

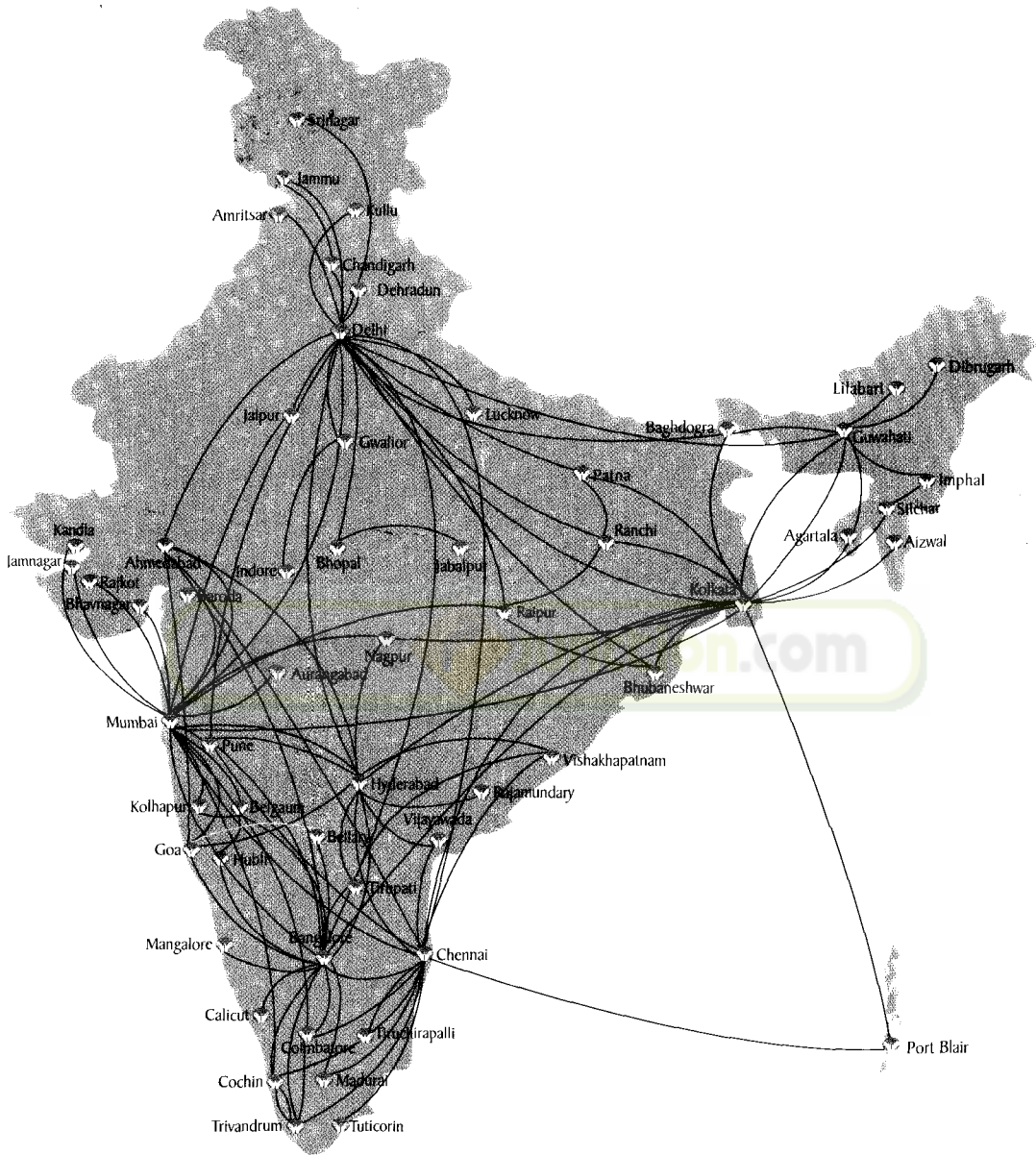


DECCAN AVIATION
Your limousine in the sky

DECCAN AVIATION LIMITED



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Simplify



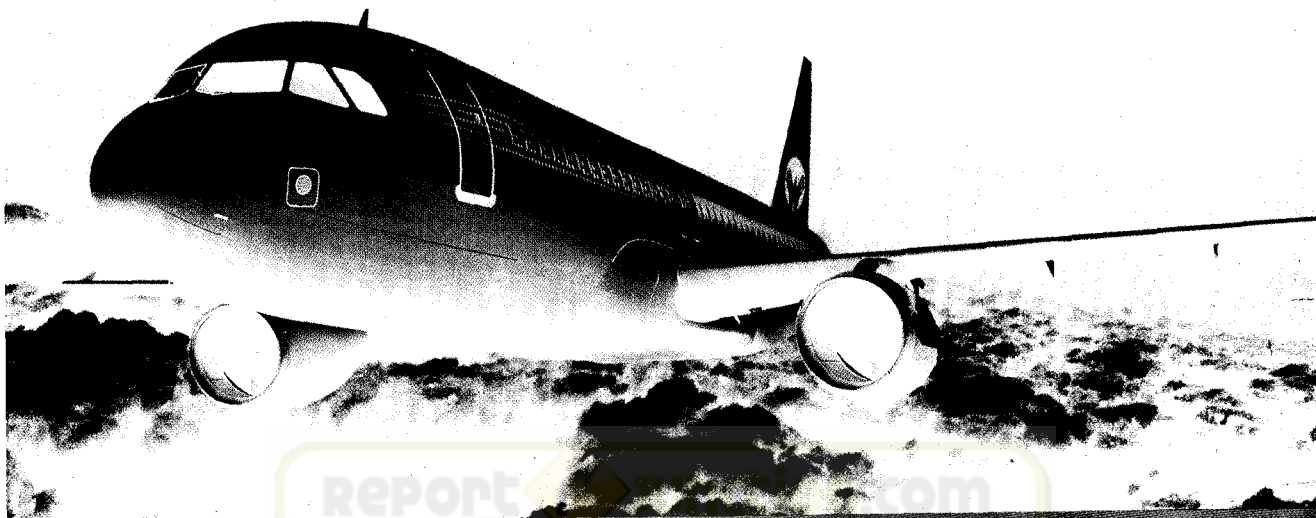
This map does not purport to be a political representation of India.

Destination everywhere.

304 daily flights. 58 destinations. 39 aircrafts.

11th Annual Report
2005-2006

So powerful,
it can carry a nation.



Seats 1 billion.



DECCAN AVIATION LIMITED

BOARD OF DIRECTORS : Lt. Gen. (Retd.) N S Narahari, *Chairman*
S. N. Ladhani, *Vice-Chairman*
Capt. G R Gopinath, *Managing Director*
Capt. K J Samuel, *Executive Director*
Vijay Amritraj
Sudhir Choudhrie
Sumant Kapur (*Alternate to Mr. Sudhir Choudhrie*)
Col. (Retd.) Jayanth K Poovaiah, *Executive Director*
M.G. Mohan Kumar, *Director – Finance*
Vishnu Singh Rawal (*Alternate to Mr. S N . Ladhani*)
Vivek Kalra
Bala Deshpande
P N Thirunarayana
Anil Kumar Ganguly

COMPANY SECRETARY : N. Srivatsa

BANKERS : Bank of India
State Bank of India
United Bank of India
Punjab National Bank
Indus Ind Bank

AUDITORS : M/s. S.R. Batliboi & Co
Chartered Accountants
'Divyasree Chambers', A Wing,
2nd Floor, Langford Road,
Bangalore -560025

**REGISTERED OFFICE &
AIR DECCAN CORPORATE OFFICE** : 35/2, Cunningham Road,
Bangalore 560052

CHARTER SERVICE : Jakkur Aerodrome,
Bellary Road,
Bangalore -560064

ELEVENTH ANNUAL REPORT 2005-2006**NOTICE**

Notice is hereby given that the Eleventh Annual General Meeting of the Company will be held on **Monday, 11th December 2006 at 10:30 am at Dr. Ambedkar Bhavan, Millers Road, Vasanthnagar, Bangalore -560 052** to transact the following business:

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at 30th June 2006 and the Profit and Loss Account for the 15 months ended on that date and the Directors' Report and Auditors' Report thereon.
2. To appoint a director in place of Capt. G R Gopinath, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a director in place of Capt. K J Samuel, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a director in place of Mr. Vijay Amritraj, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint M/s. S.R. Batliboi & Co, Chartered Accountants, Bangalore, the retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business :

