 2015 of \$155 million (Airplanes Limited: \$155 million; Airplanes Trust: \$nil).

#### **F. SURRENDER OF 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, effective on that date, GE Capital 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 were 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 were included as an Extraordinary Item in the Statement of Operations. This transaction also resulted in the reversal of a \$18 million deferred tax liability during the year ended March 31, 2011.

On October 21, 2011 GE Capital, as holder of class E notes issued by Airplanes Limited in the principal amount of \$526,314,418, notified Airplanes Limited that, effective on that date, GE Capital discharged and released Airplanes Limited 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 Limited in the principal amount of \$526,314,418 and the accrued interest thereon amounting to \$21,524,963,408 were released in the Statement of Operations for the year ended March 31, 2012. 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 were included as an Extraordinary Item in the Statement of Operations.

#### **G. NEW ACCOUNTING PRONOUNCEMENTS**

There were no new accounting pronouncements relevant to our consolidated financial statements in the year ended March 31, 2016.

#### **H. COMPARISON OF ACTUAL CASHFLOWS VERSUS THE 2001 BASE CASE FOR THE FOUR MONTH PERIOD FROM JANUARY 16, 2016 TO MAY 16, 2016 AND FOR THE PERIOD FROM MARCH 10, 2001 TO MAY 16, 2016 (182 MONTHS)**

The discussion and analysis which follows is 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-22 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 11, 2016, March 11, 2016, April 13, 2016 and May 12, 2016. The financial data in these reports includes cash receipts from January 12, 2016 (first day of the

Calculation Period for the February 2016 report) to May 10, 2016 (last day of the Calculation Period for the May 2016 report). Page 40 presents the cumulative cashflow information from March 2001 to the May 2016 payment date. This report, however, limits its commentary to the Four Month Period.

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 38.

## **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 \$44.2 million in Total Cash Collections, \$35.5 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 pages 36-37).

### **[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, the amount of revenue loss attributed to Renegotiated Leases, was \$nil, which is in line with 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 \$1.6 million in the Four Month Period, as compared to \$nil 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, fourteen MD83 aircraft, one B747-200SF aircraft, seventeen B737-400 aircraft, five B737-300 aircraft, three B737-400 engine, three B757-200 aircraft, one B737-400 airframe, one B737-300SF airframe, one A320-200 airframe, four DHC8-300 aircraft, sixteen F100 aircraft, five A320-200 aircraft, eleven B737-500 aircraft, one B767-200ER aircraft and four B767-300ER aircraft have been sold prior to their assumed sale date in the 2001 Base Case, resulting in a negative variance of \$48.1 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 \$2.4 million, which was \$52.1 million less than assumed in the 2001 Base Case. The difference is due to losses from Renegotiated Leases, 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 or Deferred Arrears. There was no change in the Current Arrears balance over the Four Month Period, which was in line with 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 \$0.4 million (0.8% of Lease Rentals) compared with the \$31 million outflow assumed in the 2001 Base Case, a positive variance of \$2.7 million that is due to 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, \$0.5 million lower than the 2001 Base Case assumption of \$0.5 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 one aircraft AOG during the Four Month Period. The 2001 Base Case Lease Rentals loss attributed to AOG in the Four Month Period was \$0.4 million (0.8% of Lease Rentals), as compared to \$2.2 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 was \$nil compared with \$nil assumed in the 2001 Base Case.

#### **[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 \$0.4 million (0.8% of Lease Rentals) 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 \$2.0 million, \$47.0 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 Account and Expense Account. Cash held in the Collection Account consists of the cash liquidity reserve amount during the Four Month Period, in addition to the intra-month cash balances for all the rentals and maintenance payments collected prior to the monthly payment date. On the May 16, 2016 payment date the liquidity reserve amount was reduced to zero—see item [29] below. The Expense Account contains cash set aside to pay for expenses which are expected to be payable over the next month plus other permitted accruals and an amount of up to \$10 million for unanticipated expenses. In the Four Month Period, Interest Earned amounted to less than \$0.1 million, \$2.1 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 \$144.8 million to the cash liquidity reserve amount in the Four Month Period (refer to item [29A] below). The lower amount of interest received as compared to the 2001 Base Case assumed amount is also as a result of the average actual reinvestment rate for the Four Month Period being 0.3% compared to the 5.2% assumed in the 2001 Base Case.

## **[16] AIRCRAFT SALES**

There were \$41.5 million aircraft sales proceeds in the Four Month Period. Six A320-200 aircraft and one B737-400 aircraft were sold in the Four Month Period. Two A320-200 aircraft, three F100 aircraft, two B737-400 aircraft, two B737-300 aircraft, and one B737-500 aircraft were assumed to be sold in the Four Month Period for \$28.6 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. On the May 16, 2016 payment date two engines remained in the portfolio, which were sold on May 19, 2016.

## **[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 \$0.7 million positive (comprising maintenance reserve receipts totaling \$0.7 million and maintenance reserve reimbursements totaling \$nil). The 2001 Base Case made no assumptions for Net Maintenance as it assumed that, over time, maintenance revenue will equal maintenance expenditure.

## **[18] OTHER RECEIPTS**

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

## **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 \$4.6 million compared to \$10.0 million assumed in the 2001 Base Case, a positive variance of \$5.4 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 redelivery 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 \$0.6 million (or 1.2% of Lease Rentals) compared to \$3.7 million (or 7.1% of Lease Rentals) assumed in the 2001 Base Case. Actual Re-Leasing and Other Overhead Costs were lower than the 2001 Base Case assumption primarily due to the absence of any re-leasing activity.

“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 \$2.1 million, \$2.1 million lower than that assumed in the 2001 Base Case, primarily due to aircraft sales.

Aircraft Servicer Fees consist of:

	<u>\$M</u>
Retainer Fee .....	0.6
Minimum Incentive Fee .....	1.5
Core Cashflow/Sales Incentive Fee.....	<u>0.0</u>
Total Aircraft Servicer Fee.....	<u><u>2.1</u></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/controlling trustees. In the Four Month Period, Other Servicer Fees and Other Overheads were \$1.9 million, which was \$1.3 million lower than the assumed expense of \$3.2 million in the 2001 Base Case.

**[23A] OTHER SG&A EXPENSES**

“Other SG&A Expenses” relate to refinancing expenses and costs relating to the consent solicitation process. In the Four Month Period other SG&A Expenses were \$nil which is consistent with the 2001 Base Case assumption.

**[28] MOVEMENT IN EXPENSE ACCOUNT**

Prior to the May 16, 2016 payment date, the amount held by way of the maintenance reserve amount (which was being held as part of the liquidity reserve amount) accounted for, among other things, the ongoing nature of the litigation between Airplanes Holdings Limited and Transbrasil and the absence of a concrete prospect of settlement or resolution. Following the reduction of the maintenance reserve amount to zero (refer to item [29] below), on the May 16, 2016 payment date certain amounts previously included in the calculation of the maintenance reserve amount have now been included in the calculation of Permitted Accruals forming the Required Expense Amount. As a result, the amount held in the Expense Account has increased by \$183.0 million on the May 16, 2016 payment date.

**[29] (INCREASE)/REDUCTION IN LIQUIDITY RESERVE**

Prior to the sale of our final aircraft we were 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; and
- a security deposit reserve amount.

Under the priority of payments applicable to Airplanes Group, this cash balance was 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 \$190 million) and at point (x) “Second Collection Account Top-up” (maintenance reserve amount of \$20 million plus security deposit reserve amount). As

described earlier in this Annual Report, the level of the maintenance reserve amount for the purpose of the “First Collection Account Top-up” was increased from \$110 million to \$140 million with effect from October 8, 2013 and from \$140 million to \$190 million with effect from November 2, 2015. For each payment date following the sale of our final aircraft, which sale occurred on May 6, 2016, the maintenance reserve amount is required to be zero pursuant to the trust indentures and the security deposit amount is zero as a result of there no longer being any aircraft lease agreements. Accordingly, on the May 16, 2016 payment date the maintenance reserve amount was reduced from \$210 million to zero.

#### **[29A] SHORTFALL IN LIQUIDITY RESERVE**

“*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 the changes with effect from October 8, 2013 and November 2, 2015 in respect of the liquidity requirement at the “First Collection Account Top-up” see “1B. Introduction – Overview of Current Financial Condition” above. On the May 16, 2016 payment date, as a result of the reduction in the liquidity reserve amount to zero (refer to item [29] above) there was no shortfall in the liquidity reserve amount, as compared to a shortfall of \$67 million on the January 15, 2016 payment date. 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 \$1.4 million, which was \$5.8 million lower than assumed under the 2001 Base Case.

Interest payments on the floating rate class A notes amounted to \$1.4 million, \$1.1 million higher than assumed under the 2001 Base Case, reflecting a higher principal balance outstanding on the class A notes than assumed in the 2001 Base Case, albeit a lower level of average interest rates on the class A 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 have been 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 \$0.1 million and \$6.9 million, respectively on the class B 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 \$78.2 million, \$615.8 million and \$1,113.9 million, respectively, on the class B, C and D notes following the May 16, 2016 payment date.

In the Four Month Period, there was a continued suspension of payments of the class E minimum interest amount of 1% (refer to item [33] below). 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. To the extent that step-up interest is not paid, it continues to 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, 2016 was \$20.5 million.

### **[31] SWAP AND CAP CASHFLOWS**

Airplanes Group's net swap and cap cashflows during the Four Month Period amounted to \$nil which is in line with the 2001 Base Case.

### **[33] PRINCIPAL PAYMENTS**

In the one hundred and eighty two month period from March 10, 2001 to May 16, 2016, total principal payments amounted to \$1,527.8 million (comprising \$1,467.4 million on the class A notes and \$51.5 million on the class B notes), \$1,221.4 million less than assumed in the 2001 Base Case. The breakdown of the \$1,221.4 million negative variance is set out on page 39. In the Four Month Period, total principal payments amounted to zero which was \$62.5 million less than assumed in the 2001 Base Case. The breakdown of the \$62.5 million negative variance is set out on page 39. Principal payments were suspended on November 16, 2015 as a result of the shortfall in the cash retained in the Collection Account following the increase in the level of the maintenance reserve amount for the purpose of the "First Collection Account Top-up" with effect from November 2, 2015 (refer to item [29A] above).

Our final aircraft was sold on May 6, 2016 and as a result the appraised value of our portfolio was zero at May 16, 2016.

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 eighty 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 portfolio 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 eighty two month period since the 2001 refinancing. Total deferrals of class C and class D scheduled principal amounts amounted to \$349.8 million and \$395.1 million respectively, as of May 16, 2016.

Based on the most recent annual appraisal dated January 31, 2016, the decline in appraised values in the year to January 31, 2016 was approximately \$3 million less than the decline assumed in the 1996 Base Case. The decline in appraised values in the year to January 31, 2016 resulted in a decrease in the arrears of class A principal adjustment amount at the February 16, 2016 payment date of \$2.9 million. The class A principal adjustment arrears were \$419 million as at May 16, 2016.

