

Annual Report



2011

Our Fleet

(AS AT OCTOBER 2011)

Model
Details
Date of acquisition
Lessee
Operational area



Airbus A321-200
MSN 1921
30 June 2008
Thomas Cook (OY-VKB)
Europe, Scandinavia



Airbus A321-200
MSN 1881
30 June 2008
Thomas Cook (OY-VKA)
Europe, Scandinavia

Model
Details
Date of acquisition
Lessee
Operational area



Airbus A320-200
MSN 429
2 April 2010
Skywest Airlines (VH-FNP)
Australia



Airbus A320-200
MSN 052
25 March 2008
US Airways Inc (N620AW)
North America

Model
Details
Date of acquisition
Lessee
Operational area



Fokker 100
MSN 11461
25 September 2007
Skywest Airlines (VH-FNT)
Western Australia



Fokker 100
MSN 11391
31 July 2008
Skywest Airlines (VH-FSW)
Western Australia





Fokker 100
 MSN 11373
 31 July 2007
 Skywest Airlines (VH-FNU)
 Western Australia,
 Northern Territory, Bali



Fokker 100
 MSN 11334
 28 February 2008
 Skywest Airlines (VH-FNC)
 Western Australia, Charter
 Operations



Fokker 100
 MSN 11326
 28 September 2007
 Skywest Airlines (VH-FNN)
 Western Australia



Fokker 100
 MSN 11489
 15 November 2006
 Skywest Airlines (VH-FNJ)
 Western Australia,
 Northern Territory, Bali



Fokker 100
 MSN 11484
 11 April 2007
 Skywest Airlines (VH-FNY)
 Western Australia,
 Northern Territory, Bali



Fokker 100
 MSN 11488
 15 November 2006
 Skywest Airlines (VH-FNR)
 Western Australia,
 Northern Territory, Bali



ATR 72-500
 MSN 954
 11 August 2011
 Virgin Australia (VH-FVH)
 Victoria, New South Wales,
 Queensland



ATR 72-500
 MSN 955
 18 August 2011
 Virgin Australia (VH-FVI)
 Victoria, New South Wales,
 Queensland



ATR 72-500
 MSN 974
 13 October 2011
 Virgin Australia (VH-FVL)
 Victoria, New South Wales,
 Queensland

*MSN denotes Manufacturer's
 Serial Number*





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Chairman's Statement



On behalf of your Board of Directors, I present to you the audited financial statements for Avation PLC and its subsidiaries for the year ended 30th June 2011 and inform you of the progress that the Avation Group has made.

The highlights are:

- Record net after tax profits, increased by 120% to: GBP 3,627,293;
- Record earnings per share increased by 87% to 11.95 pence; and
- Dividends increased by 66% to: 1.00 pence per share.

Your Board is pleased to report that in respect of the year ending 30th June 2011 the consolidated net profit after tax was GBP 3,627,293 on revenues of GBP 16,291,428 with earnings per share of 11.95 pence.

The operating businesses had a good year with the signing of a major strategic growth initiative with Virgin Australia in respect to the delivery of between 8 and 18 new Aircraft. Operationally there were excellent cash flows being recorded across the Group. The business has continued to grow and we have increased the net profit after tax for the Group by 120%. As of June 30th, the net assets of the Group have increased from GBP 36,031,926 to GBP 49,460,598 by 37%. The Board of Directors believe that they have demonstrated that the Group has a sustainable business model which demonstrates consistent performance.

The Group has entered into 10-year loan facility agreements for up to US\$152.2m, principally under a mandate to Credit Agricole Corporate and Investment Bank. The loan facilities can be drawn down progressively by an aircraft by aircraft basis for the purpose of purchasing eight new ATR72 Aircraft for operation in Australia. The aircraft are being leased by the Company to Australian carrier Skywest Airlines, who in turn operate the aircraft on behalf of Virgin Australia, under the Virgin Australia brand, pursuant to 10 year wet-leases.

As at the balance sheet date of June 30th 2011, Avation Plc had not delivered any of the ATR72 aircraft to be operated for Virgin Australia. Therefore the financial performance presented in these results does not include any revenues from these aircraft. All deliveries and revenues commence after the balance date. The first Virgin Australia aircraft was delivered on the 11th of August 2011, the second on the 18th of August 2011 and the third on the 13th of October 2011. It is anticipated that the 4th aircraft will be delivered during November 2011 and four deliveries are planned to occur during mid 2012.

Your Board overwhelmingly recognises the importance of rewarding shareholders and is recommending to shareholders a final dividend payment of 1 pence per share and the Company hopes to maintain a progressive dividend policy going forward. The record date for this final dividend will be announced in the meeting materials for the upcoming annual general meeting.

The Company is registered in England and Wales, however, the group is operationally headquartered in Singapore. Therefore during 2011 the Company successfully made an application to migrate its tax resident to Singapore. With effect from 1 April 2011 the Company became a Singaporean Corporate Taxpayer. The current corporation tax rate in Singapore is 17%.

The Company and its subsidiaries have secured the bulk of its debt funding at a cost of around 6% per annum. Whilst the Company believes that it can obtain access to further funds for the purchase of aircraft, access to funding nevertheless remains a risk, this risk is common to all businesses that are capital intensive, such as your business. Specific aviation based industry risks are also present and include the creditworthiness of client airlines.

My colleagues and I are committed to continue to work tirelessly to build your Company into a respected, profitable, diversified and cash generative aircraft leasing business. The Board would like to thank you – the shareholders and all other stakeholders - for your continued support and goodwill and look forward to the future with confidence in the successful development of Avation PLC.



Robert Jeffries Chatfield,
Chairman

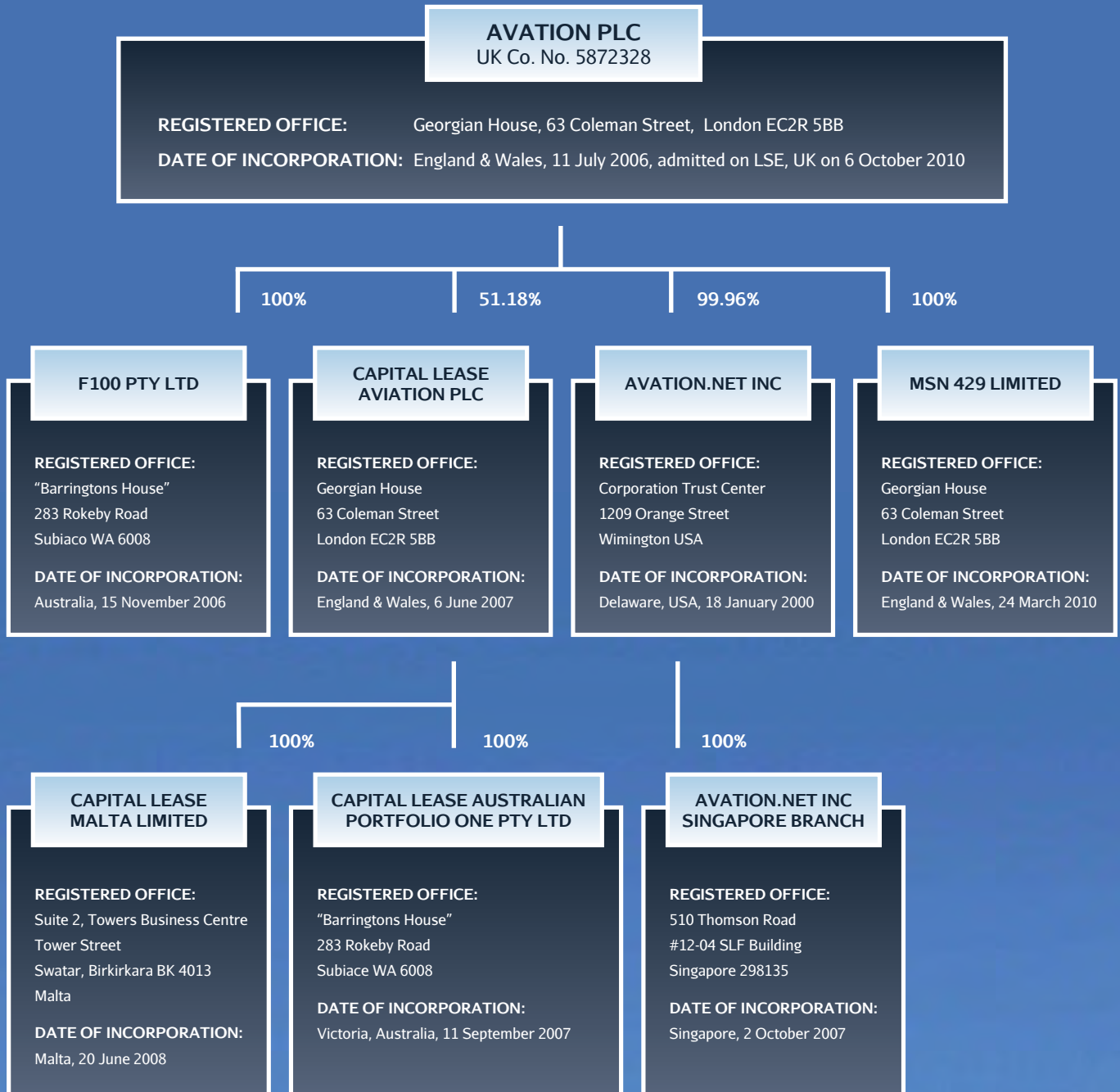
Singapore

28 October 2011

Company Overview

avation PLC

Group Structure



Board of Directors



Jeff Chatfield
Chairman

Mr Chatfield is the Chairman of Avation PLC and has been instrumental in establishing and growing the Company. He is also the Group Executive