6. To appoint a Director in place of Mr P N Thirunarayana, who was appointed by the Board as an Additional Director of the Company. Mr P N Thirunarayana is eligible for appointment. The Company has received a notice in writing from a member signifying his intention to propose the candidature of Mr. P N Thirunarayana as a Director of the Company.
7. To appoint a Director in place of Mr. Anil Kumar Ganguly who was appointed by the Board as an Additional Director of the Company. Mr. Anil Kumar Ganguly is eligible for appointment. The Company has received a notice in writing from a member signifying his intention to propose the candidature of Mr. Anil Kumar Ganguly as a Director of the Company.
8. To consider and, if thought fit, to pass with or without modification, the following as a Special Resolution:-

RESOLVED THAT, in confirmation of the Special Resolution passed by the Members at the Extraordinary General Meeting held on 21st December 2005, approving the issue of Shares in the form of Stock Options to eligible Employees, Executives and Directors of the Company, and upon the listing of shares of the Company at the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE), and in line with the SEBI guidelines on ESOS for listed companies, approval be and is hereby granted for adoption of the Employee Stock Option Plan -2006(ESOP -2006).

RESOLVED FURTHER THAT, for the purpose of giving effect to the above resolution, the Board / Remuneration / ESOP Committee be and is hereby authorised to do all such acts, deeds, matters and things and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable in relation thereto.

RESOLVED FURTHER THAT, the Board / Remuneration / ESOP Committee be and is hereby authorised in respect of the implementation of the Scheme, including to amend or modify from time to time, any of the terms, conditions or any provisions, including the terms relating to exercise price, grant date and vesting date etc., without being required to seek any further consent or approval of the Members or otherwise to the end and intent, that Members shall be deemed to have given their approval thereto expressly by authority of this resolution.

RESOLVED FURTHER THAT, the Board / Remuneration / ESOP Committee be and is hereby authorised to grant options under the ESOP 2006 to eligible employees of subsidiaries of the Company from time to time.

RESOLVED FURTHER THAT, the Employee Stock Option Plan be operated by the Board / Remuneration / ESOP Committee such that the total number of shares issued / to be issued under Employee Stock Options in the aggregate shall not exceed 8181779 equity shares of Rs.10/- each subject to a maximum of 10% of the aggregate number of issued and outstanding equity shares.

RESOLVED FURTHER THAT, the said shares may be allotted in accordance with the Employee Stock Option Plan, directly to such employees by the Company.

RESOLVED FURTHER THAT, the provision of this resolution shall operate in line with the Special Resolution dated 21st December 2005 and in line with SEBI Guidelines for Employee Stock Option Scheme / Employee Stock Purchase Scheme.

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT, pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to the provisions of the Memorandum and Articles of Association of the Company, the listing Agreements entered into by the Company with the Stock Exchanges and guidelines for preferential issues issued by the Securities and Exchange Board of India ("SEBI") under the Securities and Exchange Board of India (Disclosure and Investor Protection), Guidelines 2000 and other applicable regulations and / or guidelines, if any, of SEBI and such other authorities, including Reserve Bank of India, as may be applicable, as amended till date, and subject to the requisite approvals or consents, if any, of the Central Government, Reserve Bank of India, Stock Exchanges, SEBI, banks and financial institutions and any other appropriate authorities under any other applicable laws, rules and regulations for the time being and from time to time in force and further subject to such terms and conditions, stipulations and modifications, as may be prescribed, imposed or suggested by any of them while granting such approvals which the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being, and from time to time, to which all or any of the powers hereby conferred on the Board by this Resolution may have been delegated), be and is hereby authorised to accept, and subject to such conditions and modifications as may be considered appropriate by the Board of the Company, consent of the members be and is hereby accorded to the Board (with powers to delegate all or any of the powers to delegate all or any of the powers hereby conferred to any Committee thereof) to create, issue / offer and allot for cash, at its sole discretion on Preferential basis, to Investec Bank (UK) Ltd upto 19,63,640 Equity Shares of Rs. 10/- each, constituting 1.96% of the total post-issue paid up share capital of the Company, at a price not less than the price, as arrived at in accordance with the guidelines for Preferential Issues issued by SEBI under Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

RESOLVED FURTHER THAT, the equity shares so issued shall rank pari passu, with the existing equity Shares of the Company.