To the extent that we have sufficient cashflows, 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 value of the portfolio (determined by reference to the annual appraised value). As a result the methodology for calculation of class A minimum principal payments 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. The class A outstanding principal balance will continue to exceed the adjusted portfolio value (which is zero, following the sale of our final aircraft) and therefore 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 method of calculation of class A minimum principal payments or the annual aircraft appraisals. As noted above, payments of class A minimum principal have been suspended with effect from the November 16, 2015 payment date.

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 \$226.8 million following the May 16, 2016 payment date.

#### ***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 the current ratings of the certificates and the decision taken on November 2, 2015 to increase the maintenance reserve amount for the purpose of the “First Collection Account Top-up” from \$140 million to \$190 million, see “1B. Introduction— Recent Developments and Anticipated Remaining Trading Activities” above.

Note	Report Line Name	Description
	<b>CASH COLLECTIONS</b>	
[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] $\sum$ [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 capitalized 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 payments, rental guarantees and late payments charges
[12]	— Repossession	Legal and technical costs incurred in repossessing aircraft
[13] $\sum$ [8]..[12]	Sub-total	
[14]	Net Lease Rental	Contracted Lease Rentals less Movement in Current Arrears Balance and Net Stress Related Costs
[5]+[6]+[13]		
[15]	Interest Earned	Interest earned on monthly cash balances
[16]	Aircraft Sales	Proceeds from the sale of aircraft and proceeds from insurance policies, net of fees and expenses
[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] $\sum$ [14]..[18]	Total Cash Collections	Net Lease Rental + Interest Earned + Aircraft Sales + Net Maintenance + Other Receipts
	<b>CASH EXPENSES</b>	
	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]	Sub-total	
[22]+[23]+[23A]		
[25] [20]+[24]	Total Cash Expenses	Aircraft Operating Expenses + SG&A Expenses
	<b>NET CASH COLLECTIONS</b>	
[26] [19]	Total Cash Collections	Line 19 above
[27] [25]	Total Cash Expenses	Line 25 above
[28]	Movement in Expense Account	Relates to reduction/(increase) in accrued expense amounts

<b>Note</b>	<b>Report Line Name</b>	<b>Description</b>
[29]	(Increase)/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 notes
[31]	Swap / Cap Cashflows	Net swap and cap payments (paid)/received
[32] $\Sigma$	Total	
[26]...[31]		
[33]	PRINCIPAL PAYMENTS	Principal payments on notes

**AIRPLANES GROUP CASHFLOW PERFORMANCE FOR THE PERIOD FROM  
JANUARY 16, 2016 TO MAY 16, 2016 (4 MONTHS)**

**Comparison of Actual Cashflows Versus 2001 Base Case Cashflows**

					% of Lease Rentals under the 2001 Base Case		
		Actual	2001 Base Case	Variance	Actual	2001 Base Case	Variance
		(\$ Millions)			%	%	%
<b>CASH COLLECTIONS</b>							
1	Lease Rentals	52.1	52.1	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.....	(1.6)	0.0	(1.6)	(3.1%)	0.0%	(3.1%)
4	— Lease Rentals—Aircraft Sales .....	(48.1)	0.0	(48.1)	(92.2%)	0.0%	(92.2%)
5	1-4 <b>Contracted Lease Rentals</b> .....	2.4	52.1	(49.7)	4.6%	100.0%	(95.4%)
6	Movement in Current Arrears Balance .....	0.0	0.0	0.0	0.0%	0.0%	0.0%
7	less Net Stress Related Costs						
8	— Bad Debts.....	0.0	(0.5)	0.5	0.0%	(1.0%)	1.0%
9	— Deferred Arrears Balance.....	0.0	0.0	0.0	0.0%	0.0%	0.0%
10	— AOG.....	(0.4)	(2.2)	1.7	(0.8%)	(4.2%)	3.4%
11	— Other Leasing Income .....	0.0	0.0	0.0	0.0%	0.0%	0.0%
12	— Repossession.....	0.0	(0.4)	0.4	0.0%	(0.8%)	0.8%
13	8-12 Sub-total.....	(0.4)	(3.1)	2.7	(0.8%)	(6.0%)	5.2%
14	5+6+13 <b>Net Lease Rental</b> .....	2.0	49.0	(47.0)	3.8%	94.0%	(90.2%)
15	Interest Earned .....	0.1	2.2	(2.1)	0.1%	4.1%	(4.0%)
16	Aircraft Sales .....	41.5	28.6	12.9	79.6%	54.8%	24.8%
17	Net Maintenance .....	0.7	0.0	0.7	1.3%	0.0%	1.3%
18	Other Receipts .....	0.0	0.0	0.0	0.0%	0.0%	0.0%
19	14-18 <b>Total Cash Collections</b> .....	44.2	79.7	(35.5)	84.8%	152.9%	(68.1%)
<b>CASH EXPENSES</b>							
Aircraft Operating Expenses							
20	— Re-leasing and other overheads .....	(0.6)	(2.6)	2.0	(1.2%)	(5.0%)	3.8%
SG&A Expenses							
Aircraft Servicer Fees							
21	— Retainer Fee .....	(0.6)	(3.7)	3.1	(1.1%)	(7.1%)	6.0%
	— Minimum Incentive Fee.....	(1.5)	(0.5)	(1.0)	(2.9%)	(1.0%)	(1.9%)
	— Core Cashflow/Sales Incentive Fee.....	0.0	0.0	0.0	0.0%	0.0%	0.0%
22	21 Sub-total.....	(2.1)	(4.2)	2.1	(4.0%)	(8.1%)	4.0%
23	Other Servicer Fees and Other Overheads .....	(1.9)	(3.2)	(1.3)	(3.6%)	(6.1%)	(2.5%)
23A	Other SG&A Expenses .....	0.0	0.0	0.0	0.0%	0.0%	0.0%
24	22+23+23 A Sub-total.....	(4.0)	(7.4)	3.4	(7.6%)	(14.1%)	6.5%
25	24+20 <b>Total Cash Expenses</b> .....	(4.6)	(10.0)	5.4	(8.8%)	(19.1%)	10.3%
<b>NET CASH COLLECTIONS</b>							
26	19 Total Cash Collections.....	44.2	79.7	(35.5)	84.8%	152.9%	(68.1%)
27	25 Total Cash Expenses.....	(4.6)	(10.0)	5.4	(8.8%)	(19.1%)	10.3%
28	Movement in Expense Account .....	(181.6)	0.0	(181.6)	(348.4%)	0.0%	(348.4%)
29	(Increase)/Reduction in Liquidity Reserve .....	143.4	0.0	143.4	275.1%	0.0%	275.1%
29A	Shortfall in Liquidity Reserve.....	(0.0)	0.0	(0.0)	(00%)	0.0%	(0.0%)
30	Interest Payments .....	(1.4)	(7.2)	5.8	(2.7%)	(13.9%)	11.2%
31	Swap/Cap Cashflows .....	0.0	0.0	0.0	0.0%	0.0%	0.0%
32	26-31 <b>TOTAL</b> .....	0.0	62.5	(62.5)	0.0%	119.9%	(119.9%)
33	<b>PRINCIPAL PAYMENTS</b>						

	% of Lease Rentals under the 2001 Base Case					
	Actual	2001	Variance	2001	Variance	
		Base Case		Base Case		
		(\$ Millions)		%	%	%
Class A.....	0.0	7.8	(7.8)	0.0%	14.9%	(14.9%)
Class B.....	0.0	2.0	(2.0)	0.0%	3.8%	(3.8%)
Class C.....	0.0	0.0	0.0	0.0%	0.0%	0.0%
Class D.....	0.0	52.8	(52.8)	0.0%	101.2%	(101.2%)
<b>Total.....</b>	<b>0.0</b>	<b>62.5</b>	<b>(62.5)</b>	<b>0.0%</b>	<b>119.9%</b>	<b>(119.9%)</b>

**NOTE BALANCES AT MAY 16,**

**2016**

Subclass A-8	0.0	8.8	8.8
Subclass A-9	419.0	0.0	(419.0)
Class B	226.8	3.2	(223.7)
Class C	349.8	0.0	(349.8)
Class D	395.1	157.4	(237.6)
	<u>1,390.8</u>	<u>169.5</u>	<u>(1,221.4)</u>