Chairman of Skywest Airlines Ltd and Chairman of Skywest Airlines (Australia) Pty Ltd. Mr Chatfield has managed and been a director of a number of companies involved in the airline industry, data distribution, electronics, investment, broadcasting and manufacturing sectors. He has worked in a number of successful start-up companies and is the author and registered holder of a variety of patents. He has a Bachelor of Engineering and a Master of Engineering Science from the University of Western Australia. He is a member of the Australian Institute of Company Directors and the Singapore Institute of Directors.

He was born in Perth, Australia and is a Permanent Resident of Singapore.



Bryant McLarty
Non-Executive Director

Appointed as a Director of the Company in 2007, Mr McLarty has extensive experience in corporate strategy and management with a practical working knowledge

of securities and equity markets. He currently is Executive Chairman of the Australian pharmaceutical company PharmAust Limited and has been the Managing Director of several ASX listed companies and is currently a director of a number of listed and unlisted companies. He is also a member of the Australian Institute of Company Directors.



Andrew Baudinette
Non-Executive Director

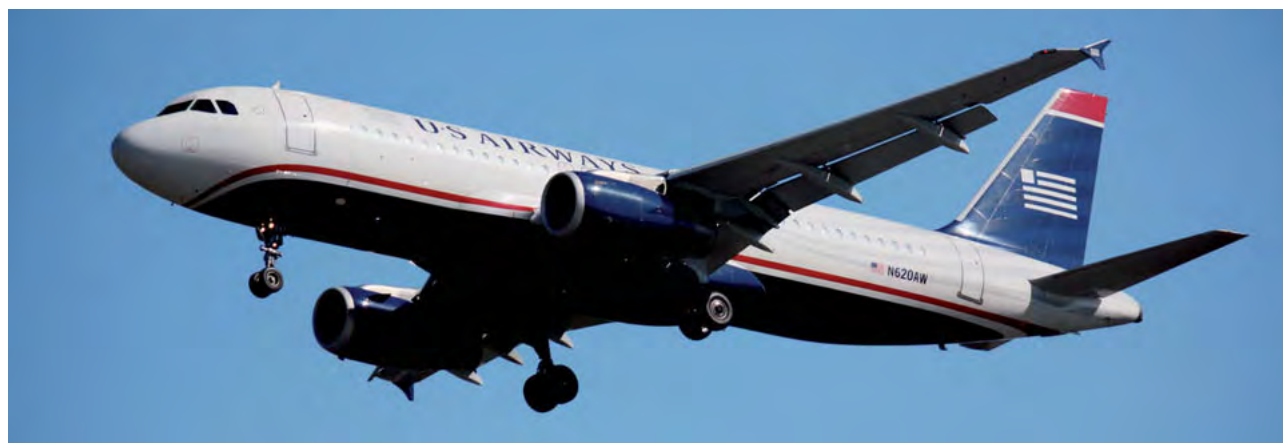
Mr Baudinette has been a director of the Company since incorporation on 11 July 2006. He is an Australian citizen and a resident of the Republic of Singapore. A skilled

marketer and manager, he has a 25 year history in media, having held management positions in the Australian radio and newspaper industries.

Prior to this, he was a broadcaster and radio programmer in regional Australian radio. He was appointed as CEO of the Company's subsidiary Avation.net Inc in 2003 and became its Managing Director in 2005.

As well as having significant management level experience in all facets of commercial media and emerging technology, Mr Baudinette has had practical exposure to corporate re-structuring. He has been involved with and driven start-up businesses in the advertising, travel, technology and entertainment industries.

Report of the Directors



The directors have pleasure in presenting their report and financial statements for the financial year ended 30 June 2011.

Principal activities and business review

The principal activities of the group are the holding of investments, involved in the owning and leasing of aircraft. The Company also owns and leases aircraft in its own right.

The principal risks and uncertainties affecting the Group's turnover are described in note 6.

The full business review can be found in the Chairman's statement on page 5. The Group has not sought to review environmental matters nor social and community issues.

Results and dividends

The consolidated statement of comprehensive income for the period is set out on page 16. The directors have proposed to pay a 1p (2010: 0.6p) final dividend.

Directors and their interests

The directors who served the Company during the period together with their interests (including family interests) in the shares of the Company and other group companies at the beginning (or subsequent date of appointment) and end of the period, were as follows:

The Company

	Direct interest		Deemed interest	
	30 June 2011	1 July 2010	30 June 2011	1 July 2010
Robert Jeffries Chatfield	1	1	6,863,210	4,400,000
Andrew Baudinette	1	1	620,000	620,000
Bryant James McLarty	50,000	57,300	7,300	-



Report of the Directors (cont'd)

Significant Shareholdings

	Ordinary Shares of £0.01 each	Percentage
Fitel Nominees Limited	6,553,210	17%
Fitel Nominees Limited	2,700,000	7%
Fitel Nominees Limited	2,314,156	6%
Apollo Nominees Ltd	1,913,000	5%
Credit Suisse Securities (Europe) Limited	1,583,244	4%

Equal Opportunities Policy

It is the group's policy to employ individuals with the necessary qualifications without regard to sex, marital status, race, creed, colour, nationality or religion. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities.

The group recognises the great importance of the contribution made by all employees and aims to keep them informed of matters affecting them as employees and developments within the group. Communication and consultation is achieved by a variety of means both within individual companies or branches and on a group-wide basis.

Directors' Insurance

The group maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the group.

Combined code

The company has no requirement to comply with the Combined Code.

Creditors Payment Policy

The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the group's contractual and other legal obligations.

On average, trade creditors at the year end represented 60 days' purchases.

Statement as to disclosure of information to auditors

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Kingston Smith LLP have indicated their willingness to continue in office and in accordance with s489 of the Companies Act 2006, a resolution proposing that they be reappointed as auditors of the Company will be put to the Annual General Meeting.

On behalf of the board



Robert Jeffries Chatfield
Director

28 October 2011

Directors Remuneration Report

Introduction

This report has been prepared in accordance with Part 15 Chapter 6 of the Companies Act 2006. As required a resolution to approve the Directors' remuneration will be proposed at the forthcoming Annual General Meeting of the Company at which the financial statements will be approved. The vote will have advisory status, will be in respect of the remuneration policy and overall remuneration packages and will not be specific to the individual levels of remuneration.

Remuneration policy

The Group aims to ensure that the executive remuneration arrangements are in line with the Group's overall practice on pay and benefits and having regards to the size and nature of the business, are competitive and designed to attract, retain motivate directors of high calibre. Each director is employed by the Company under a written contract of employment.

Remuneration (audited)

Individual Director's remuneration was as follows

Percentage	Year ended 30 June 2011 £	Year ended 30 June 2011 £
Executive		
Robert Jeffries Chatfield	185,680	131,725
Non-executive		
Andrew Baudinette	109,073	82,022
Bryant James McLarty	12,500	10,831
	307,253	224,578

Share options and warrants

The Group has an ownership-based compensation scheme for directors and senior management of the Group.

Each share warrant converts into one ordinary share of Avation PLC on exercise. No amounts are paid or are payable by the recipient on receipt of the warrant. The warrants carry neither rights to dividends nor voting rights. Warrants may be exercised at any time from the date of vesting to the date of their expiry.

Warrants are granted to the directors and senior management of the Group to gain:

- Improvement in share price
- Improvement in net profit
- Improvement in return to shareholders



Directors Remuneration Report (cont'd)



The following share warrants issued to directors existed at the year end:

Director's name	Date granted	Warrant price	Balance at beginning of year	Granted during the year	Exercised/ expired during the year	Balance at end of year
Robert Jeffries Chatfield *	30 Oct 2006	4 p	2,889,490	-	(2,889,490)	-
Robert Jeffries Chatfield *	21 Dec 2009	35.5 p	200,000	-	(23,720)	176,280
Robert Jeffries Chatfield *	2 Dec 2010	67.5 p	-	200,000	-	200,000
Andrew Baudinette **	21 Dec 2009	35.5 p	75,000	-	(75,000)	-
Andrew Baudinette **	2 Dec 2010	67.5 p	-	75,000	-	75,000
Bryant James McLarty	21 Dec 2009	35.5 p	50,000	-	-	50,000
Bryant James McLarty	2 Dec 2010	67.5 p	-	50,000	-	50,000

* Robert Jeffries Chatfield was granted the share warrants via Epsom Assets Limited.