RESOLVED FURTHER THAT, the equity shares to be issued and allotted shall be subjected to lock-in for a period of one year from the date of allotment of the equity shares or such reduced period as may be permitted under the applicable SEBI Guidelines as amended from time to time.

RESOLVED FURTHER THAT, for the purpose of creating, issuing, offering and allotting equity shares of the Company as aforesaid, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, desirable or appropriate to give effect to this resolution in all respects and in particular, to settle any questions, difficulties or doubts that may arise with regard to the offering, issuing, allotting and utilizing the issue proceeds of the equity shares of the Company, as it may, in its absolute discretion deem fit and proper.

Registered Office :
35/2, Cunningham Road,
Bangalore 560052
10th November 2006

By Order of the Board

N Srivatsa
Company Secretary

ELEVENTH ANNUAL REPORT 2005-2006**NOTES :**

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956, is annexed hereto.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend the meeting and the proxy need not be a member of the Company under the Companies Act 1956. Voting is by a show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least Rs. 50000. A proxy shall not vote except on a poll.
3. The instrument appointing the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
4. Members / Proxies should bring duly-filled Attendance Slips sent herewith to attend the meeting.
5. The Register of Directors shareholding maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the Member at the Annual General Meeting.
6. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956, will be available for inspection by the Members at the Registered Office of the Company.
7. The Register of Members and Share Transfer Books will remain closed from 4th Dec 2006 to 11th Dec 2006 (both inclusive).
8. The certificate from the Auditors of the Company certifying that the Company's Employee Stock Option Plan (ESOP) 2006 is being implemented in accordance with the SEBI (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 and in accordance with the resolution of the Members passed at the General Meeting, will be available for inspection by the Members at the Annual General Meeting.
9. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updations of savings bank account details to their respective Depository Participants.
10. Members are requested to address all correspondence, to the Registrar and Share Transfer Agent, **Karvy Computershare Private Limited**, Karvy House, 46 Avenue 4, Street No.1, Banjara Hills, Hyderabad -500 034.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**Item No. 6**

Mr. P N Thirunarayana was appointed as an Additional Director by the Board of Directors of the Company ("the Board") at its meeting held on 21st December 2005. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act"), Mr. P N Thirunarayana holds office up to the date of the next Annual General Meeting of the Company. The Company has received notice under Section 257 of the Act, proposing Mr. Thirunarayana as a candidate for the office of Director of the Company. Mr. Thirunarayana has given his consent, if appointed, to act as a Director of the Company.

Mr. P.N. Thirunarayana holds a Bachelor's degree in Science and Engineering and a Post Graduate Diploma in Business Administration from the Indian Institute of Management, Ahmedabad. Before becoming the Founder Director of National Centre for Practising Negotiating Skills, Mr. Thirunarayana was a Professor at the Indian Institute of Management, Bangalore for over 30 years, and also worked with companies such as Grindwell Norton H.O, Motor Industries Company Limited and Greaves Foseco Ltd. He has been the European community visiting professor at GROUPE ESSEC, Paris; a United Nations Development Programme (UNDP) fellow member, and a part of the governing council and a member of boards of studies of a number of management schools. Mr. Thirunarayana has also undertaken consultancy assignments with major organisations in the area of strategic marketing and has conducted 'in-house' programmes in the areas of strategic marketing, business marketing, managing major account, marketing of services, sales management and business negotiations.

Mr. P N Thirunarayana is a Non-Executive Director of Infotech Enterprises Limited and is a member of the Audit Committee of the said Company. The Board commends this resolution for your approval.

None of the Directors of the Company, except Mr. P N Thirunarayana may be deemed to be concerned or interested in the resolution.

Item No. 7

Mr. Anil Kumar Ganguly was appointed as an Additional Director by the Board of Directors of the Company ("the Board") at its meeting held on 21st December 2005. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act"), Mr. Anil Kumar Ganguly holds office up to the date of the next Annual General Meeting of the Company. The Company has received notice under Section 257 of the Act, proposing Mr. Ganguly as a candidate for the office of Director of the Company. Mr. Ganguly has given his consent, if appointed, to act as a Director of the Company.