**AIRPLANES GROUP CASHFLOW PERFORMANCE FOR THE PERIOD FROM  
MARCH 10, 2001 TO MAY 16, 2016 (182 MONTHS)**

**Comparison of Actual Cashflows Versus 2001 Base Case Cashflows**

					% of Lease Rentals under the 2001 Base Case		
		Actual	2001 Base Case	Variance	Actual	2001 Base Case	Variance
		(\$ Millions)			%	%	%
		<b>CASH COLLECTIONS</b>					
1	Lease Rentals.....	5,092.5	5,092.5	0.0	100.0%	100.0%	0.0%
2	— Renegotiated Leases .....	(88.7)	0.0	(88.7)	(1.7%)	0.0%	(1.7%)
3	— Rental Resets .....	(1,122.3)	0.0	(1,122.3)	(22.0%)	0.0%	(22.0%)
4	— Lease Rentals—Aircraft						
	Sales .....	(1,365.1)	0.0	(1,365.1)	(26.8%)	0.0%	(26.8%)
5 1-4	<b>Contracted Lease Rentals .....</b>	<b>2,516.5</b>	<b>5,092.5</b>	<b>(2,576.0)</b>	<b>49.4%</b>	<b>100.0%</b>	<b>(50.6%)</b>
6	Movement in Current Arrears	11.2	0.0	11.2	0.2%	0.0%	0.2%
	Balance.....						
7	less Net Stress Related Costs						
8	— Bad Debts .....	(15.2)	(51.0)	35.7	(0.3%)	(1.0%)	0.7%
9	— Deferred Arrears Balance .....	25.0	3.1	21.9	0.5%	0.1%	0.4%
10	— AOG .....	(283.6)	(214.0)	(69.6)	(5.6%)	(4.2%)	(1.4%)
11	— Other Leasing Income.....	63.4	0.0	63.4	1.2%	0.0%	1.2%
12	— Repossession.....	(4.1)	(40.8)	36.7	(0.1%)	(0.8%)	0.7%
13 8-12	Sub-total .....	(214.5)	(302.6)	88.1	(4.2%)	(5.9%)	1.7%
14 5+6+13	<b>Net Lease Rental .....</b>	<b>2,313.2</b>	<b>4,789.9</b>	<b>(2,476.7)</b>	<b>45.4%</b>	<b>94.1%</b>	<b>(48.6%)</b>
15	Interest Earned.....	24.8	102.1	(77.4)	0.5%	2.0%	(1.5%)
16	Aircraft Sales.....	387.7	286.2	101.5	7.6%	5.6%	2.0%
17	Net Maintenance.....	315.6	0.0	315.6	6.2%	0.0%	6.2%
18	Other Receipts .....	30.4	0.0	30.4	0.6%	0.0%	0.6%
19 14-18	<b>Total Cash Collections.....</b>	<b>3,071.6</b>	<b>5,178.2</b>	<b>(2,106.6)</b>	<b>60.3%</b>	<b>101.7%</b>	<b>(41.4%)</b>
		<b>CASH EXPENSES</b>					
		Aircraft Operating Expenses					
20	— Re-leasing and other						
	overheads.....	(237.1)	(254.8)	17.7	(4.7%)	(5.0%)	0.3%
		SG&A Expenses					
21	Aircraft Servicer Fees						
	— Retainer Fee.....	(238.5)	(296.3)	57.7	(4.7%)	(5.8%)	1.1%
	— Minimum Incentive Fee.....	(24.0)	(22.8)	(1.3)	(0.5%)	(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 .....	(262.7)	(319.0)	56.3	(5.2%)	(6.3%)	1.1%
23	Other Servicer Fees and Other						
	Overheads.....	(152.9)	(150.7)	(2.3)	(3.0%)	(3.0%)	0.0%
23A	Other SG&A Expenses .....	(3.1)	(4.7)	1.6	(0.1%)	(0.1%)	0.0%
24 22+23+23A	Sub-total .....	(418.7)	(474.4)	55.7	(8.2%)	(9.3%)	1.1%
25 24+20	<b>Total Cash Expenses.....</b>	<b>(655.7)</b>	<b>(729.1)</b>	<b>73.4</b>	<b>(12.9%)</b>	<b>(14.3%)</b>	<b>1.4%</b>
		<b>NET CASH COLLECTIONS</b>					
26 19	Total Cash Collections.....	3,071.6	5,178.2	(2,106.6)	60.3%	101.7%	(41.4%)
27 25	Total Cash Expenses.....	(655.7)	(729.1)	73.4	(12.9%)	(14.3%)	1.4%
28	Movement in Expense Account.....	(186.7)	0.0	(186.7)	(3.7%)	0.0%	(3.7%)
29	(Increase)/Reduction in	120.2	40.0	80.2	2.4%	0.8%	1.6%
	Liquidity Reserve .....						
29A	Shortfall in Liquidity Reserve .....	0.0	0.0	0.0	0.0%	0.0%	0.0%
30	Interest Payments.....	(623.6)	(1,711.6)	1,088.0	(12.2%)	(33.6%)	21.4%
31	Swap/Cap Cashflows.....	(197.9)	(28.2)	(169.7)	(3.9%)	(0.6%)	(3.3%)
32 26-31	<b>TOTAL.....</b>	<b>1,527.8</b>	<b>2,749.2</b>	<b>(1,221.4)</b>	<b>30.0%</b>	<b>54.0%</b>	<b>(24.0%)</b>

33

				% of Lease Rentals under the 2001 Base Case		
	Actual	2001		Actual	2001	
		Base Case	Variance		Base Case	Variance
	(\$ Millions)			%	%	%
<b>CASH COLLECTIONS</b>						
<b>PRINCIPAL PAYMENTS</b>						
Class A .....	1,476.4	1,886.6	(410.2)	29.0%	37.0%	(8.1%)
Class B.....	51.5	275.1	(223.7)	1.0%	5.4%	(4.4%)
Class C.....	0.0	349.8	(349.8)	0.0%	6.9%	(6.9%)
Class D .....	0.0	237.6	(237.6)	0.0%	4.7%	(4.7%)
<b>Total</b> .....	<b>1,527.8</b>	<b>2,749.2</b>	<b>(1,221.4)</b>	<b>30.0%</b>	<b>54.0%</b>	<b>(24.0%)</b>

**NOTE BALANCES AT MAY  
16, 2016**

Subclass A-8	0.0	8.8	8.8
Subclass A-9	419.0	0.0	(419.0)
Class B	226.8	3.2	(223.7)
Class C	349.8	0.0	(349.8)
Class D	395.1	157.4	(237.6)
	<b>1,390.8</b>	<b>169.5</b>	<b>(1,221.4)</b>

	Mar-01 Closing	Actual	2001 Base Case
	(\$ Millions)	(\$ Millions)	(\$ Millions)
<b>Net Cash Collections</b> .....		1,527.8	2,749.2
Add Back Interest Payments and Swap/Cap Cashflows .....		821.5	1,739.8
a Net Cash Collections (excl. interest payments and swap/cap cashflows).....		2,349.4	4,489.1
b Swap/Cap Cashflows .....		197.9	28.2
c Class A Interest.....		412.5	680.6
d Class A Minimum Principal.....		1,221.5	0.9
e Class B Interest.....		20.5	118.7
f Class B Minimum Principal.....		51.5	275.1
g Class C Interest.....		76.0	285.2
h Class D Interest.....		114.6	627.1
i Class A Principal Adjustment.....		254.9	1,885.8
j Class C Scheduled Principal .....		0.0	349.8
k Class D Scheduled Principal .....		0.0	237.6
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
<b>Total</b> .....		<b>2,349.4</b>	<b>4,489.1</b>
[1] <b>Interest Coverage Ratio</b>			
Class A.....		3.8	6.3 = a/(b+c)
Class B.....		N/A	5.4 = a/(b+c+d+e)
Class C.....		N/A	3.2 = a/(b+c+d+e+f+g)
Class D.....		N/A	2.2 = a/(b+c+d+e+f+g+h)
[2] <b>Debt Coverage Ratio</b>			
Class A.....		N/A	6.3 = a/(b+c+d)
Class B.....		N/A	4.1 = a/(b+c+d+e+f)
Class C.....		N/A	N/A = a/(b+c+d+e+f+g+h+i+j)

	<b>Mar-01 Closing</b>	<b>Actual</b>	<b>2001 Base Case</b>	
	(\$ Millions)	(\$ Millions)	(\$ Millions)	
Class D.....		N/A	N/A	= a/(b+c+d+e+f+g+h+i+j+k)
<b>[3] Loan to Value Ratios (in US dollars)</b>				
Adjusted Portfolio Value .....	3,108.6	0.0	144.0	
Cash Reserves of which				
— Maintenance Reserve Amount .....	156.9	0.0	116.0	
— Accrued Expenses and Permitted Accruals.....	12.6	195.1	0.0	
Subtotal.....	169.5	195.1	116.0	
Less Lessee Security Deposits .....	36.9	0.0	36.0	
Subtotal.....	132.6	195.1	80.0	
<b>[4] Total Asset Value .....</b>	<b>3,241.2</b>	<b>195.1</b>	<b>224.0</b>	

Note Balances as at:	March 01 Closing March 15, 2001		Actual May 16, 2016		2001 Base Case May 16, 2016	
	(\$ millions)	(% of [4])	(\$ millions)	(% of [4])	(\$ millions)	(% of [4])
Class A.....	1,895.4	58.5%	419.0	214.8%	8.8	3.9%
Class B.....	278.3	67.1%	226.8	331.0%	3.2	5.4%
Class C.....	349.8	77.9%	349.8	510.4%	0.0	5.4%
Class D.....	395.1	90.0%	395.1	712.9%	157.4	74.6%
	<u>2,918.6</u>		<u>1,390.8</u>		<u>169.5</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.

## I. 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 DBTCA. Such accounts are permitted under the terms of the indentures to be maintained at DBTCA so long as:

- DBTCA has a long-term unsecured debt rating of not less than A, or the equivalent, by the rating agencies; or
- DBTCA has a certificate of deposit rating of A-1 by Standard & Poor’s, P-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 DBTCA 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.

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 earnings on funds deposited in any account, net of losses and investment expenses, will be deposited in the collection account and treated as collections.

On June 9, 2015, Standard & Poor's downgraded the long-term unsecured debt rating of DBTCA from A to BBB+ and the certificate of deposit rating of DBTCA from A-1 to A-2. On May 23, 2016, Moody's downgraded the long-term deposit rating of DBTCA from A1 to A2. The P-1 short-term deposit rating of DBTCA was affirmed. Following the recent Moody's downgrade, DBTCA continues to satisfy the rating requirements of Moody's as an Operating Bank under the definition of "Eligible Institution" in the trust indentures. It is, however, unclear whether DBTCA satisfies the rating requirements of Moody's as Indenture Trustee under the definition of "Eligible Institution" in the trust indentures. As a result of the Standard & Poor's downgrade on June 9, 2015, DBTCA no longer satisfies the eligibility requirements for an "Eligible Institution" in the trust indentures and therefore the bank accounts of Airplanes Group currently maintained with DBTCA no longer satisfy the eligibility requirements for an "Eligible Account" in the trust indentures. As a consequence under the trust indentures, DBTCA is required to be replaced as "Operating Bank" and as Indenture Trustee and Airplanes Group is required to establish new bank accounts with a bank which satisfies the eligibility requirements for an "Eligible Institution". Airplanes Group is currently considering the appropriate course of action to take in light of the downgrade in the rating of DBTCA by Standard & Poor's.

## **RENTAL ACCOUNTS**

The lessees made all payments under the leases directly into the applicable rental accounts. Pursuant to the cash management agreement, the cash manager transferred, or caused 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. If there are available funds in accordance with the priority of payments on any payment date, the cash manager may 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.

## **LIQUIDITY RESERVE AMOUNT**

To the extent of available cashflows, until the date on which our final aircraft was sold, we were 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 (\$190 million as at March 31, 2016 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 \$0.8 million as at March 31, 2016).

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. Following the amendment of the indentures on November 30, 2010 as a result of our successful 2010 consent solicitation, the Board became entitled 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 Board reduced the level of the maintenance reserve amount for the purposes of the "First Collection Account Top-up" from \$60 million to \$45 million. As discussed in more detail under "1B. Introduction—Recent Developments and Anticipated Remaining Trading Activities", the Board determined on June 28, 2012 that it was necessary to increase the level of the maintenance reserve amount for the purposes of the "First Collection Account Top-up" from \$45 million to \$110 million with effect from the July 16, 2012 payment date and on October 8, 2013 the Board determined that it was necessary to further increase the level of the maintenance reserve amount for the purposes of the "First Collection Account Top-up" to \$140 million with effect from the October 15, 2013 payment date. On November 2, 2015, the Board determined that it was necessary to further increase the level of the maintenance reserve amount for the purpose of the "First Collection Account Top-up" to \$190 million with

immediate effect. As a result of the latest increase, principal payments were suspended from the November 16, 2015 payment date.

Prior to the date on which our final aircraft was sold, if the balance of funds on deposit in the collection account fell below the liquidity reserve amount at any time, as has been the case since December 15, 2003, we were permitted to continue to make all payments, including required payments on the notes and the guarantees, which ranked 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 on deposit in the collection account did not fall below the amount required to be retained for the purpose of the "First Collection Account Top-up" in the priority of payments. If the balance of funds on deposit in the collection account fell below the amount required to be retained for the purpose of the "First Collection Account Top-up" in the priority of payments, we were permitted to continue to make all payments, including required payments on the notes and the guarantees, (a) of 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) under our hedging agreements.