** Andrew Baudinette was granted the share warrants via Giant Mix Investments Limited.

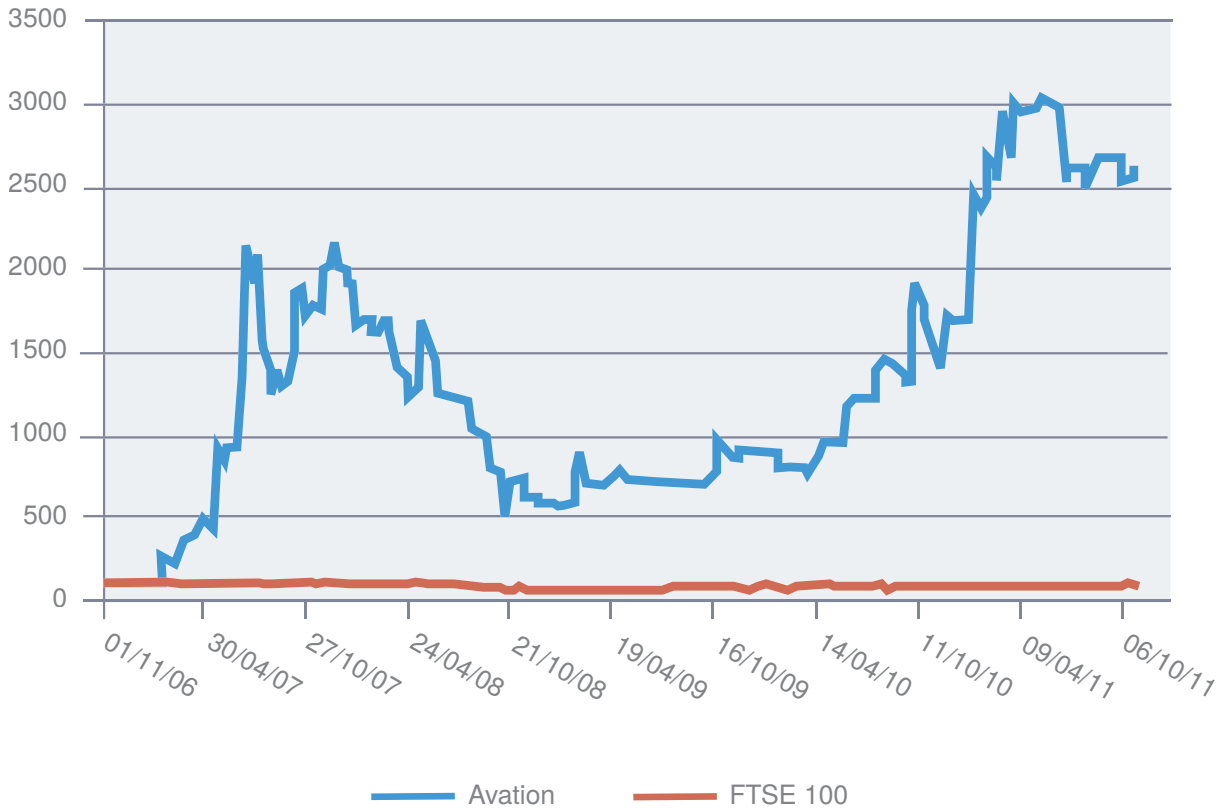
On 26 October 2010, Robert Jeffries Chatfield via Epsom Assets Limited exercised 2,313,210 warrants at the exercise price of 4p and 35.5p, the market price on that day of exercise was 65p. On 11 April 2011, Andrew Baudinette via Giant Mix Investments Limited exercised 75,000 warrants at the exercise price of 35.5p, the market value on that day of exercise was £1.17.



Directors Remuneration Report

Company's performance

The graph below shows the total shareholder return on a holding of shares in the company as against the average total shareholder return of the companies comprising the FTSE 100 Index over the last five years. The FTSE 100 Index was selected because in the opinion of the Board it is the most appropriate for the company for the purposes of a benchmark.



On behalf of the board

Robert Jeffries Chatfield
Director

28 October 2011



Directors' Responsibilities



Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year.

Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and the financial performance and cash flows of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether in preparation of the Company and the Group financial statements, the Company and
- the Group has complied with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006, subject to any material departures disclosed and explained in the Group financial statements;
- the Directors are required under the Standard Rules of the London Stock Exchange to prepare Group

financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of Companies Act 2006.

- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.



Report of the Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVATION PLC

We have audited the financial statements of Avation PLC for the year ended 30 June 2011 which comprise the Consolidated Statement of Comprehensive Income, the Company Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and Company's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we became aware of any apparent material misstatements or inconsistencies we consider the implications in our report.

Opinion on the financial statements

In our opinion the group financial statements:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2011 and of the Group's profit for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been prepared properly in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Matthew Meadows (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD
28 October 2011

Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

REGISTERED NUMBER: 5872328 (ENGLAND & WALES)



Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 £	2010 £
Continuing operations			
Revenue	8	16,291,428	17,552,513
Cost of sales		(739,278)	(983,879)
Gross profit		15,552,150	16,568,634
Other income	9	297,792	5,948
Other operating expenses	10	(6,207,042)	(8,864,955)
Expenses			
- Administrative expenses		(1,255,756)	(841,892)
- Finance expenses	11	(2,755,498)	(3,319,635)
Profit before taxation	13	5,631,646	3,548,100
Taxation	14	(574,920)	(729,517)
Profit from continuing operations for the year		5,056,726	2,818,583
Other comprehensive income			
Gain on dilution of interest in subsidiary		–	1,733
Currency translation differences arising on consolidation		(1,809,245)	4,076,569
Revaluation gains on property, plant and equipment, gross of tax		1,341,951	–
Deferred tax on revaluation gains on property, plant and equipment		(482,322)	–
Other comprehensive income for the year, (net of tax)		(949,616)	4,078,302
Total comprehensive income for the year		4,107,110	6,896,885
Profit attributable to:			
Equity holders of the parent		3,627,293	1,653,027
Non-controlling interest		1,429,433	1,165,556
		5,056,726	2,818,583
Total comprehensive income attributable to:			
Equity holders of the parent		3,128,808	4,069,879
Non-controlling interest		978,302	2,827,006
		4,107,110	6,896,885
Earnings per share			
- Basic – continuing and total operations	15	11.95 pence	6.39 pence
- Fully Diluted – continuing and total operations		11.84 pence	6.30 pence

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2011 £	2010 £
Profit for the year	1,288,382	262,668
Other comprehensive income:		
Revaluation gains on property, plant and equipment, gross of tax	26,696	–
Deferred tax on revaluation gains on property, plant and equipment	(4,538)	–
Other comprehensive income for the year, (net of tax)	22,158	–
Total comprehensive income for the year	1,310,540	262,668

Consolidated Balance Sheet

AS AT 30 JUNE 2011

	Note	2011 £	2010 £
ASSETS			
Current assets:			
Cash and cash equivalents		5,626,771	1,227,881
Trade and other receivables	16	7,542,395	1,195,859
Inventories	17	1,946	707
Total current assets		13,171,112	2,424,447
Non-current assets:			
Property, plant and equipment	19	84,896,190	92,520,577
Goodwill	20	1,324,541	1,324,541
Total non-current assets		86,220,731	93,845,118
Total assets		99,391,843	96,269,565
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	21	3,331,862	3,818,692
Provision for taxation		38,748	18,368
Loans and borrowings	22	9,865,455	9,602,462
Short-term provisions	23	2,849,839	2,047,185
Total current liabilities		16,085,904	15,486,707
Non-current liabilities:			
Trade and other payables	21	942,009	1,379,641
Loans and borrowings	22	28,091,394	39,123,267
Deferred tax liabilities	24	4,811,938	4,248,024
Total non-current liabilities		33,845,341	44,750,932
Equity attributable to shareholders:			
Share capital	25	386,072	262,190
Share premium		10,543,750	1,249,258
Assets revaluation reserve		7,436,517	6,760,372
Capital redemption reserve		7,000	7,000
Warrant reserve		74,381	-
Foreign currency translation reserve		2,388,729	3,563,359
Retained earnings		14,890,326	11,434,226
		35,726,775	23,276,405
Non-controlling interest		13,733,823	12,755,521
		49,460,598	36,031,926
Total liabilities and equity		99,391,843	96,269,565

Approved by the board and authorised for issue on 28 October 2011.



