Notes to the Five Year Projections

The cost of ownership includes both the amount borrowed to purchase the aircraft and the cost of recertifying the aircraft airworthiness certificate and branding. This cost is written off over five years so that at the end of year six, when the next heavy D check will become due, the aircraft will be scrapped.

It is anticipated that each airframe will be sold at a scrap value of $1m and each time expired engine will be sold for $500k.

The leasing company will be secured by the value of the aircraft. The investor will be secured by a second charge against each airframe, this amount being the difference between the actual cost of ownership and the enhanced market value of each airframe. As the loans are repaid and the green life of the aircraft is used up so will the market value depreciate until it reaches scrap value at the end of year six. It is anticipated that all loans plus interest will be fully repaid at the end of year five, thus the remaining green life plus the scrap value becomes an unencumbered asset of the company.

At the end of year six, the future economic viability of each air-frame will be assessed and a decision will be taken as to the economic feasibility of proceeding with the heavy D6 check.

In view of our policy to scrap each aircraft after six years, when the D6 check becomes due, we have decided not to establish a maintenance reserve for airframe rehabilitation and instead this money will be used to accelerate repayment of the BDC loan.

Likewise, we will not overhaul engines but purchase engines, with a minimum of half life remaining, on the secondary market. There are significant numbers of engines available and we may decide to purchase one, of the six Qantas retired airframes, that does not have a First Class section and tear it down, professionally, to provide a supply of spare parts and spare engines.

Qantas retired ten Boeing B747-400s after taking delivery of six Airbus A380 aircraft. A number of other large airlines have also retired their B747s which has caused a temporary oversupply of used B747-400s on the market. Air India has put three B747-400s on the market with fresh D checks and overhauled landing gears on the market at $25m each. Current dry lease rates from the established aircraft leasing companies are in the region of $550k per month, plus maintenance reserves. We anticipate a value of approximately $20m each for of our Boeing B747-400s when they are ready for service. Thus we are confident that both BDC and Wesbank will be fully secured. As previously stated we have imputed an end of life value in six years time of $3m.