For each payment date following the sale of our final aircraft, which sale occurred on May 6, 2016, the maintenance reserve amount is required to be zero pursuant to the trust indentures and the security deposit amount is zero as a result of there no longer being any aircraft lease agreements. Accordingly, on the May 16, 2016 payment date the maintenance reserve amount was reduced to zero and the security deposit reserve amount was reduced to zero. Prior to the May 16, 2016 payment date, the amount held by way of the maintenance reserve amount accounted for, among other things, the ongoing nature of the litigation between Airplanes Holdings Limited and Transbrasil and the absence of a concrete prospect of settlement or resolution. Following the reduction of the maintenance reserve amount to zero, on the May 16, 2016 payment date certain amounts previously included in the calculation of the maintenance reserve amount were included in the calculation of Permitted Accruals forming the Required Expense Amount for the May 16, 2016 payment date and continue to be included in such calculations for the June 15, 2016 payment date.

## **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 RISK AND MANAGEMENT**

In general, prior to the sale of our final aircraft, an interest rate exposure arose to the extent that our fixed and floating interest obligations in respect of the notes and certificates did not correlate to the mix of fixed and floating rental receipts for different rental periods. This interest rate exposure could be managed through the use of interest rate caps, interest rate swaps and other derivative instruments. Additional interest rate exposure arose to the extent that lessees owing fixed rate rental payments defaulted and interest rates had declined between the contract date of the lease and the date of default. This exposure could be managed through the purchase of swaptions.

We had historically entered into interest rate caps (and prior to that, interest rate swaps) in order to manage our interest rate exposure. Our last interest rate swap matured on April 15, 2010 and from that date onwards, we have only held interest rate caps. Our last interest rate cap matured on December 15, 2014 and since that date we have not entered into any hedging transactions and do not intend to do so in the future.

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

None.

## 9. CONTROLS AND PROCEDURES

### (a) Evaluation of disclosure controls and procedures

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 .....	71	Independent director	Independent controlling trustee
Joseph E. Francht, Jr.....	65	Independent director	Independent controlling trustee
William M. McCann.....	72	Chairman and independent director	Chairman and independent controlling trustee
Isla M. Smith .....	64	Independent director	Independent controlling trustee

Roy Dantzig is a Trustee of the Portman Estate 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 qualified as a chartered accountant in 1966. 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. He was deputy chairperson of the Irish Takeover Panel from 1997 to 2009 and was a director of the Central Bank of Ireland from 1993 to 1998. He is currently a non-executive director of Vanguard Group (Ireland) 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 at the end of March 2015 stepped down as Chair of Breast Cancer Campaign following its merger with the other major UK breast cancer research charity, Breakthrough Breast Cancer. She is currently a trustee of Walk the Walk, a grant making charity that funds breast cancer research and support for those suffering from cancer.

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

## **B. THE SERVICER**

GECAS has provided various aircraft-related services to us as servicer under the servicing agreement. On November 20, 1998 GECAS's affiliate, GE Capital, acquired the Airplanes Limited and Airplanes Trust class E notes previously held by GPA Group plc (now known as AerCap Ireland Limited) 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, effective on that date, GE Capital 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 October 21, 2011 GE Capital, as holder of class E notes issued by Airplanes Limited in the principal amount of \$526,314,418, notified Airplanes Limited that, effective on that date, GE Capital discharged and released Airplanes Limited 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 and Airplanes Trust class E notes, GE Capital had the right to appoint one director to the board of Airplanes Limited and one controlling trustee of Airplanes Trust, however such rights ceased upon the surrender of class E notes described above. For further details of the surrender of class E notes by GE Capital see "6F. Surrender of Class E Notes". 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 Limited and GECAS that GE Capital thereby waived, discharged and released all of its 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.

GE Capital Aviation Services Limited (GECAS) is a world leader in aviation leasing and financing. With over 45 years of experience, GECAS offers a wide range of aircraft types including narrow-bodies, wide-bodies, regional jets, turboprops, freighters and helicopters, plus multiple financing products and services including operating leases, purchase/leasebacks, secured debt financing, capital markets, engine leasing, airframe parts management and airport/airline consulting. GECAS owns or services a fleet of over 2,000 aircraft (approximately 1,784 fixed wing/ approximately 246 rotary wing) in operation or on order, plus provides loans collateralized on approximately 380 additional aircraft. GECAS serves over 270 customers in 80 countries from a network of 26 offices.

## **THE SERVICING AGREEMENT**

During the year ended March 31, 2016 and until the sale of our final aircraft and engines on May 19, 2016 GECAS provided various aircraft-related services to us pursuant to the servicing agreement. The servicing agreement terminated in accordance with its terms on May 19, 2016. GECAS has, however, agreed to continue to provide services to Airplanes Group in relation to the ongoing litigation with Transbrasil. GECAS may terminate the provision of such services at any time. Such services will be provided on the terms of the servicing agreement as previously in place, insofar as such terms are relevant. Please refer to Airplanes Group's annual report for the year ended March 31, 2015 (which is available on our website) for an outline of the terms of the servicing agreement.

## **SERVICING FEES**

Airplanes Limited, Airplanes Holdings and AeroUSA paid an annual index-linked fee to the Servicer, payable monthly in arrears for the period each aircraft was under management. For the year to March 31, 2016, this fee was 0.6855% of the agreed book value of each aircraft, payable monthly in arrears for the period of time that aircraft was under GECAS's management. The Servicer was 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. Airplanes Limited, Airplanes Holdings and AeroUSA also paid 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. In the year ended March 31, 2016, aircraft maintenance reserve expenses were \$0.9 million. Other expenses, including Servicer fees, outside professional advisory fees, insurance and other out-of-pocket expenses amounted to \$5.0 million for the same period.

## **C. THE ADMINISTRATIVE AGENT AND CASH MANAGER**

### ***AERCAP IRELAND LIMITED***

Subsidiaries of AerCap Ireland Limited serve as our administrative agent and cash manager. AerCap Ireland Limited 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 Limited and other subsidiaries, also owns and manages aircraft, both for its own account and for third parties, including ALS and ALS II, two other aircraft securitization vehicles. At March 31, 2016, AerCap Holdings N. V. owned and managed a portfolio of 1,230 aircraft and had 440 aircraft on order, which were on-lease to 200 lessees in 80 countries. AerCap Ireland Limited is also the holder of all of the class E-1 notes issued by ALS II. AerCap Ireland Limited and its subsidiary act as servicer for the portfolio of aircraft owned by ALS and ALS II. Subsidiaries of AerCap Ireland Limited also act as administrative agent to ALS and ALS II.

### **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, 2016 was \$2.7 million and the variable fee was approximately \$0.1 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 2008, by \$0.92 million for each of the years ended March 31, 2009, 2010, 2011, 2012, 2013, 2014 and 2015 and by \$1.5 million for the year ended March 31, 2016 and will be reduced (on a non-cumulative basis before indexation) by \$1.5 million per annum on a non-cumulative basis for the next financial year and 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 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 “6I. 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, 2016, 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***

Sanne Fiduciary Services 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, 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 \$113,821, for their services in both capacities. The chairman of Airplanes Limited and Airplanes Trust also receives an additional index-linked annual fee, currently \$75,881, for his services in that capacity. The fees are index-linked and were last adjusted for inflation on April 1, 2014 for the period to March 31, 2017 by reference to the increase in the US CPI from April 1, 2011 to March 31, 2014. 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 \$11,382, for their services as directors of Airplanes Holdings and certain of its subsidiaries. Mr. Dantzig and Mr. McCann are also each entitled to receive an additional \$1,518 in respect of each board meeting of these companies which they attend, subject to a maximum payment of \$7,588 annually for each of them. Mr. Francht is entitled to receive an index-linked annual fee, currently \$3,794, from AeroUSA for his services as a director of such company and is also entitled to receive an additional \$1,518 in respect of each board meeting of such company which he attends, subject to a maximum payment of \$7,588 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 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 or her 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 previously acted as servicer for Airplanes Group and is continuing to provide services to Airplanes Group in relation to the ongoing litigation with Transbrasil. Secondly, GECAS is the holder of 5% of the ordinary share capital of Airplanes Holdings. Thirdly, prior to its surrender of class E notes issued by Airplanes Limited and Airplanes Trust, as described in more detail under "6F. Surrender of Class E Notes", GE Capital had the right to appoint one director to the board of Airplanes Limited and one controlling trustee of Airplanes Trust.

Airplanes Group has had and currently maintains various relationships with AerCap Ireland Limited (formerly known as AerFi Group plc and which was previously known as GPA Group plc). First, AerCap Ireland Limited acted as promoter in establishing the entities that comprise Airplanes Group. Secondly, Airplanes Group purchased substantially all of its assets from AerCap Ireland Limited. See "1A. Introduction—Overview of Capital Structure." Thirdly, AerCap Ireland Limited was the holder of 5% of the ordinary share capital of Airplanes Holdings until November 20, 1998. Fourthly, AerCap, Inc., a subsidiary of AerCap Ireland Limited, holds the residual interest in Airplanes Trust. Fifth, subsidiaries of AerCap Ireland Limited 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 Limited. GE Capital subsequently surrendered such class E notes as described in more detail under "6F. Surrender of Class E Notes".

## 12. PRINCIPAL ACCOUNTANT'S FEES AND SERVICES

### A. ACCOUNTANT'S FEES

	Year Ended March 31, 2016		Year Ended March 31, 2015	
	\$	% approved by Audit Committee	\$	% approved by Audit Committee
Audit Fees.....	56,356	100%	130,184	100%
Audit-Related Fees .....	61,991	100%	58,583	100%
Tax Fees.....	134,147	100%	240,959	100%
All Other Fees.....	223,461	100%	273,398	100%
Total.....	<u>475,963</u>	100%	<u>703,124</u>	100%

Audit-related fees in the table above for the years ended March 31, 2016 and 2015 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, 2016 and 2015 relate to accounting advice, work carried out in relation to the liquidation of dormant subsidiaries 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 Board 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 Board, 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 Board;
- 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 Board;
- to consider other matters as defined by the Board;

- to report on all of the above matters to the Board.

**SIGNATURES**

Date: June 16, 2016

For and on behalf of Airplanes Limited

By: /s/ William McCann

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Name: William M. McCann

Title: Chairman of the Board of Directors

For and on behalf of Airplanes U.S. Trust

By: /s/ William McCann

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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 financial statements comprising the Statement of Net Liabilities and the Statement of Change in Net Liabilities of Airplanes Limited and Airplanes U.S. Trust ("Airplanes Group") as of March 31, 2016 and the related notes. 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.

In our opinion the financial statements referred to above have been properly prepared in accordance with the Companies (Jersey) Law 1991 and present fairly, in all material respects, the financial position of Airplanes Group as at March 31, 2016, and the results of their operations and cashflows for the year ended March 31, 2016, in conformity with generally accepted accounting principles in the United States.