Robert Jeffries Chatfield
Director

Company Balance Sheet

AS AT 30 JUNE 2011

	Note	2011 £	2010 £
ASSETS			
Current assets:			
Cash and cash equivalents		3,310,383	214,497
Trade and other receivables	16	5,961,754	348,492
Total current assets		9,272,137	562,989
Non-current assets:			
Investment in subsidiaries	18	1,440,336	1,440,287
Property, plant and equipment	19	5,654,618	4,952,825
Total non-current assets		7,094,954	6,393,112
Total assets		16,367,091	6,956,101
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	21	719,896	642,679
Provision for taxation		–	72
Loans and borrowings	22	1,252,377	1,163,482
Total current liabilities		1,972,273	1,806,233
Non-current liabilities:			
Loan and borrowings	22	1,738,069	3,070,295
Deferred tax liabilities	24	138,340	193,266
Total non-current liabilities		1,876,409	3,263,561
Capital and reserves:			
Share capital	25	386,072	262,190
Share premium		10,543,750	1,249,258
Assets revaluation reserve		22,158	–
Capital redemption reserve		7,000	7,000
Warrant reserve		74,381	–
Retained earnings		1,485,048	367,859
Net equity		12,518,409	1,886,307
Total liabilities and equity		16,367,091	6,956,101

Approved by the board and authorised for issue on 28 October 2011.



Robert Jeffries Chatfield
Director

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Group	Share	Share	Assets	Capital		Foreign	Share			Non-	Total
	Capital	Premium	Revaluation	Redemption	Warrant	currency	Option	Retained	Total	Controlling	Equity
	£	£	£	£	£	£	£	£	£	£	£
Balance at 1 July 2010	262,190	1,249,258	6,760,372	7,000	–	3,563,359	–	11,434,226	23,276,405	12,755,521	36,031,926
Profit for the year	–	–	–	–	–	–	–	3,627,293	3,627,293	1,429,433	5,056,726
Other comprehensive income	–	–	676,145	–	–	(1,174,630)	–	–	(498,485)	(451,131)	(949,616)
Total comprehensive income	–	–	676,145	–	–	(1,174,630)	–	3,627,293	3,128,808	978,302	4,107,110
Dividend related to 2010 paid	–	–	–	–	–	–	–	(171,193)	(171,193)	–	(171,193)
Increase in issued share capital	123,882	10,002,743	–	–	–	–	–	–	10,126,625	–	10,126,625
Share issue expenses	–	(708,251)	–	–	–	–	–	–	(708,251)	–	(708,251)
Warrant expenses	–	–	–	–	74,381	–	–	–	74,381	–	74,381
Balance at 30 June 2011	386,072	10,543,750	7,436,517	7,000	74,381	2,388,729	–	14,890,326	35,726,775	13,733,823	49,460,598
Balance at 1 July 2009	255,555	1,216,336	6,760,372	7,000	–	1,148,240	12,788	9,897,773	19,298,064	9,928,515	29,226,579
Profit for the year	–	–	–	–	–	–	–	1,653,027	1,653,027	1,165,556	2,818,583
Other comprehensive income	–	–	–	–	–	2,415,119	–	1,733	2,416,852	1,661,450	4,078,302
Total comprehensive income	–	–	–	–	–	2,415,119	–	1,654,760	4,069,879	2,827,006	6,896,885
Transfer between reserve	–	–	–	–	–	–	(12,788)	12,788	–	–	–
Dividend related to 2009 paid	–	–	–	–	–	–	–	(131,095)	(131,095)	–	(131,095)
Increase in issued share capital	6,635	32,922	–	–	–	–	–	–	39,557	–	39,557
Balance at 30 June 2010	262,190	1,249,258	6,760,372	7,000	–	3,563,359	–	11,434,226	23,276,405	12,755,521	36,031,926

During the prior financial year, the Company diluted the interest in its subsidiary, Capital Lease Aviation PLC from 51.22% to 51.18% shareholding through the issue of 663,500 new ordinary shares of £0.001 each at £0.24 per ordinary share.

The 2011 dividend paid during the year was for 0.6p (2010: 0.6p) per share.

Company Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Share Capital £	Share Premium £	Asset Revaluation Reserve £	Capital Redemption Reserve £	Warrant Reserve £	Retained Earnings £	Total £
<u>Company</u>							
Balance at 1 July 2010	262,190	1,249,258	–	7,000	–	367,859	1,886,307
Profit for the year	–	–	–	–	–	1,288,382	1,288,382
Other comprehensive income	–	–	22,158	–	–	–	22,158
Total comprehensive income	–	–	22,158	–	–	1,288,382	1,310,540
Dividend relating to 2010 paid	–	–	–	–	–	(171,193)	(171,193)
Increase of issued share capital	123,882	10,002,743	–	–	–	–	10,126,625
Share issue expenses	–	(708,251)	–	–	–	–	(708,251)
Warrant expenses	–	–	–	–	74,381	–	74,381
Balance at 30 June 2011	386,072	10,543,750	22,158	7,000	74,381	1,485,048	12,518,409
Balance at 1 July 2009	255,555	1,216,336	–	7,000	–	236,286	1,715,177
Profit for the year	–	–	–	–	–	262,668	262,668
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	262,668	262,668
Dividend relating to 2009 paid	–	–	–	–	–	(131,095)	(131,095)
Increase of issued share capital	6,635	32,922	–	–	–	–	39,557
Balance at 30 June 2010	262,190	1,249,258	–	7,000	–	367,859	1,886,307

The 2011 dividend paid during the year was for 0.6p (2010: 0.6p) per share.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2011 £	2010 £
Cash flows from operating activities:		
Profit before taxation	5,631,646	3,548,100
Adjustments for:		
Depreciation expense	4,964,453	4,704,804
Claim on maintenance reserve	1,242,589	4,102,127
Warrant expense	74,381	–
Interest expense	2,680,231	3,156,229
Interest income	(3,607)	(5,948)
Operating profit before working capital changes	14,589,693	15,505,312
Movement in working capital:		
Trade and other receivables	(5,157,029)	379,919
Inventories	(1,239)	(214)
Trade and other payables	(972,482)	796,367
Short-term provisions	(311,597)	(3,143,497)
Cash from operations	8,147,346	13,537,887
Interest paid	(2,809,256)	(3,156,229)
Interest received	3,607	5,948
Corporation tax paid	(440,543)	(204,574)
Net cash from operating activities	4,901,154	10,183,032
Cash flows from investing activities:		
Purchase of property, plant and equipment	(19,233)	(1,237)
Loan to related parties	(1,579,860)	–
Net cash used in investing activities	(1,599,093)	(1,237)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	9,418,374	39,557
Net proceeds from issuance of subsidiary's shares to minority	–	22,972
Dividends paid	(171,193)	(131,095)
Proceeds from borrowings	1,257,800	–
Repayment of borrowings	(8,192,846)	(4,283,186)
Capital element of finance lease repayments	(1,355,278)	(781,036)
Net cash from (used in) financing activities	956,857	(5,132,788)
Effects of exchange rates on cash and cash equivalents	139,972	(4,860,447)
Net increase in cash and cash equivalents	4,398,890	188,560
Cash and cash equivalents at beginning of financial year	1,227,881	1,039,321
Cash and cash equivalents at end of financial year	5,626,771	1,227,881

Cash and cash equivalents in the consolidated cash flow statement are not restricted in use and are denominated in the following currencies:

	2011 £	2010 £
Pounds Sterling	2,878,890	120,956
United States Dollars	2,686,475	1,011,459
Australian Dollars	11,089	49,119
Euro	1,198	441
Singapore Dollars	49,119	45,906
	5,626,771	1,227,881
Interest earning balances	5,577,652	1,181,975

The rate of interest for the cash on interest earning accounts is at 1.0% to 4.5% (2010:1.0% to 4.5%) per annum. These approximate the weighted effective interest rate.

Company Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2011 £	2010 £
Cash flows from operating activities:		
Profit before taxation	1,228,848	474,695
Adjustments for:		
Depreciation	226,093	61,989
Warrant expense	74,381	-
Interest expense	154,744	88,413
Operating profit before working capital changes	1,684,066	625,097
Movement in working capital:		
Trade and other receivables	(4,645,598)	8,034
Trade and other payables	29,195	588,714
Cash (used in) from operations	(2,932,337)	1,221,845
Interest paid	(283,769)	(88,413)
Corporation tax paid	-	(94,474)
Net cash from operating activities	(3,216,106)	1,038,958
Cash flows from investing activities:		
Loan to related parties	(1,579,860)	-
Investment in subsidiaries	(49)	(1)
Net cash used in investing activities	(1,579,909)	(1)
Cash flows used in financing activities:		
Net proceeds from issuance of ordinary shares	9,418,374	39,557
Dividends paid	(171,193)	(131,095)
Capital element of finance lease repayments	(1,355,280)	(781,036)
Net cash used in financing activities	7,891,901	(872,574)
Net increase in cash and cash equivalents	3,095,886	166,383
Cash and cash equivalents at beginning of financial year	214,497	48,114
Cash and cash equivalents at end of financial year	3,310,383	214,497

Cash and cash equivalents in the cash flow statement are not restricted in use and are denominated in the following currencies:

	2011 £	2010 £
Pounds Sterling	2,824,927	60,390
United States dollars	485,456	154,107
	3,310,383	214,497

The rate of interest for the cash on interest earning accounts is at 1.0% (2010:1.0%) per annum. These approximate the weighted effective interest rate.