Mr. Anil Kumar Ganguly is a Fellow Member of the Institute of Chartered Accountants of India. He has over four decades of experience in various facets of corporate management, such as finance, accounting, audit, taxation and corporate affairs, and also has rich experience in sales and marketing in India as well as overseas and knowledge in areas of corporate financing, management, corporate governance, audit, taxation, international marketing, and project control. He was the whole time Director of Britannia Industries Limited and was the Managing Director of Nabisco Brands (Malaysia). He was also

the President of the India Builders Corporation Group of Companies. He is also a philanthropist and is involved in social welfare activities relating to education and child health. Mr. Anil Kumar Ganguly does not hold any other directorships.

The Board commends this resolution for your approval.

None of the Directors of the Company, except Mr. Anil Kumar Ganguly may be deemed to be concerned or interested in the resolution.

Item No. 8

The Members of the Company, at the Extraordinary General Meeting held on 21st December 2005 had approved issue of 81,81,779 Equity Shares of Rs. 10/- each under the Employee Stock Option Plan. (ESOP) pursuant to which, the ESOP Committee of the Board framed ESOP Plan 2006, inline with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 to come into effect from 1st January 2006. Consequent to, the Initial Public Offer by the Company and the Listing of the Shares on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) on June 12, 2006, it is now proposed to adopt the Employee Stock Option Plan -2006 (ESOP-2006) subject to approval of the Members.

The present as well as future employees of the Company and its subsidiaries will be entitled to participate in the Scheme subject to the applicable regulatory requirements and guidelines issued by SEBI. Options granted under the Scheme are not transferable excepting in the event of death of the option grantee by the option grantee's nominee. The Company shall comply with the disclosure and accounting policies prescribed by SEBI and any other appropriate authority.

The Members approval in accordance with the resolution is, inter alia, also being sought for authorising the Board of Directors and / or the Remuneration / ESOP Committee to do acts as stated in the resolution hereinabove.

The Board / Remuneration / ESOP Committee shall have the absolute authority to vary or modify the terms hereinabove in accordance with and subject to all applicable guidelines of SEBI or otherwise.

A copy of the Employee Stock Option Scheme will be available for inspection by the Members at the Registered Office of the Company. The Certificate from Auditors of the Company on ESOP being SEBI compliant will be available for inspection at the Annual General Meeting.

The Directors commend the motion set out in the Notice to be passed as a Special Resolution by the Members.

All the Directors of the Company, except Capt. G R Gopinath, Capt. K J Samuel and Mr. Vishnu Singh Rawal, being Promoters of the Company are deemed to be interested in the Resolution.

Item No.9

The object of the issue by preferential offer is to enable Investec Bank (UK) Ltd (Investec) subscribe to the equity capital of the Company.

Investec, in the past, has been actively participating in Financing and arranging Finance. The Company, over the next several years will receive deliveries of more than 90 aircrafts from time to time and would require financial arrangements to be concluded for the same. Investec Bank is one of the leading European Banks with significant financial abilities both in terms of providing funding as well as arranging finances, especially for Airline Companies. Its total assets amount to GBP 24 billion as per the latest available Financial statements.

Investec has expressed interest in subscribing to the Capital of the Company in demonstration of its commitment, to the Company's ongoing funding programme. The Company will also be benefited with the strengthening of the relationship with Investec as it will enhance the confidence of overseas lenders including European Banks relating to the Company's ongoing aircraft funding requirements.

It is proposed to issue upto 19,63,640 Equity Shares of Rs. 10/- each at a price not less than Rs. 108.19 per share (arrived at, in accordance with the guidelines for preferential issues issued by the Securities and Exchange Board of India (SEBI), under Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000) on Preferential basis to Investec which shall be 1.96% of post -issue share capital and authorise the Board of Directors accordingly.

The Equity shares to be issued and allotted shall be subject to lock-in of a period of one year from the date of allotment of the Equity shares or such period as may be stipulated under the applicable SEBI Guidelines as amended from time to time.