As described more fully in note 11 to the financial statements, a number of factors have had a significant adverse effect on the aircraft industry in general and on Airplanes Group. These conditions have affected Airplanes Group's ability to make scheduled principal and interest payments on the various classes of notes.

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the basis of preparation note on page F-5 of the financial statements which explains that the financial statements are no longer prepared on the going concern basis for the reasons set out in that note.

Dublin, Ireland

June 16, 2016

Barrie O'Connell  
For and on behalf of  
KPMG

## AIRPLANES GROUP

### STATEMENT OF NET LIABILITIES (prepared on a liquidation basis)

	Note	March 31, 2015			Change in net liabilities			March 31, 2016		
		Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined	Airplanes Limited	Airplanes Trust	Combined
		(\$ millions) (Discontinuing Operations)			(\$ millions)			(\$ millions) (Discontinuing Operations)		
<b>ASSETS</b>										
Cash .....	5	155	—	155	4	—	4	159	—	159
Accounts receivable .....	6									
Trade receivables .....		1	1	2	—	(1)	(1)	1	-	1
Allowance for doubtful debts .....		—	(1)	(1)	—	1	1	—	—	—
Amounts due from .....	7									
Airplanes Trust .....		6	—	6	(1)	—	(1)	5	—	5
Prepaid expenses .....		—	—	2	—	—	—	—	—	—
Other Current Assets .....		—	—	—	—	—	—	—	—	—
<b>Total Current Assets .....</b>		<b>162</b>	<b>—</b>	<b>162</b>	<b>3</b>	<b>—</b>	<b>3</b>	<b>165</b>	<b>—</b>	<b>165</b>
Aircraft, Held for Sale ..	8	23	28	51	(14)	4	(10)	9	32	41
<b>Total assets .....</b>		<b>185</b>	<b>28</b>	<b>213</b>	<b>(11)</b>	<b>4</b>	<b>(7)</b>	<b>174</b>	<b>32</b>	<b>206</b>
<b>LIABILITIES</b>										
Accrued expenses and other liabilities .....	9	2,870	143	3,013	715	20	735	3,585	163	3,748
Accrued winding up costs ..	10	720	28	748	(37)	(9)	(46)	683	19	702
Amounts due to Airplanes Limited .....	7	—	6	6	—	(1)	(1)	—	5	5
Indebtedness .....	11	1,292	123	1,415	(11)	(1)	(12)	1,281	122	1,403
<b>Total Current Liabilities .....</b>		<b>4,882</b>	<b>300</b>	<b>5,182</b>	<b>667</b>	<b>9</b>	<b>676</b>	<b>5,549</b>	<b>309</b>	<b>5,858</b>
Common Stock, \$1 par value per share										
Authorised 10,000 shares; issued and outstanding 30 shares .....		—	—	—	—	—	—	—	—	—
<b>Net liabilities .....</b>		<b>(4,697)</b>	<b>(272)</b>	<b>(4,969)</b>	<b>(678)</b>	<b>(5)</b>	<b>(683)</b>	<b>(5,375)</b>	<b>(277)</b>	<b>(5,652)</b>

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

**AIRPLANES GROUP**  
**STATEMENT OF CHANGE IN NET LIABILITIES**  
**FOR THE PERIOD APRIL 1, 2015 TO MARCH 31, 2016**  
*(prepared on a liquidation basis)*

	Note	Airplanes Limited	Airplanes Trust (\$millions)	Combined
<b>ASSETS</b>				
Cash collected in excess of previously recognized amounts .....	5	4	-	4
Recognition of trade receivables to be collected .....	6	-	(1)	(1)
Change in allowance for doubtful debts .....		-	1	1
Change in amounts due from Airplanes Trust .....	7	(1)	-	(1)
Change in prepaid expenses.....		-	-	-
Change in valuation of aircraft .....	8	(14)	4	(10)
Total change in Assets.....		(11)	4	(7)
<b>LIABILITIES</b>				
Change in accrued expenses and other liabilities .....	9	715	20	735
Change in accrued winding up costs.....	10	(37)	(9)	(46)
Change in amounts due to Airplanes Limited.....	7	-	(1)	(1)
Change in Indebtedness .....	11	(11)	(1)	(12)
Total change in Liabilities .....		667	9	676
Change in net liabilities .....		(678)	(5)	(683)

*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 has been in the business of leasing and selling aircraft. At March 31, 2016, the Airplanes Group portfolio consisted of seven aircraft and two engines of which seven aircraft were on-lease to two lessees in two countries and the two engines were off-lease. Subsequent to March 31, 2016, all aircraft and engines have now been sold and Airplanes Group has ceased its aircraft leasing and selling business.

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 November 15, 2010 GE Capital, as holder of all of the class E notes issued by Airplanes Trust, notified Airplanes Trust that, effective on that date, GE Capital discharged and released Airplanes Trust from any and all payment and other obligations thereunder. On October 21, 2011 GE Capital, as holder of class E notes issued by Airplanes Limited in the principal amount of \$526,314,418, notified Airplanes Limited that, effective on that date, GE Capital discharged and released Airplanes Limited from any and all payment and other obligations thereunder.

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 and Airplanes Trust and the combined statement of net liabilities and statement of change in net liabilities of Airplanes Group (together, the “**Financial Statements**”) have been prepared in accordance with the accounting policies set out in Note 4 and in conformity with United States of America generally accepted accounting principles (“**US GAAP**”). At the date of preparation of the financial statements of Airplanes Group for the year ended March 31, 2015 the Board of Directors of Airplanes Limited and the Controlling Trustees of Airplanes Trust (the “**Board**”) considered that it was no longer appropriate to prepare those financial statements on a going concern basis given that at that date the then current expectation was that the vehicle would cease its aircraft leasing and sale activities within the next twelve months and the Board were considering the strategy to wind up the vehicle. Accordingly the financial statements for the year ended March 31,

2015 were prepared on a liquidation basis in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification No. 205-30, “*Presentation of Financial Statements – Liquidation Basis of Accounting*” (“FASB ASC 205-30”). While there have been unanticipated delays in the sale of Airplanes Group’s final aircraft, as at May 19, 2016 all aircraft have now been sold and the Board are continuing to consider the strategy to wind up the vehicle. These Financial Statements therefore continue to be prepared on a liquidation basis in accordance with FASB ASC 205-30. As set out in Note 11, 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’s accounting policies are consistent with those followed in the year ended March 31, 2015. The Financial Statements are stated in United States Dollars which is Airplanes Group’s functional currency.

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

In the year ended March 31, 2016 and until the date of sale of Airplanes Group’s final aircraft and engines, which occurred on May 19, 2016, GECAS has provided, 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. The servicing agreement terminated in accordance with its terms on May 19, 2016. GECAS has, however, agreed to continue to provide services to Airplanes Group in relation to the ongoing litigation with Transbrasil. GECAS may terminate the provision of such services at any time. Such services will be provided on the terms of the servicing agreement as previously in place, insofar as such terms are relevant.

Airplanes Limited has a board of directors of four directors (March 31, 2015: four). 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 previously had the right to appoint one director to the Board of Airplanes Limited; however, GE Capital no longer has such right following the submission on October 21, 2011 by GE Capital of a notice to Airplanes Limited stating that, effective on that date, GE Capital thereby discharged and released Airplanes Limited from any and all payment and other obligations under such class E notes. 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, effective on that date, GE Capital thereby discharged and released Airplanes Trust from any and all payment and other obligations under such class E notes.

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, 2016, fees of \$3.9 million and \$3.9 million (2015: \$5.6 million and \$4.5 million) were charged by GECAS and AerCap, respectively. At March 31, 2016, included in accrued expenses are fee amounts of \$1.6 million and \$0.2 million payable to GECAS and AerCap, respectively.

Although Airplanes Group’s portfolio has previously been 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 US GAAP. 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) Liquidation basis of accounting*

As set out in Note 2, the Financial Statements have been prepared on a liquidation basis in accordance with FASB ASC 205-30.

FASB ASC 205-30 requires that all assets are stated at the best estimate of their recoverable amount and that the results for the year ended March 31, 2016 are described as being on a discontinuing basis. FASB ASC 205-30 also requires that all liabilities are presented in the Balance Sheet as current and that an accrual is made for the estimated winding up costs of the vehicle (see Note 10). The accrual for estimated winding up costs included in the Financial Statements represents the operating, leasing and interest costs estimated at the date of the Financial Statements to be incurred in the ordinary course of operating the vehicle until the date on which a winding up is assumed to commence (as well as certain costs anticipated to be incurred in order to place the vehicle into a winding up) net of the leasing revenue contracted at the date of the Financial Statements to be received for such period. The Board are considering a number of options in respect of the future winding up of Airplanes Group and therefore the estimate of winding up costs included in the Financial Statements has not taken into account certain costs that may be associated with the options potentially available as these costs are incapable of estimation at present. In accordance with the requirements of FASB ASC 205-30, the estimated interest costs which form part of the accrual include an amount of \$685 million in respect of step-up interest payable on the subclass A-8 notes and interest payable on the class B, C, D and E notes notwithstanding that Airplanes Group will not have sufficient cashflows to make any further payments of step-up interest on the subclass A-8 notes or interest on the class B, C, D or E notes. Following the sale of all remaining aircraft and engines subsequent to March 31, 2016, future payments in respect of the subclass A-9 notes will be dependent on the operating costs, winding up costs and other liabilities which are required to be discharged prior to or during the winding up process including, in particular, the resolution of the ongoing litigation between Airplanes Holdings Limited and Transbrasil (as described in Note 11 below). Airplanes Group does not have sufficient assets to be able to repay the subclass A-9 notes in full or to make any further payments of interest or principal on the class B, C, D or E notes.

*(c) Aircraft*

FASB ASC 205-30 requires all assets to be stated at the best estimate of their recoverable amount. This means that the vehicle is required to measure assets to reflect the estimated amount of cash or other consideration that it expects to collect in settling or disposing of those assets. All aircraft owned at March 31, 2016 are classified as held for sale and the value of the aircraft as at such date is based on the best estimate of the amount which Airplanes Group expects to collect on the sale of the aircraft. All aircraft have been sold as at May 19, 2016.

*(d) 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 trading operations at general Irish statutory rates, which are currently 12.5%. Airplanes Trust’s underlying taxable entities in the US are subject to US federal and state taxes on their trading operations. The US federal statutory tax rate for the year ended March 31, 2016 was 35%.

US gross transportation tax and US withholding taxes are accounted for on an accruals basis where applicable.

*(e) Fair Value of Financial Instruments*

FASB 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 liquidation or 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, 2016 and 2015 was \$113.1 million and \$168.3 million respectively (carrying value at March 31, 2016 and 2015 was \$1,390.7 million and \$1,402.4 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, 2016 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 the class E notes remaining outstanding at March 31, 2016 cannot be determined.

*(f) Derivative Instruments and Hedging Activities*

Airplanes Group did not hold any derivative instruments or hedging instruments at any time during the year ended March 31, 2016.