Notes to Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

1 GENERAL

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328) and is listed as a Standard Listing on the London Stock Exchange. The address of the registered office is given on page 1.

As disclosed in the Report of the Directors, the principal activities of the Company and its subsidiaries are the holding of investments involved in owning and leasing of aircraft. The Company also owns and leases aircraft in its own right.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted by use in the European Union ("IFRS").

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION – The financial statements have been prepared in accordance with IFRS including standards and interpretations issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with the historical cost convention, as modified by the revaluation of aircraft.

The financial statements are presented in Pounds Sterling, rounded to the nearest Pound.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The accounting policies set out below have been applied consistently throughout the financial period presented in these financial statements and the accounting policies have been applied consistently by the Company and its subsidiaries.

b) BASIS OF CONSOLIDATION - The consolidated financial statements comprise the financial statements of Avation PLC and its subsidiaries as at 30 June 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

c) BUSINESS COMBINATIONS

Business combinations from 1 July 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Business combinations prior to 1 July 2009

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

d) INTEREST IN JOINT VENTURE – A Joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control (ie when the strategic financial and operating policy decision relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accruals basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

e) GOODWILL - Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the

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FOR THE YEAR ENDED 30 JUNE 2011

cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss.

The interest of significant minority shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

- f) INVENTORIES – Inventories of consumable spare parts are stated at the lower of cost or market value determined on a portfolio basis.
- g) PROPERTY, PLANT AND EQUIPMENT – Aircraft held for use in the supply or rental service, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such aircraft is credited to the assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such aircraft is charged to profit or loss to the extent that it exceeds the balance, if any, held in the assets revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued aircraft is charged to profit or loss. On the subsequent sale or retirement of a revalued aircraft, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets less residual values, over their estimated useful lives, using the straight-line method, on the following bases:

Aircraft	-	30 years
Furniture and equipment	-	3 years

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

During the financial year, the following accounting estimates in relation to items of property, plant and equipment have been reviewed and adjusted at the last reporting date with effect from 1 July 2010:

Useful life has been changed from 25 years to 30 years

The residual value has been changed from directors estimates to estimates based on information from independent valuers.

The impact of these changes on the current year was to increase the depreciation expense by £276,831.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

- h) **IMPAIRMENT OF ASSETS** - At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

- i) **PROVISIONS** - Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. In respect of maintenance rent, a corresponding provision is made in accordance with the expected maintenance costs that will be drawn in accordance with the lease conditions and lease term.
- j) **SHARE-BASED PAYMENTS** – The cost of share based payment arrangement whereby employees receive remuneration in the form of warrants, is recognised as an employee benefit expense in the profit or loss. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at date of grant. The assumption underlying the number of warrants expected to vest are subsequently adjusted for the effects of non market-based vesting conditions prevailing at the balance sheet date. Fair value is measured by the use of the Binomial option pricing model and is based on a reasonable expectation of the extent to which performance criteria will be met.
- k) **LEASES** – The Group leases aircraft to airlines under operating leases. Leases of aircraft where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

The Group leases aircraft for use in the business. Where the Group bears substantially all the risk and rewards of ownership of the item, the lease is classified as a finance lease and the item is capitalised within the appropriate class of property, plant and equipment at the lower of the fair value of the leased item and the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to obtain a constant rate on the finance balance outstanding. The outstanding capital element of the lease payments are included within current and long-term payables as appropriate; the interest element of the lease payments is charged to profit or loss over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

- l) **REVENUE RECOGNITION** – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.
- (i) Aircraft rental income is recognised in the profit or loss on a straight line basis over the terms of the lease. Lease incentives granted are recognised as an integral part of the total rental income.
- (ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (iii) Sales of goods are recognised when goods are delivered and title has passed.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

- (iv) Dividend income from investments is recognised when the shareholders' right to receive payment have been established.
- (v) Licence fees received are recognised over the life of the licence agreement. Ongoing royalties/commissions pursuant to the licence agreement are recognised as earned.
- m) **BORROWING COSTS** - Borrowing costs directly attributable to the acquisition of property, plant and equipment are added to the cost of the assets and amortised over the life of the assets.

The loan facility fees added to the cost of the assets are amortised between 5 years to 25 years, which is the life of the assets.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

During the financial year, the Company revised the finance lease interest rate from 8% to 5% based on current economic conditions. This resulted in the capitalisation of an additional borrowing cost of £240,973 and a reduction in the interest expensed to the profit or loss by £88,638.

- n) **TAXATION** - Taxation expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

With effect from 1 April 2011 the Company migrated its business to become Singapore resident for tax purposes.

- o) **FOREIGN CURRENCIES** - The Group's consolidated financial statements and Company financial statements are presented in Pound Sterling, which is the presentational currency. Sterling has been retained as the presentational currency of the Company as it was UK resident for tax purposes for part of the year. The Company will consider its presentational currency for the coming year. The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency) and United States Dollars is the functional currency of the each of the Group entity, including the parent company.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Pound Sterling using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

- (p) FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.
- (i) Trade and other receivables – Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.
 - (ii) Cash and cash equivalents - Cash and cash equivalents comprise cash on hand and call deposits which are subject to an insignificant risk of changes in value.
 - (iii) Financial liabilities and equity - Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.
 - (iv) Borrowings - Interest-bearing loans from banks and financial institutions are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).
 - (v) Trade and other payables - Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.
 - (vi) Trade receivables - Trade receivables are stated at their original value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.
 - (vii) Equity instruments - Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of property, plant and equipment – aircraft

The Group periodically evaluates its aircraft for impairment. Factors that would indicate potential impairment would include, but not be limited to, significant decreases in the market value of aircraft, a significant change in an aircraft's physical condition or cash-flow associated with the use of the aircraft. The Group continues to record positive cash flows from its aircraft. The Group has not identified any impairment related to its existing aircraft fleet during the financial year.

(ii) Revaluation of property, plant and equipment – aircraft

The Group regularly revalues its aircraft using valuations prepared by independent specialist valuers. During the financial year, the Group revalued its aircraft using independent valuers valuations. During the financial year, the Group revalued all its aircraft and the revaluation gains were transferred to the asset revaluation reserve.

(iii) Maintenance reserve claim

The Group provides for maintenance reserve claims for certain aircraft. Management has relied on industry experience and information from aircraft manufacturers and airlines to estimate the provision for the maintenance reserve claims. These estimates can be subject to revisions depending on a number of factors such as the timing of the planned maintenance, the utilisation of the aircraft, changes to the manufacturer's maintenance program or a change in the estimated costs. Management evaluates its estimates and assumptions and, when warranted, adjusts these assumptions which may impact the maintenance reserve claim expense in the profit or loss.

(iv) Income taxes

Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which the determination is made.

5 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

The Group intends to apply these standards and interpretations when they become effective.

International Accounting Standards (IAS/IFRS)	Effective Date
IAS 24 – Revised definition of related parties	1 January 2011
IFRS 9 – Financial Instruments: Classification and Measurement	1 January 2013
IAS 1 – Presentation of Financial Statements (Amendments)	1 July 2012
IAS 19 – Employee Benefits (Amendments)	1 January 2013
IFRS 10 – Consolidated Financial Statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of Interest with Other Entities	1 January 2013
IFRS 13 – Fair Value Measurement	1 January 2013
Improvements to IFRS (issued in May 2010)	1 January 2013

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

6 FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial assets and liabilities are airline industry risks, credit risk, interest rate risk, foreign exchange risk and liquidity risks.

i) Airline Industry Risks

The Group faces risks specific to the aviation sector, war, terrorism, equipment failure and risks specific to the aviation business. These exposures are managed through the equipment of the airlines that lease the Group's assets to maintain insurance, adequate maintenance policies and/or contribute to a maintenance reserve for the major maintenance on each aircraft.

ii) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group.

The Group has no significant concentrations of credit risk. The Group has adopted relevant credit policy in extending credit terms to customers and in monitoring its credit terms.