The said equity shares shall be issued and allotted within a period of 15 days from the date of passing the Special Resolution stated in Item No. 9 provided that where the allotment of such equity shares is pending on account of non receipt of any approval for such allotment by any regulatory authority, the allotment shall be completed within a period of 15 days from the date of such approvals or such other extended period as may be permitted under the applicable SEBI Guidelines as amended from time to time. The entire consideration in respect of the said shares will be payable on allotment.

ELEVENTH ANNUAL REPORT 2005-2006

The shareholding pattern before (as on 3rd November 2006) and after the above offer is as follows :-

Category	Pre-Issue		Post-Issue	
	Number of shares held	% held	Number of shares held	% held
A. Promoters	22162500	22.57	22162500	22.13
B. Public shareholding				
1. Institutions				
Mutual Funds	3181468	3.24	3181468	3.18
Banks	939578	0.96	939578	0.94
Venture Capital Funds	20699613	21.08	20699613	20.67
Insurance Companies	2634793	2.68	2634793	2.63
Foreign Institutional Investors	2798512	2.85	2798512	2.79
2. Non-institutions				
Bodies Corporate	14189307	14.45	14189307	14.17
Individuals	11675127	11.89	11675127	11.66
3. Others				
Non Resident Indians	1452969	1.48	1452969	1.45
Trusts	441	0.00	441	0.00
Foreign Nationals	705000	0.72	705000	0.70
Overseas Corporate Bodies	17742699	18.07	17742699	17.72
Total B	76019507	77.43	76019507	75.91
C. Total A + B	98182007	100.00	98182007	98.04
D. Investec			1963640	1.96
E. Grand Total	98182007	100.00	100145647	100

The aforesaid shareholding pattern may change from time to time depending upon the transfer of shares by the existing shareholders and further issue of capital, if any, by the Company during the said period.

There will be no change in the Board of Directors nor will there be any change in the control over the Company, consequent to the issue of Equity shares, as aforesaid. The Equity shares to be allotted to the said Investors shall be listed on the Bombay Stock Exchange and the National Stock Exchange of India Limited.

The proposed issue of Equity Shares will be in terms of the Ministry of Civil Aviation Notification No. AV.13011/10/95- DT (Vol-II) dated 10 November 2004, wherein Foreign Direct Investment upto 49% is permitted through the automatic route for the activity of "Air Transport Services" (Domestic Airlines).

The Directors / Key Managerial Personnel of the Company do not intend to subscribe to the offer.

The relevant date for the purposes of the preferential offer as above shall be the date which is 30 days prior to the date of this Annual General Meeting i.e. 10th November 2006.

Your directors recommend the resolution for approval of the members.

None of the Directors, is in any way, concerned or interested in the resolution.

Registered Office :

35/2, Cunningham Road,
Bangalore 560052
10th November 2006

By Order of the Board

N Srivatsa
Company Secretary

DECCAN AVIATION LIMITED

INFORMATION AS REQUIRED UNDER CLAUSE 49 IV(G)(I) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS RETIRING BY ROTATION AND BEING PROPOSED TO BE REAPPOINTED.

Capt. G.R. Gopinath, a graduate of the National Defence Academy, is an ex Army officer who was in active service in 1971 in the war against Pakistan, and took early retirement in 1979 to pursue his diverse interests. A pioneer in the areas of organic farming and sericulture, he has several inventions to his credit. He was awarded the "Rolex Award for Enterprise" in 1996 for his contributions to organic farming. Our Company was incorporated and established as the first heli-charter company in 1995, under his direction. Under his vision and guidance our Company made its first foray into providing no-frills, low-cost airline service in India, in August 2003. He has been involved in and continues to supervise the day-to-day operations and provides direction to the overall strategy and vision of our Company. Some of the other prestigious awards conferred on him are the '*Personality of the Decade Award*' instituted by K.G. Foundation, '*Editors Choice Award*' in the Indian Express Trade and Tourism Awards, '*Chevalier de la Legion d'Honneur*' conferred upon The Republic of France and '*Sir M. Visvesvaraya Memorial Award*' instituted by the Federation of Karnataka Chambers of Commerce & Industry.