*(g) Fair Value Measurement of Financial Instruments*

Under FASB ASC 820, Airplanes Group determines the fair value of financial instruments 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 the Board’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.

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 cash flows 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.

The following table summarizes the fair value of Airplanes Group's financial assets and liabilities as of March 31, 2016 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, 2016	(Level 1)	(Level 2)	(Level 3)
	(\$ Thousands)			
Cash and cash equivalents .....	158,755	158,755	–	–
Debt .....	(113,100)	–	(113,100)	–
Total.....	<u>45,655</u>	<u>158,755</u>	<u>(113,100)</u>	<u>–</u>

FASB 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.

Airplanes Group's financial instruments consist of 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, 2016 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 realized 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, 2016 are as follows:

	<u>Carrying Amount of Asset/(Liability)</u>	<u>Fair Value of Asset/(Liability)</u>
	(\$ Thousands)	(\$ Thousands)
Assets		
Cash and cash equivalents .....	158,755	158,755
	<u>158,755</u>	<u>158,755</u>
Liabilities		
Debt .....	1,402,904	(113,100)
	<u>1,402,904</u>	<u>(113,100)</u>

(h) *Use of Estimates*

The preparation of financial statements in conformity with US GAAP requires the Board 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 a significant factor affecting the reported carrying values of aircraft, accounts receivable, deferred tax assets and accruals and reserves. Due to the Financial Statements being prepared on a liquidation basis, all assets as at March 31, 2016 are stated at the best estimate of their recoverable amount. An accrual for estimated winding up costs included in the Financial Statements represents the operating costs and interest costs estimated at the date of the Financial Statements to be incurred in the ordinary course of operating the vehicle until the date on which a winding up is assumed to commence (as well as certain costs anticipated to be incurred in order to place the vehicle into a winding up) net of the leasing revenue contracted at the date of the Financial Statements to be received for such period (see Note 10). The Board utilize professional appraisers and valuation specialists, where possible, to support estimates, particularly with respect to aircraft valuation. Despite the Board's best efforts to accurately estimate such amounts, actual results could differ from those estimates. The Board evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. The Board adjusts such estimates and assumptions when facts and circumstances dictate. 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.

(i) *Security Deposits on Leases*

Security deposits on leases were made by certain lessees on the execution of the lease and were non-refundable during the term of the lease. The amounts were held as a security for the timely and faithful performance by the lessee of its obligations during the lease. Airplanes Group was entitled to apply the deposit against amounts owing from the lessee for rent or returned to the lessee on the termination of the lease.

(j) *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.

## 5. CASH

At March 31, 2016 Airplanes Group held \$159 million by way of cash balances. \$145 million of this was held as a liquidity reserve by way of the "maintenance reserve amount" for the purpose of the "First Collection Account Top-Up" in the priority of payments set forth in the trust indentures (which amount accounted for, among other things, the ongoing nature of the litigation between Airplanes Holdings Limited and Transbrasil and the absence of a concrete prospect of settlement or resolution (as described in more detail in Note 11 below)). For each payment date following the sale of Airplanes Group's final aircraft, which sale occurred on May 6, 2016, the maintenance reserve amount is required to be zero pursuant to the trust indentures. Therefore, in accordance with the trust indentures, certain amounts previously included in the calculation of the maintenance reserve amount were included in the calculation of "Permitted Accruals" forming the "required expense amount" for the May 16, 2016 payment date and continue to be included in such calculations for the June 15, 2016 payment date. The required expense amount reserved in the expense account (which totalled \$195 million at May 16, 2016) will be available in accordance with the trust indentures to pay expenses of Airplanes Group and the required expense amount will be reduced on future payment dates to allow payment in full of accrued interest on the subclass A-9 notes.

## 6. ACCOUNTS RECEIVABLE

At March 31, 2016 Airplanes Group had \$1 million of receivables. Trade receivables have reduced in line with the reduced level of activity in the vehicle and the fact that all aircraft, as at May 19, 2016, have now been sold.

## 7. AMOUNTS DUE FROM/TO GROUP COMPANIES

	March 31			
	2015		2016	
	Airplanes Limited	Airplanes Trust	Airplanes Limited	Airplanes Trust
	(\$ Millions)		(\$ Millions)	
Amounts due from Airplanes Limited to				
Airplanes Trust .....	—	—	—	—
Amounts due from Airplanes Trust to Airplanes				
Limited.....	6	(6)	5	(5)
	<u>6</u>	<u>(6)</u>	<u>5</u>	<u>(5)</u>

Included at March 31, 2016 and March 31, 2015 was a balance payable from Airplanes Trust to Airplanes Limited of \$5 million (2015: \$6 million) in respect of Airplanes Trust's trading activities, including servicing of its debt obligations.

## 8. AIRCRAFT

FASB ASC 205-30 requires all assets to be stated at the best estimate of their recoverable amount. This means that the vehicle is required to measure assets to reflect the estimated amount of cash or other consideration that it expects to collect in settling or disposing of those assets. All aircraft owned at March 31, 2016 have been classified as held for sale and the value of the aircraft as at such date is based on the best estimate of the amount which Airplanes Group expects to collect on the sale of the aircraft. The recoverable amount of the aircraft is \$41 million as at March 31, 2016.

At March 31, 2016, Airplanes Group owned seven aircraft and two engines (March 31, 2015: 17 aircraft and one engine). All aircraft and engines have been sold as at May 19, 2016.

## 9. ACCRUED EXPENSES AND OTHER LIABILITIES

As at March 31, 2016 all liabilities are required to be presented as current, however the contractual terms of such liabilities as at March 31, 2016 differ from this required treatment.

Accrued expenses and other liabilities total \$3,748 million as at March 31, 2016 (2015: \$3,013 million). Interest accrued on the class A, B, C, D and E notes accounts for \$3,742 million of the balance as at March 31, 2016 (2015: \$3,004 million).

During 2010, a Brazilian State Appellate Court judgment (the “**2010 Judgment**”) was rendered against Airplanes Holdings Limited (“**Airplanes Holdings**”) in an action brought by a now bankrupt former lessee, Transbrasil, and on June 21, 2012, the Lower Court of the county of Sao Paulo, Brazil issued two orders to pay against Airplanes Holdings as described in more detail in Note 11. Airplanes Holdings filed appeals against the 2010 Judgment and challenged the orders to pay. As described in more detail in Note 11, on October 22, 2013 the Brazilian Federal Court of Appeals rendered a decision in respect of one of the appeals filed by Airplanes Holdings which overturns the 2010 Judgment in a number of respects. This decision of the Federal Court of Appeals is not, however, final as a result of a divergence appeal filed by Transbrasil, as described in more detail in Note 11. As a result of the October 22, 2013 decision of the Federal Court of Appeals, the two orders to pay against Airplanes Holdings were cancelled, however Transbrasil has filed an appeal and the orders to pay may be reinstated if Transbrasil is successful in its appeal, as discussed in more detail in Note 11. Whilst Airplanes Holdings believes it has strong defences against the substantive issues raised in the proceedings brought by Transbrasil, a provision of \$6 million in respect of the Transbrasil litigation was made in the financial statements as at March 31, 2014 (Airplanes Limited: \$6 million; Airplanes Trust: \$nil). As at March 31, 2015 the amount of this provision was updated to \$3 million (Airplanes Limited: \$3 million; Airplanes Trust: \$nil) having regard, inter alia, to the payment during the year ended March 31, 2015 of \$3.9 million to the Servicer by way of reimbursement of legal fees and expenses and guarantee fees incurred in relation to the Transbrasil litigation (which amount had previously been provided for). The provision remains at \$3 million as at March 31, 2016. While Airplanes Holdings believes it has strong defenses against the substantive issues raised in the proceedings brought by Transbrasil, the ultimate resolution of the matter could result in a loss in excess of the amount accrued, as described in more detail in Note 11. In addition, the provision of \$3 million does not include any amount that may ultimately be payable as a result of any decision in relation to Airplanes Holdings’ proof of claim in the Transbrasil bankruptcy proceeding.

In February 2015 Airplanes Group was notified by AerCap Ireland Limited that it intended to seek indemnification from Airplanes Group in relation to certain Indian litigation proceedings. AerCap Ireland Limited has asserted that Airplanes Finance Limited, a subsidiary of Airplanes Holdings, is liable to indemnify AerCap Ireland Limited under the terms of a sub-lease assignment agreement entered into between such parties on March 8, 1996 pursuant to which the lease of one B737-200A aircraft to East West Travel and Trade Links Limited (“**East West**”) was assigned by AerCap Ireland Limited to Airplanes Finance Limited. AerCap Ireland Limited has indicated that it is one of several defendants under Indian litigation proceedings concerning East West, which proceedings were commenced by the Airports Authority of India (the “**AAI**”) in 1997 and remain ongoing. AerCap Ireland Limited has indicated that whilst it continues to defend itself in the proceedings, it intends to seek indemnification both for any liability which it may ultimately be adjudged to have to the AAI as well as its reasonable legal fees in defending the proceedings. At this time Airplanes Group does not accept that it has any liability in connection with this matter; however it is in discussions with AerCap Ireland Limited in order to assess both the validity of the purported indemnification obligation and the possible size of any potential claim which may ultimately be made against Airplanes Group. In light of the uncertainties around both the validity of the purported indemnification obligation as well as the likelihood and possible size of any potential claim, no provision in respect of this matter has been made in the Financial Statements as at March 31, 2016. The ultimate resolution of the matter could however have a further adverse impact on Airplanes Group’s cash flows.

## 10. ACCRUAL FOR ESTIMATED WINDING UP COSTS

As set out in Note 2, the Financial Statements have been prepared on a liquidation basis in accordance with FASB ASC 205-30.

FASB ASC 205-30 requires an accrual to be made for the estimated winding up costs of the vehicle (see “Accrued winding up costs” in the Statement of Operations). The accrual for estimated winding up costs included in the Financial Statements represents the operating costs and interest costs estimated at the date of the Financial Statements to be incurred in the ordinary course of operating the vehicle until the date on which a winding up is assumed to commence (as well as certain costs anticipated to be incurred in order to place the vehicle into a winding up) net of the leasing revenue contracted at the date of the Financial Statements to be received for such period. The Board are considering a number of options in respect of the future winding up of Airplanes Group and therefore the estimate of winding up costs included in the Financial Statements has not taken into account certain costs that may be associated with the options potentially available as these costs are incapable of estimation at present. In accordance with the requirements of FASB ASC 205-30, the estimated interest costs which form part of the accrual include an amount of \$685 million in respect of step-up interest payable on the subclass A-8 notes and interest payable on the class B, C, D and E notes notwithstanding that Airplanes Group will not have sufficient cashflows to make any further payments of step-up interest on the subclass A-8 notes or interest on the class B, C, D or E notes. The accrual as at March 31, 2016 totals \$702 million.