The credit policy spelt out clearly the guidelines on extending credit terms to customers, including monitoring the process. This includes assessing customers' credit standing and periodic review of their financial status to determine the credit limits to be granted. The Company performs ongoing credit evaluation of its customers' financial condition and generally, requires no collateral from its customers.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial period in relation to each class of financial assets is the carrying amount of those assets as stated in the balance sheet.

The Group currently has exposure to three airline customers across three continents with regards to its aircraft leasing business and diversification will continue as the Company grows its asset base.

The maximum exposure to credit risk for trade receivables at the reporting date by geographical area is:

	Group	
	2011	2010
	£	£
Australia	1,137,182	723,582
United Kingdom	74,916	–
Others	18,167	2,103
	1,230,265	725,685

1) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due or impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's trade receivable not past due include receivables amounting to £1,129,826 (2010: £560,150).

2) Financial assets that are past due and/or impaired

There is no class of financial assets that are past due and /or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2011	2010
	£	£
Past due < 3 months	49,216	163,415
Past due 3 to 6 months	51,223	2,120
Past due over 6 months	–	–
	100,439	165,535

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

iii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets.

The Group further seeks to reduce this risk by fixing interest rates on loans to match the term of the underlying lease term of the asset.

The interest rate and terms of repayment of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

iv) Foreign currency risk

Foreign currency risk occurs as a result of the Group's transactions that are not denominated in its functional currencies. The Group's foreign currency exposures arose mainly from the exchange rate movements of the Pound Sterling and United States dollar. These exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

The Group does not utilise forward foreign currency contracts to hedge its exposure to specific currency risks.

The Group's currency exposure based on the information provided to key management is as follows:

<u>Group</u>	Pounds Sterling	United States dollars	Australian Dollars	Euro	Singapore Dollars	Total
2011	£	£	£	£	£	£
Cash and cash equivalents	2,878,890	2,686,475	11,089	1,198	49,119	5,626,771
Trade and other receivables	6,841	7,124,170	402,672	42	8,670	7,542,395
Loans and borrowings	–	(37,956,849)	–	–	–	(37,956,849)
Other financial liabilities	(76,503)	(4,027,341)	(18,308)	(5,815)	(145,904)	(4,273,871)
Currency exposure	2,809,228	(32,173,545)	395,453	(4,575)	(88,115)	(29,061,554)

2010

Cash and cash equivalents	120,956	1,011,459	49,119	441	45,906	1,227,881
Trade and other receivables	44,122	921,865	218,952	299	10,621	1,195,859
Loans and borrowings	–	(48,725,729)	–	–	–	(48,725,729)
Other financial liabilities	(68,591)	(5,013,463)	(6,302)	(5,022)	(104,955)	(5,198,333)
Currency exposure	96,487	(51,805,868)	261,769	(4,282)	(48,428)	(51,500,322)

Company

	Pounds Sterling	United States dollars	Australian Dollars	Singapore Dollars	Total
2011	£	£	£	£	£
Cash and cash equivalents	2,824,927	485,456	–	–	3,310,383
Trade and other receivables	6,786	5,947,153	–	7,815	5,961,754
Loans and borrowings	–	(2,990,446)	–	–	(2,990,446)
Other financial liabilities	(51,180)	(604,003)	(4,385)	(60,326)	(719,896)
Currency exposure	2,780,533	2,838,160	(4,385)	(52,511)	5,561,795
Cash and cash equivalents	60,390	154,107	–	–	214,497
Trade and other receivables	49,638	298,664	–	190	348,492
Loans and borrowings	–	(4,233,777)	–	–	(4,233,777)
Other financial liabilities	(34,778)	(576,046)	–	(31,855)	(642,679)
Currency exposure	75,250	(4,357,052)	–	(31,665)	(4,313,467)

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

If the foreign currencies changes against the Pound Sterling by 10% (2010: 10%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

<u>Group</u>	Increase/(Decrease)		Increase/(Decrease)	
	2011	2011	2010	2010
	Profit after tax	Equity	Profit after tax	Equity
	£	£	£	£
USD against £				
- strengthen	(3,217,355)	–	(5,180,587)	–
- weakened	3,217,355	–	5,180,587	–
AUD against £				
- strengthen	39,545	–	26,177	–
- weakened	(39,545)	–	(26,177)	–
Euro against £				
- strengthen	(458)	–	(428)	–
- weakened	458	–	428	–
SGD against £				
- strengthen	(8,812)	–	(4,843)	–
- weakened	8,812	–	4,843	–
	Increase/(Decrease)		Increase/(Decrease)	
	2011	2011	2010	2010
<u>Company</u>	Profit after tax	Equity	Profit after tax	Equity
	£	£	£	£
USD against £				
- strengthen	283,816	–	(435,705)	–
- weakened	(283,816)	–	435,705	–
AUD against £				
- strengthen	(439)	–	–	–
- weakened	439	–	–	–
SGD against £				
- strengthen	(5,251)	–	(3,167)	–
- weakened	5,251	–	3,167	–

v) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Short-term funding is obtained from bank loan facilities.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

The table below analyses the maturity profile of the financial liabilities of the Group and the Company based on contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£	£	£	£
<u>Group</u>				
2011				
Trade and other payables	3,331,862	2,437	939,572	-
Loans and borrowings	11,953,758	12,017,462	19,182,962	-
	15,285,620	12,019,899	20,122,534	-
2010				
Trade and other payables	3,818,692	2,274	1,377,367	-
Loans and borrowings	12,488,015	16,514,404	28,165,653	-
	16,306,707	16,516,678	29,543,020	-
<u>Company</u>				
2011				
Trade and other payables	719,896	-	-	-
Loans and borrowings	1,373,458	1,779,253	-	-
	2,093,354	1,779,253	-	-
2010				
Trade and other payables	642,679	-	-	-
Loans and borrowings	1,460,137	3,351,680	-	-
	2,102,816	3,351,680	-	-

vi) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Net debt	36,603,949	52,696,181	399,959	4,661,959
Total equity	49,460,598	36,031,926	12,518,409	1,886,307
Total capital	86,064,547	88,728,107	12,918,368	6,548,266
Gearing ratio	42%	59%	3%	71%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2011 and 30 June 2010.

vii) Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities reported in the balance sheet approximate the carrying amount of those assets and liabilities.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

7 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Company and Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and without fixed repayment terms.

(a) Compensation of directors and key management personnel

The remuneration of directors and key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) based on the cost incurred by the Company and the Group, and where the Company or Group did not incur any costs, the value of the benefits. The key management's remuneration is as follows:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Key management of the Group				
- Directors' fee paid to directors of the Company	92,500	34,831	92,500	34,831
- Directors' fee paid to directors of subsidiaries	313,942	304,127	-	-
- Superannuation paid for a director of subsidiaries	21,949	20,780	-	-
- Salary paid to a director of the Company	94,073	70,022	-	-

The amount above includes remuneration in respect of the highest paid director as follows:

	Group	
	2011	2010
	£	£
Aggregate emoluments	185,680	131,725

No contributions were made on behalf of any directors to money purchase pension schemes.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

(b) Significant related party transactions:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Sales of goods to a related party ¹	659,547	303,137	–	–
Service rendered to a related party ²	109,352	661,103	–	–
Maintenance rent received from a related party ⁵	1,274,280	3,320,157	–	–
Rental income received from a related party ⁵	6,996,229	5,975,334	–	–
Service fee income from a related party ⁵	19,586	–	19,586	–
Expenses rebilled to a related party ⁵	29,873	–	–	–
Interest income received from a related party ⁷	433	–	–	–
Service fee paid to Loeb Aron & Company Ltd ³	8,501	5,000	8,501	–
Guarantee and commitment fee paid to a related party ⁴	75,267	163,406	–	–
Expenses rebilled from a related party ⁶	32,124	–	16,947	–
Arrangement fee paid to a related party ⁸	15,723	–	–	–
Interest expense paid to a related party ⁸	33,017	–	–	–
Interest expense paid to a related party ⁹	13,757	–	–	–
Interest expense paid to a related party ⁴	15,597	–	–	–
Interest expense paid to a related party ¹⁰	–	498	–	–
Purchase of aircraft from a related party ¹¹	660,217	–	660,217	–