Capt. K.J. Samuel, a recipient of the 'Sena Medal' for gallantry, is a graduate of the National Defence Academy. After being commissioned into the Indian Army in 1971, he fought in the 1971 war against Pakistan and is an experienced helicopter pilot. He took voluntary retirement in 1992, as a Lieutenant Colonel. He is also a qualified flying instructor and a DGCA Examiner. As the co-promoter and co-founder of our Company, he has played and continues to play a supervisory role in the day-to-day operations of our Company.

Mr. Vijay Amritraj, a recipient of the Padma Shri, a designated United Nations Messenger of Peace and a recipient of the International Sportsman of the year Award for the year 1987, was the youngest player to play Davis Cup for any country. He subsequently served India in the Davis Cup for 20 years and led India to Davis Cup Finals twice in 1974 and 1987. Vijay founded the BAT (Britannia Amritraj Tennis) Academy in India and also held the position of President of the ATP (Association of Tennis Professionals). He is a Director of Hotel Leela Venture Limited and a member of the Audit and Investor Grievance Committees of the said Company.

ELEVENTH ANNUAL REPORT 2005-2006**DIRECTORS' REPORT****To The Members,**

Your Directors present the 11th Annual Report along with the Audited Accounts of the Company for the 15 months period ended 30th June 2006.

Operations

The Company's operations during the 15 months period ended 30th June 2006 have resulted in: -

	15 months ended 30th June 2006	<i>Rs. in millions</i> Year ended 31 st March 2005
Gross Income	13518.06	3202.83
Earnings before Financial charges, Lease Rentals, Depreciation and Taxes (EBITDAR)	199.74	518.73
Depreciation & Amortisation	322.79	87.84
Lease Rentals	2925.39	537.29
Financial Charges	319.55	102.14
Profit / (Loss) before taxes	(-)3368.00	(-)208.55
Provision for taxes (incl. FBT)	37.47	(-)13.24
Net Profit / (Loss) after tax	(-)3405.47	(-)195.31

The last year has been a particularly challenging one for the company during which the Company successfully scaled up its operations and also managed to reach the No. 2 position in market share in the domestic aviation sector in India. It has taken the Company less than three years to overtake Indian Airlines which has been operating for over 50 years now. The Company experienced all round growth in all areas of its business, particularly its Scheduled Airline Operations.

Air Deccan (Scheduled Airline Operations)

The Company's Scheduled Airlines operations continues to experience scorching growth in all areas of its operations and has managed to attain more than 22% market share making it the No. 2 player in the Indian domestic aviation sector. It has also achieved the distinction of becoming the carrier with the widest reach covering more destinations than any other domestic carrier.

Air Deccan began scheduled operations in August, 2003, with a single ATR turboprop aircraft flying a single route between Bangalore and Hubli. Since inception, Air Deccan has:

- * carried approximately 5.6 million passengers, through June 30, 2006 (up from 1.1 million through March 31, 2005);
- * expanded its fleet to 34 aircrafts as on June 30, 2006 (16 aircrafts as of March 31, 2005);
- * grown its schedule to 239 flights daily, as on June 30, 2006 (101 flights as of March 31, 2005);
- * increased its route network to 55 airports as on June 30, 2006 (30 airports as of March 31, 2005);
- * hired and mobilised a workforce of almost 2,600 people as of June 30, 2006 (1,183 as of March 31, 2005).

Based on these factors, we believe that Air Deccan is one of the fastest-growing scheduled commercial passenger airlines today.

The aviation business is highly capital intensive and requires constant injection of capital in order to sustain the growth. Additionally, market development, brand building and awareness require significant investment and expenditure on an on going basis.

The Company inducted 20 aircrafts (9 Airbus A320s and 11 ATRs) and returned 2 ATRs during the period under review. Aircraft induction and deployment involves planning and incurring of expenses almost a year in advance with recruitment and training of pilots, cabin crew, engineers, airport space acquisition and development, market development, all of which requires sizeable funds outlay against which the revenues start flowing in much later. Steep increases in fuel costs during the period (more than 30%), increases in remuneration to skilled personnel due to market factors, shortage of locally available skilled personnel leading to recruitment of expatriate personnel, weakening of the Rupee against the US Dollar, intense competition within the aviation sector leading to pressure on yields all combined to cause an operating loss during the period under review. Individual items of the financial statements are more fully discussed in the section titled "Management Discussion and Analysis".