Summary of Liquidation accrual	Airplanes Limited	Airplanes Trust	Total
	(\$ Millions)		
Accrued at the start of the year .....	720	28	748
Amount of accrual used during the year .....	(715)	(20)	(735)
Additions to the accrual during the year .....	678	11	689
Accrual at the end of the year .....	<b>683</b>	<b>19</b>	<b>702</b>

## 11. INDEBTEDNESS

In accordance with the requirements of FASB ASC 205-30, all liabilities (including Airplanes Group's indebtedness as described in this Note 11) are presented as current, however the contractual terms of such liabilities as at March 31, 2016 differ from this required treatment and those contractual terms are reflected below. Following the sale of all remaining aircraft and engines subsequent to March 31, 2016, future payments in respect of the subclass A-9 notes will be dependent on the ongoing operating costs, winding up costs and other liabilities which are required to be discharged prior to or during the winding up process including, in particular, the resolution of the ongoing litigation between Airplanes Holdings Limited and Transbrasil (as described below). Airplanes Group does not have sufficient assets to be able to repay the subclass A-9 notes in full or to make any further payments of interest or principal on the class B, C, D or E notes.

The components of the debt are as follows:

	March 31	
	2016	
	Airplanes Limited	Airplanes Trust
	(\$ Millions)	
Indebtedness in respect of notes issued:		
Subclass A-9.....	382	37
Class B .....	207	20
Class C .....	320	30
Class D .....	360	35
Class E.....	12	—
	<b>1,281</b>	<b>122</b>

### 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:

<u>Class/Subclass of Notes</u>	<u>Interest Rates</u>	<u>Outstanding Principal Balance at March 31, 2016</u>	<u>Expected Final Payment Date*</u>	<u>Final Maturity Date</u>
		(\$ Millions)		
Subclass A-8** .....	(LIBOR+.375%)	—	—	—
Subclass A-9 .....	(LIBOR+.55%)	419	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	12	See below	See below
		<u>1,403</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.

The dates on which principal repayment, if any, on the notes will actually occur will depend on the settlement of liabilities ranking in priority of the notes.

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 will not 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 US 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 US 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 is repayable, 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, effective on that date, 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 were 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 were included as an Extraordinary Item in the Statement of Operations for the year ended March 31, 2011. This transaction also resulted in the reversal of an \$18 million deferred tax liability during the year ended March 31, 2011.

On October 21, 2011 GE Capital, as holder of class E notes issued by Airplanes Limited in the principal amount of \$526,314,418, notified Airplanes Limited that, effective on that date, GE Capital thereby discharged and released Airplanes Limited 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 Limited in the principal amount of \$526,314,418 and the accrued interest thereon amounting to \$21,524,963,408 were released in the Statement of Operations for the year ended March 31, 2012. 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 were included as an Extraordinary Item in the Statement of Operations for the year ended March 31, 2012.

The trust indentures entered into by Airplanes Group provides that 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 to be 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.

The subclass A-8 notes were repaid in full (save for accrued step-up interest and accrued interest thereon) on November 15, 2010.

Expenses of Airplanes Group 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).

#### *Overview of current financial condition*

Airplanes Group has been unable to meet all of the base case assumptions either in its original prospectus dated March 28, 1996 or in its prospectus dated March 8, 2001. On each payment date since the December 15, 2003 payment date, Airplanes Group has been paying in full only its 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". Airplanes Group has used any remaining cash flows towards payment of minimum principal on the class A notes which at May 16, 2016 was \$419 million in arrears.

As at the date of the Financial Statements, Airplanes Group's material assets consist solely of the cash reserve held by way of the Required Expense Amount and it will therefore be unable to repay in full the subclass A-9 notes or to make any further payments on the class B, C, D or E notes. The Transbrasil litigation adds further uncertainty

with regard to the exact amount of principal Airplanes Group will ultimately be able to pay on the subclass A-9 notes.

*Transbrasil litigation — Suspension of payments of class A minimum principal*

In connection with the ongoing litigation with Transbrasil, a now bankrupt airline which was formerly a lessee of aircraft from our subsidiary Airplanes Holdings Limited (“**Airplanes Holdings**”), the Board determined on November 2, 2015 to further increase the liquidity reserve held by way of the maintenance reserve amount, required to be held at the level of the “First Collection Account Top-up” in the priority of payments (the “**Liquidity Reserve**”) from US\$140 million to US\$190 million with immediate effect. This increase resulted in the suspension of payments of subclass A-9 minimum principal (but not subclass A-9 interest payments), which commenced on November 16, 2015.

The decision to increase the Liquidity Reserve was taken by the Board on November 2, 2015 in light of an updated assessment as at that date of a worst case allocation of liability to Airplanes Holdings in the Transbrasil litigation, the ongoing nature of the litigation and the absence of a concrete prospect of settlement or resolution. The Board determined that such further increase in the Liquidity Reserve was necessary to allow for the potential payment by Airplanes Holdings in accordance with the judgment issued against Airplanes Holdings and the five other lessor companies involved in the litigation (together with Airplanes Holdings, the “**Lessor Companies**”) by the Appellate Court of the State of Sao Paulo in May 2010 (the “**2010 Judgment**”) as well as for the interest, monetary adjustments for inflation, court mandated legal fees, court costs, fines, and legal and other expenses which have accrued since the initial increase in the Liquidity Reserve in June 2012 and are continuing to accrue. Although the October 2013 Decision (as defined below) overturned the 2010 Judgment in a number of respects (as described in more detail below), the filing by Transbrasil of the Divergence Appeal (as defined below) means that the October 2013 Decision is not yet final, thereby allowing for the possibility of reinstatement of the 2010 Judgment. The Board determined that such further increase was also necessary to provide sufficient funds to allow for the payment of other potential liabilities of Airplanes Group (including in respect of the indemnification claim which has been made by AerCap Ireland Limited (as described in more detail in Note 9 above) as well as the continued operation of the vehicle until the ultimate resolution of the Transbrasil litigation, the duration of which cannot be determined with any certainty at this time.

The level of US\$190 million to which the Board determined that the Liquidity Reserve should be increased took account of the Board’s best reasonable estimate at that time of a worst case allocation of liability to Airplanes Holdings under the 2010 Judgment, with the understanding that additional amounts could be payable but are not yet capable of being estimated, as well as the other potential liabilities and possible future costs to be incurred by the vehicle as described above.

The increase in the Liquidity Reserve to US\$190 million on November 2, 2015 followed earlier increases in the Liquidity Reserve from US\$45 million to US\$110 million on June 28, 2012, and from US\$110 million to US\$140 million on October 8, 2013.

Since the date of issuance of the 2010 Judgment each of Transbrasil’s former owners, its trustee in bankruptcy, and its lawyers have been seeking separately to enforce this judgment and in June 2012 a Lower Court judge issued to Airplanes Holdings and the other Lessor Companies two orders to pay (the “**Orders to Pay**”). The total amounts specified in the Orders to Pay as being directly allocable to Airplanes Holdings are approximately R\$160 million / US\$80 million (based on an exchange rate of US\$1:R\$2. While the actual exchange rate fluctuates regularly and will cause the US\$ amounts to vary accordingly, this is the exchange rate used for all Brazilian currency conversions provided in the Financial Statements and is not necessarily the exchange rate on the date of the Financial Statements). The Orders to Pay also directed that payments be made by all the Lessor Companies, including Airplanes Holdings, with respect to a promissory note, a portion of which was held by Airplanes Holdings together with each of the other Lessor Companies (the “**AerCap Leasing Note**”), but the Orders to Pay did not assign any particular amount to be paid by Airplanes Holdings or any of the other Lessor Companies with respect to that promissory note, nor is it possible to calculate such amount without further guidance from the Lower Court.

As was the case with the June 2012 and October 2015 increases in the Liquidity Reserve, the Board determined on November 2, 2015 that, despite the fact that it believed the 2010 Judgment (which, as described below, may be

reinstated if Transbrasil's Divergence Appeal is successful), lacked merit, fairness or rationale, it had no option but to continue to take measures that would allow Airplanes Holdings to comply with the 2010 Judgment, if enforced against Airplanes Holdings. Since, under the trust indentures, claims on Airplanes Group subsidiaries, such as the judgment against Airplanes Holdings, are senior to the subclass A-9 notes and certificates, such claims are required to be satisfied before Airplanes Group can make payments on the subclass A-9 notes and certificates. If Airplanes Group does not reserve a portion of its future cashflows, this could prevent Airplanes Holdings from being able to satisfy its liability and Airplanes Group will instead have distributed this limited cashflow as subclass A-9 minimum principal (ranking below this claim in the priority of payments) in contravention of Airplanes Group's contractual requirements and of applicable law.

*Decision in Special Appeal on October 22, 2013*

On June 8, 2010, GECAS, on behalf of Airplanes Holdings as well as three other Lessor Companies (the "**GE Lessors**"), filed two appeals against the 2010 Judgment. One appeal (the "**Special Appeal**") was filed with the Federal Court of Appeals of Brazil (Superior Tribunal de Justiça). The Special Appeal was heard on October 22, 2013 and a decision was rendered on the same day by the Federal Court of Appeals (the "**October 2013 Decision**"). In the October 2013 Decision the Federal Court of Appeals judges (by a unanimous vote) overturned the 2010 Judgment of the State Appellate Court in a number of respects. In early November 2013 both Transbrasil and the Lessor Companies filed motions to clarify against the October 2013 Decision. On November 26, 2013 the Federal Court of Appeals rejected both Transbrasil's and the Lessor Companies' motions to clarify, meaning that the October 2013 Decision became effective (for the purpose described below) on December 9, 2013 and remains unaltered and in force as at the date of the Financial Statements.

*Divergence Appeal filed by Transbrasil on February 7, 2014*

Against the October 2013 Decision, Transbrasil filed a divergence appeal on February 7, 2014 (the "**Divergence Appeal**") and the Lessor Companies also filed two divergence appeals on February 20, 2014 (the "**Lessor Companies Divergence Appeal**"). A divergence appeal is an appeal filed by a party that was unsuccessful in one or more issues brought to the attention of the Federal Court of Appeals whereby the unsuccessful party argues that the decision of that court was inconsistent with previous decisions of the same court and should therefore be overturned. The filing of that Divergence Appeal means that the October 2013 Decision, whilst effective for the purpose of allowing Airplanes Holdings and the other Lessor Companies to request termination of the various provisional enforcement proceedings initiated by Transbrasil in the Lower Courts, is not yet final. Airplanes Holdings understands that the Divergence Appeal was filed by Transbrasil after the permitted deadline for filing such an appeal and therefore may be challenged on that basis. The Divergence Appeal seeks to nullify the October 2013 Decision and restore the terms of the 2010 Judgment. The Lessor Companies Divergence Appeal seeks to expand the October 2013 Decision to eliminate any aspects thereof that are favorable to Transbrasil. On November 27, 2015, the reporting judge for the Lessor Companies Divergence Appeal denied admissibility to such appeal. On November 30, 2015, the Lessor Companies filed an Internal Appeal against such decision. In response, on December 7, 2015, Transbrasil filed an opposition to the Internal Appeal. On March 2, 2016, the Special Court of the Federal Court of Appeals denied the Lessor Companies Internal Appeal and upheld the decision not to admit the Lessor Companies Divergence Appeal. Such decision was published on the Official Gazette on March 21, 2016. Recently, the court records of the Declaratory Case were sent to the 2nd Section of the Federal Court of Appeals, which will decide the residual portion of the Lessor Companies Divergence Appeal and the Divergence Appeal.