- 1 - Sales of goods to Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.
- 2 - Services rendered to Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.
- 3 - Paid to Loeb Aron & Company Ltd in which a director of a subsidiary is a director of Loeb Aron & Company Ltd.
- 4 - Paid to CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital Ltd.
- 5 - Received from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.
- 6 - Paid to Skywest Airlines (Singapore) Pte Ltd in which a director of the Company is also a director of Skywest Airlines (Singapore) Pte Ltd.
- 7 - Received from Giant Mix Investments Ltd in which a director of the Company is a director of Giant Mix Investments Ltd.
- 8 - Paid to Lovelie Investment & Asset Holding Pte Ltd in which a director of the Company is also a director of Lovelie Investment & Asset Holding Pte Ltd.
- 9 - Paid to Fleet Solution Consulting Pte Ltd in which a director of a subsidiary is also a director of Fleet Solution Consulting Pte Ltd.
- 10 - Interest expense paid to Australian Historical Investments Pty Ltd in which a director of the Company is also a director of Australian Historical Investments Pty Ltd.
- 11 - Purchase of an aircraft from Skywest Airlines (S) Pte Ltd in which a director of the Company is also a director of Skywest Airlines (Singapore) Pte Ltd. During the year, Avation PLC made a loan of US\$2.55m to Skywest Airlines (Singapore) Pte Ltd for the purposes of acquiring an aircraft. A 39.216% interest in the aircraft was subsequently sold by Skywest Airlines (Singapore) Pte Ltd to Avation PLC for US\$1M. The remaining loan was assigned by Skywest Airlines (Singapore) Pte Ltd to CaptiveVision Capital Limited and Takeoff Services Pte Ltd in exchange for the remaining parts of the aircraft.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

8 REVENUE

	Group	
	2011	2010
	£	£
Rental income	14,052,487	13,082,643
Maintenance rent revenue	1,274,280	3,320,157
Management and service income	128,940	483,343
Sales of finished goods	835,721	666,370
	16,291,428	17,552,513

9 OTHER INCOME

	Group	
	2011	2010
	£	£
Interest income	3,608	5,948
Foreign currency exchange adjustment gain	293,565	–
Others	619	–
	297,792	5,948

10 OTHER OPERATING EXPENSES

	Group	
	2011	2010
	£	£
Claim on maintenance reserve expense charged directly to profit or loss	–	1,241,148
Claim on maintenance reserve expense	1,242,589	2,860,979
Depreciation of property, plant and equipment	4,964,453	4,704,804
Foreign currency exchange adjustment loss	–	58,024
	6,207,042	8,864,955

11 FINANCE EXPENSES

	Group	
	2011	2010
	£	£
Interest expense on secured borrowings	2,680,231	3,156,229
Guarantee and commitment fee	75,267	163,406
	2,755,498	3,319,635

12 STAFF COSTS

There were no staff costs during the financial year ended 30 June 2010 and 30 June 2009 except for fees and salaries paid to directors. See Note 7 for details.

	Group	
	2011	2010
	£	£
Directors' fees paid to directors of the Company	92,500	34,831
Directors' fee paid to directors of the subsidiaries	313,942	304,127
Wages and salaries	120,859	70,022
Employer's contribution to defined contribution plans including superannuation	21,949	20,780
Warrant expense	57,912	–
	607,162	429,760

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

13 PROFIT BEFORE TAXATION

Profit before taxation for the year is stated after charging / (crediting) the following:

	Group	
	2011	2010
	£	£
Claim on maintenance reserve expense charged directly to profit or loss	-	1,241,148
Claim on maintenance reserve expense	1,242,589	2,860,979
Depreciation of property, plant and equipment	4,964,453	4,704,804
Foreign currency exchange adjustment (gain)/loss	(293,565)	58,024
Auditors' remuneration for audit services	19,000	37,500
Auditors' remuneration for non-audit services		
- Corporate taxation	1,000	4,250

14 TAXATION

	Group	
	2011	2010
	£	£
Current tax expense		
- United Kingdom (in relation to prior years)	23,494	18,761
- Overseas	194,862	19,722
Deferred tax expense – United Kingdom	(142,724)	308,870
Deferred tax expense – overseas	478,564	324,560
Other tax – overseas – current	20,724	19,779
Other tax – overseas – prior years	-	37,825
	574,920	729,517

The standard rate of current tax for the period based on the UK standard rate of corporation tax is 27.5% (2010: 28%). The current tax expense for the period is less than 27.5% (2010: 28%) for the reasons set out in the following reconciliation:

	Group	
	2011	2010
	£	£
Profit before income tax	5,631,646	3,548,100
Tax calculated at tax rate of 27.5%	1,548,703	993,468
Effects of:		
Non-taxable items	(411,527)	(411,016)
Capital allowances and other temporary differences	(1,018,857)	(553,908)
Different tax rates of other countries	100,109	9,378
Adjustment to tax charge in respect of previous periods	(72)	561
Total income tax expense	218,356	38,483

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

15 EARNINGS PER SHARE

a) Basic earnings per share ("EPS")

EPS is calculated by dividing the net profit attributable to members of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2011	2010
	£	£
Net profit attributable to equity holders of the Company	3,627,293	1,653,027
Weighted average number of ordinary shares	30,355,109	25,878,072
Basic earnings per share	11.95 pence	6.39 pence

b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares; warrants.

For warrants, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share option less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	Group	
	2011	2010
	£	£
Net profit attributable to equity holders of the Company	3,627,293	1,653,027
Weighted average number of ordinary shares	30,355,109	25,878,072
Adjustment for:		
- Warrants	286,238	346,452
Weighted average number of ordinary shares	30,641,347	26,224,524
Diluted earnings per share	11.84 pence	6.30 pence

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Subsidiaries	–	–	309,156	322,854
Non-trade receivables – related parties	988,380	8,327	987,250	8,225
Trade receivables – related party	1,134,033	716,988	–	–
Trade receivables	96,232	8,697	–	–
Other receivables	23,463	23,237	15,990	7,250
Prepayments	30,454	27,780	9,373	10,163
Tax recoverable	440,795	218,952	–	–
Advances – related party	10,782	5,099	–	–
Accrued income – related party	178,271	186,779	–	–
Deposit for aircraft	4,639,985	–	4,639,985	–
	7,542,395	1,195,859	5,961,754	348,492

In respect of the Company, the current amounts due from subsidiaries include the followings:

- £279,520 (2010: £297,160) from F100 Pty Ltd. Management and service income of £175,000 (2010: £312,232) and dividend income of £Nil (2010: £76,900) were received from F100 Pty Ltd.
- £10,421 (2010: £25,504) from MSN 429 Limited. Management and service income of £Nil (2010: £24,000) and rental income of £1,422,565 (2010: £372,654) were received from MSN 429 Limited.
- £202 (2010: £190) from Capital Lease Australian Portfolio One Pty Ltd.
- £18,053 (2010: £Nil) from Avation.net Inc. Management and service income of £22,475 (2010: £24,000)
- £960 (2010: £Nil) from Avation Eastern Fleet Pte. Ltd

In respect of the Company, the current amounts due from related parties include the followings:

- £19,586 (2010: £8,225) from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is a director of Skywest Airlines (Australia) Pty Ltd. Arrangement fee of £19,586 (2010:£Nil) were paid to Skywest Airlines (Australia) Pty Ltd. Expense of £Nil (2010: 8,225) were paid by the Company on behalf of Skywest Airlines (Australia) Pty Ltd.
- £686,730 (2010: £Nil) from CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital Ltd.
- £280,934 (2010: £Nil) from Takeoff Services Pte. Ltd. in which a director of the Company is a director of Takeoff Services Pte. Ltd.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

In respect of the group, the current amounts due from related parties include the followings:

- a) Trade receivables of £1,134,033 (2010: £716,988) from Skywest Airlines (Australia) Pty Ltd, in which a director of the Company is a director. Rental income of £6,996,229 (2010: £5,975,334), maintenance rent revenue of £1,274,280 (2010: £3,320,157), sales of finished goods of £659,547 (2010: £303,137) and management and service income of 109,352 (2010: 661,103) were received from Skywest Airlines (Australia) Pty Ltd
- b) £19,586 (2010: £8,225) from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is a director of Skywest Airlines (Australia) Pty Ltd.
- c) £686,838 (2010: £102) from CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital Ltd.
- d) £280,934 (2010: £Nil) from Takeoff Services Pte. Ltd. in which a director of the Company is a director of Takeoff Services Pte. Ltd.
- e) £1,022 (2010: £Nil) from Skywest Airlines (S) Pte. Ltd. in which a director of the Company is a director of the Skywest Airlines (S) Pte. Ltd.
- f) £10,782 (2010: £Nil) due Giant Mix Investments Ltd in which a director of the Company is a director of Giant Mix Investments Ltd. The advance is unsecured, at interest rate at 5% per annum and payable upon demand.
- g) Accrued income of £178,271 (2010: £186,779) from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is a director.

The amounts due from subsidiaries and related parties are unsecured, interest-free and payable on demand unless otherwise stated.

The average credit period generally granted to non-related trade receivables customers is 30 to 60 days. In respect to leased aircraft, rent is due in advance in accordance with the leases.