Airplanes Holdings will continue to vigorously dispute liability in the litigation with Transbrasil in an effort to favorably resolve the litigation and to have as much as possible of the Liquidity Reserve ultimately be paid to the subclass A-9 noteholders if the litigation is ultimately resolved in favor of Airplanes Holdings or if Airplanes Holdings' ultimate liability is for a lower amount. The Board will continue to keep these matters under close review and to make adjustments as appropriate and necessary.

No assurances can be given as to the ultimate outcome of the litigation, the amounts that may be payable by Airplanes Holdings, or the timing of any resolution of the litigation.

### *Cancellation of Orders to Pay*

As a result of the October 2013 Decision, Airplanes Holdings expected that the Orders to Pay would be effectively cancelled and the letters of guarantee in connection therewith presented to the Lower Court would be returned to Airplanes Holdings and the other Lessor Companies given that the October 2013 Decision had become effective for this purpose. The Lessor Companies filed requests before the Lower Court where such provisional enforcement proceedings were ongoing seeking the cancellation of the Orders to Pay and the release of each of the letters of guarantee presented. The request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover court mandated legal fees was granted by the Lower Court judge on February 4, 2014 and the related letters of guarantee were released on August 22, 2014. In addition, the request for the cancellation of the Orders to Pay and release of the related letters of guarantee in connection with the provisional enforcement proceeding seeking to recover twice the amount of the promissory notes was granted by the Lower Court judge on August 7, 2014 and the related letters of guarantee were released on August 22, 2014. Transbrasil has, however, appealed these decisions that have dismissed these provisional enforcement proceedings and cancelled the Orders to Pay. As a result, such decisions are not yet final and the Orders to Pay may be reinstated if Transbrasil is successful in its appeal. On March 30, 2016 the State Appellate Court denied Transbrasil's appeal and partially granted the Lessor Companies' appeals. In what pertains to the Lessor Companies' appeals, the State Appellate Court ruled that the assessment of the losses suffered by the Lessor Companies due to the provisional enforcement proceedings initiated by Transbrasil be made in the same court records and denied the request to increase the court mandated legal fees. The State Appellate Court denied Transbrasil's appeal and upheld the Lower Court's decision that dismissed the provisional enforcement proceeding relating to the recovery of twice the amount of the promissory notes.

### *Sale of final aircraft and transfer of Liquidity Reserve*

As described in Note 8 above, Airplanes Group sold its final aircraft on May 6, 2016. For each payment date following the sale of Airplanes Group's final aircraft, the Liquidity Reserve is required to be zero pursuant to the trust indentures. In accordance with the trust indentures, certain amounts previously included in the calculation of the Liquidity Reserve were included in the calculation of permitted accruals forming the "Required Expense Amount" for the May 16, 2016 payment date and continues to be included in such calculations for the June 15, 2016 payment date. The Required Expense Amount reserved in the expense account will be available in accordance with the trust indentures to pay Expenses (as defined in the trust indentures) of Airplanes Group, including any judgments ultimately awarded against Airplanes Holdings in the Transbrasil litigation and will be reduced on future payment dates to allow payment in full of accrued interest on the subclass A-9 notes.

### *Anticipated remaining trading activities – negotiations with GECAS*

Having regard to the absence of any prospect of settlement or resolution of the Transbrasil litigation in the foreseeable future and the expectation that all remaining aircraft in the portfolio were shortly to be sold, as announced on November 25, 2015 the Board have entered into discussions with GECAS regarding a possible agreement between Airplanes Group and GECAS which would allow Airplanes Group to effectively cap its potential liability in respect of the Transbrasil litigation. The objective of such an agreement with GECAS would be to enable the Board to reduce the amount previously held by way of the Liquidity Reserve and now held by way of the Required Expense Amount, allowing a portion of the reserved cash to be distributed in accordance with the priority of payments under the trust indentures. The agreement with GECAS would also be an important step in the process towards the winding up of Airplanes Group, which the Board are seeking to achieve as soon as possible. At this time, there is no certainty that such an agreement will be reached with GECAS or as to the terms of any such agreement.

In tandem with the negotiations with GECAS, the Board are continuing to simplify the corporate structure of Airplanes Group by liquidating subsidiaries which have become dormant. In addition to the fourteen dormant subsidiaries liquidated in the year ended March 31, 2015, two further subsidiaries which had become dormant were placed into liquidation in the year ended March 31, 2016 and a further dormant subsidiary has been placed into liquidation subsequent to March 31, 2016. As at the date of the Financial Statements, Airplanes Limited and Airplanes Trust have three remaining subsidiaries, two of which no longer own aircraft and are expected to become dormant shortly. The third remaining subsidiary is Airplanes Holdings Limited which is party to the Transbrasil

litigation. The Board are also considering the appropriate procedure to enable the eventual winding up of Airplanes Limited and Airplanes Trust as quickly as possible.

### Ratings

The 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 the Financial Statements:

Certificate	Outstanding Principal Balance as at May 16, 2016	S&P	Fitch	Moody's (S&P equivalent)
Subclass A-9.....	\$419.0m	CC	NR*	Ca (CC)
Class B .....	\$226.8m	NR*	NR*	C (C)
Class C .....	\$349.8m	NR*	NR*	C (C)
Class D .....	\$395.1m	NR*	NR*	C (C)

\* Ratings withdrawn.

\*\* During the year ended March 31, 2016, Fitch withdrew their ratings of Airplanes Group's certificates. In addition, on December 15, 2015 Standard & Poor's downgraded their rating of the subclass A-9 certificates from CCC- to CC.

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.

## 12. SHARE CAPITAL

	<u>Airplanes Limited</u> <u>March 31, 2016</u>
Ordinary shares, par value \$1	(\$)
Authorised 10,000 .....	<u>10,000</u>
Issued 30.....	<u>30</u>

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, 2016, the total unpaid cumulative preferential dividend amounted to \$90,000.

## 13. 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 US entities).

There was no tax charge in the year ended March 31, 2016 (Airplanes Limited: \$nil; Airplanes Trust: \$nil).

In respect of Airplanes Limited, as at March 31, 2016, no deferred tax provision is 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 had deferred tax assets relating to net operating loss carry forwards and deferred tax assets on aircraft at March 31, 2016 of \$30 million. These deferred tax assets are offset by a valuation allowance. The result is a net deferred tax liability of \$nil as at March 31, 2016 (2015: \$nil).

**(a) Airplanes Limited**

Income tax credit/(charge) of Airplanes Limited consists of the following:

	<u>Year ended March 31,</u>
	<u>2016</u>
	(\$ Millions)
Current income tax .....	—
Deferred income tax .....	—
	<u>—</u>

There was no tax charge in the year ended March 31, 2016. No charge to Irish corporation tax arises for the period.

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 credit/(charge) of Airplanes Limited for 2016 and the expected tax credit/(charge) based on a tax rate of 12.5% is shown below:

	<u>Year ended March 31,</u>
	<u>2016</u>
	(\$ Millions)
Tax credit/(charge) at tax rate.....	79
Impact of class E note interest and other items.....	(79)
US tax liabilities .....	—
Release of foreign withholding tax provisions .....	—
Actual tax credit/(charge) .....	<u>—</u>

Class E note interest is an adjusting item which is not deductible for tax purposes in Ireland.

Airplanes Limited had net operating loss carry-forwards of approximately \$1,897 million as of March 31, 2016 in trading entities (2015: \$1,694 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:

	<u>March 31,</u>
	<u>2016</u>
	(\$ Millions)
Deferred tax assets relating to:	
Net operating losses carried forward .....	233
Valuation allowance .....	(232)
	<u>1</u>
Deferred tax liability relating to:	
Aircraft .....	1
	<u>1</u>

In assessing the realizability of deferred tax assets, the Board 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. The Board 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, the Board 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, 2016.

**(b) Airplanes Trust**

Income tax benefit/(expense) of Airplanes Trust consists of the following:

	<u>Year ended March 31,</u>
	<u>2016</u>
	(\$ Millions)
Current income tax:	
Federal .....	—
Total current .....	—
Deferred income tax:	
Federal .....	(2)
State .....	—
Increase in valuation allowance .....	2
Total deferred .....	—
	<u>—</u>

A reconciliation of differences between actual income tax benefit of Airplanes Trust for 2016 the expected tax benefit/(expense) based on the US federal statutory tax rate of 35% in 2016 is shown below:

	<u>Year ended March 31,</u>
	<u>2016</u>
	(\$ Millions)
Tax benefit at statutory rate .....	2
Non-deductible class E note interest .....	—
Non-taxable cancellation of debt income .....	—
Increase in valuation allowance .....	(2)
Other .....	—
	<u>—</u>

Airplanes Trust had federal and state net operating loss (“NOL”) carryforwards of approximately \$67.3 million as of March 31, 2016 (2015: \$43.3 million). These NOLs will begin to expire from a federal perspective in the year ended December 31, 2030. These NOLs will begin to expire from a state perspective in the year ended March 31, 2016.

Deferred tax assets and liabilities of Airplanes Trust are summarised below:

	<u>Year ended March 31,</u>
	<u>2016</u>
	(\$ Millions)
Deferred tax assets relating to:	
Net operating loss carryforwards .....	24
Valuation allowance .....	(30)
Accrual for winding up costs .....	7
Aircraft .....	—
	<u>—</u>

	<u>Year ended March 31,</u>
	<u>2016</u>
	(\$ Millions)
Deferred tax liabilities relating to:	
Aircraft .....	(1)
AMT NOL Liability .....	—
	<u>          </u>
Net deferred tax liability .....	<u>          </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 \$30 million as of March 31, 2016. This valuation allowance was required for the year ended March 31, 2016 as the Board believes that it is more likely than not that the net operating loss carryforwards are not available.

#### **14. COMMITMENTS**

##### *Capital Commitments*

Airplanes Group did not have any material contractual commitments for capital expenditures at March 31, 2016.

#### **15. CONTINGENT ASSETS/LIABILITIES**

##### *Guarantees*

Airplanes Limited and Airplanes Trust have unconditionally guaranteed each others' obligations under all classes of notes (as disclosed in Note 11) 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 13 for tax warranties.

#### **16. POST BALANCE SHEET EVENTS**

Subsequent to March 31, 2016 Airplanes Group has sold all of its remaining aircraft. The servicing agreement terminated in accordance with its terms on May 19, 2016. GECAS has, however, agreed to continue to provide services to Airplanes Group in relation to the ongoing litigation with Transbrasil. GECAS may terminate the provision of such services at any time. Such services will be provided on the terms of the servicing agreement as previously in place, insofar as such terms are relevant.