The trade and other receivables are denominated in the following currencies:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Pounds Sterling	6,841	44,122	6,786	49,638
United States Dollars	7,124,170	921,865	5,947,153	298,664
Australian Dollars	402,672	218,952	–	–
Euro	42	299	–	–
Singapore Dollars	8,670	10,621	7,815	190
	7,542,395	1,195,859	5,961,754	348,492

17 INVENTORIES

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Finished goods, at cost	1,946	707	–	–

The cost of inventories recognised as an expense and included in the cost of sales amounts to £739,278 (2010: £983,879).

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

18 INVESTMENT IN SUBSIDIARIES

	Company	
	2011	2010
	£	£
Unquoted equity shares, at cost	1,390,236	1,390,187
Quoted equity shares, at cost	50,100	50,100
	1,440,336	1,440,287
Quoted equity shares, at market value	7,515,000	7,765,500

In the opinion of management, no impairment in the value of the investment in subsidiaries is necessary.

Details of the subsidiaries are as follows:

Name of Company	Principal activities	Country of Incorporation/ operations	Company's cost of investment		Group's effective equity interest	
			2011	2010	2011	2010
			£	£	%	%

The subsidiaries held directly by the Company:

Avation.net Inc (a)	Procurement	United States of America	1,390,181	1,390,181	99.96	99.96
Capital Lease Aviation PLC (b)	Leasing of aircraft	United Kingdom	50,100	50,100	51.18	51.18
F100 Pty Ltd (c)	Leasing of aircraft	Australia	5	5	100.00	100.00
MSN 429 Ltd (b)	Leasing of aircraft	United Kingdom	1	1	100.00	100.00
Avation Eastern Fleet Pte Ltd (e)	Leasing of aircraft	Singapore	49	-	100.00	100.00

The subsidiaries held by Capital Lease Aviation PLC :

Capital Lease Australian Portfolio One Pty Ltd (c)	Leasing of aircraft	Australia	-	-	51.18	51.18
Capital Lease Malta Ltd (d)	Leasing of aircraft	Malta	-	-	51.18	51.18

The subsidiary held by Avation Eastern Fleet Pte Ltd :

Airframe Leasing Pte Ltd (f)	Leasing of aircraft	Singapore	-	-	100.00	-
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(a) Audited by Jasmine Chua and Associates, Singapore

(b) Audited by Kingston Smith LLP, London, UK

(c) Audited by Moore Stephens, Perth, Australia

(d) Audited by Nexia BT, Malta

(e) Audited by Ernst & Young LLP, Singapore

(f) Company was incorporated during the year, the company was dormant and therefore did not require an audit.

Significant transactions with subsidiaries are as follows:

	Company	
	2011	2010
	£	£
Rental income	1,422,565	372,654
Management and service fee income	197,475	360,232
Dividend income	-	76,900
Service fee expense	-	66,820

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

19 PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	Furniture and equipment	Aircraft	Total
<u>2011</u>	£	£	£
Cost or valuation:			
At beginning of year	995	101,640,622	101,641,617
Additions	6,652	913,768	920,420
Revaluation surplus	–	1,112,985	1,112,985
Currency realignment	(108)	(5,613,834)	(5,613,942)
At end of year	7,539	98,053,541	98,061,080
Representing:			
Cost	7,539	–	7,539
Valuation	–	98,053,541	98,053,541
	7,539	98,053,541	98,061,080
Accumulated depreciation:			
At beginning of year	995	9,120,044	9,121,039
Depreciation for the year	1,295	4,963,158	4,964,453
Increase on revaluation	–	(229,056)	(229,056)
Currency realignment	(70)	(691,476)	(691,546)
At end of year	2,220	13,162,670	13,164,890
Net book value:			
At beginning of year	–	92,520,577	92,520,577
At end of year	5,319	84,890,871	84,896,190
	Furniture and equipment	Aircraft	Total
	£	£	£
<u>2010</u>			
Cost or valuation:			
At beginning of year	4,367	88,883,092	88,887,459
Additions	–	5,016,050	5,016,050
Disposal/written off	(3,620)	–	(3,620)
Reclassification	–	(2,301,383)	(2,301,383)
Currency realignment	248	10,042,862	10,043,110
At end of year	995	101,640,621	101,641,616
Representing:			
Cost	995	5,014,813	5,015,808
Valuation	–	96,625,808	96,625,808
	995	101,640,621	101,641,616
Accumulated depreciation:			
At beginning of year	4,140	5,829,393	5,833,533
Depreciation for the year	238	4,704,566	4,704,804
Disposal/written off	(3,620)	–	(3,620)
Reclassification	–	(2,301,383)	(2,301,383)
Currency realignment	237	887,468	887,705
At end of year	995	9,120,044	9,121,039
Net book value:			
At beginning of year	227	83,053,699	83,053,926
At end of year	–	92,520,577	92,520,577

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Company

	Aircraft	Total
	£	£
<u>2010</u>		
Cost or valuation:		
At beginning of year	–	–
Additions	5,014,814	5,014,814
At end of year	5,014,814	5,014,814
Representing:		
Cost	5,014,814	5,014,814
Accumulated depreciation:		
At beginning of year	–	–
Depreciation for the year	61,989	61,989
At end of year	61,989	61,989
Net book value:		
At beginning of year	–	–
At end of year	4,952,825	4,952,825

On 25 March 2008, the subsidiary, Capital Lease Aviation PLC acquired the right, title and interest in the aircraft held on trust by Wilmington Trust Company (“Wilmington”), a US trust company. As the aircraft is registered in the US, legal title to the aircraft is held by Wilmington and Capital Lease Aviation PLC is the beneficial owner. The aircraft is leased by Wilmington to a US airline.

The Group’s property, plant and equipment include borrowing costs from bank loans specifically used for purchase of aircraft. During the financial year, the borrowing costs capitalised as cost of property, plant and equipment amount to £12,578 (2010: £Nil).

The carrying value of the Group and Company’s property, plant and equipment held under finance lease at 30 June 2011 was £4,994,400 (2010 : £4,952,825). The lease asset is pledged as security for the related finance lease.

Depreciation relating to property plant and equipment held under finance lease at 30 June 2011 was £226,093 (2010: £61,989)

On 30 June 2011, the Group acquired a 39.216% interest in an aircraft with a cost of £660,217.

The Group’s aircraft were revalued in June 2011 by independent valuers, on the basis of lease encumbered value as of 30 June 2011. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders equity.

At 30 June 2010 the Group reviewed its classification of assets giving rise to reclassification of £2,301,383 between cost and accumulated depreciation. This reclassification has had no impact on either the income statement or the balance sheet.

If the aircraft were measured using the cost model, the carrying amounts would be as follows:

	Group	
	2011	2010
	£	£
Cost	92,899,707	84,360,409
Accumulated depreciation	(11,904,413)	(8,080,345)
Net carrying value	80,995,294	76,280,064

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

20 GOODWILL ON CONSOLIDATION

	Group	
	2011	2010
	£	£
Cost:		
Balance at beginning and at end of year	1,324,541	1,324,541

Impairment test of goodwill

Goodwill is allocated to the cash generating unit ("CGU") Avation.net Inc which is in the procurement business.

The recoverable amount of Avation.net Inc has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering the next financial year.

Management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount of the CGU to fall materially below its carrying amount as shown in the financial statements.

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
Current	£	£	£	£
Subsidiaries	–	–	85,093	448,979
Related parties	622,860	390,818	52,878	25,290
Director	62	–	–	–
Trade payables	462,376	1,826,774	31,257	9,112
Deferred income	996,320	1,059,199	114,089	127,067
Other payables	404,821	–	404,821	–
Accrued expenses	845,423	541,901	31,760	32,231
	3,331,862	3,818,692	719,897	642,679

	Group		Company	
	2011	2010	2011	2010
Non-current	£	£	£	£
Related parties	942,009	1,379,641	–	–

In respect of the Company, the current amounts due to subsidiaries include the followings:

- a) £74,275 (2010: £54,266) due to F100 Pty Ltd.
- b) £10,818 (2010: £730) due to Capital Lease Aviation PLC.
- c) £Nil (2010: £15,674) due to Avation.net Inc.
- d) £Nil (2010: £378,309) due to MSN 429 Limited.
- e) Deferred income of £114,089 (2010: £127,067) from MSN 429 Limited.

In respect of the Company, the current amounts due to related parties include the followings:

- a) 16,807 (2010: £7,853) due to Skywest Airlines Ltd in which a director of the Company is also a director.
- b) £36,071 (2010: £17,437) due to Skywest Airlines (Singapore) Pte Ltd in which a director of the Company is also a director.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

In respect of the Group, the current amounts due to related parties include the followings:

- a) £61,680 (2010: £65,753) due to Skywest Airlines Ltd in which a director of the Company is also a director.
- b) £74,005 (2010: £38,385) due to Skywest Airlines (Singapore) Pte Ltd in which a director of the Company is also a director.
- c) £341,414 (2010: £NIL) due to Fleet Solution Consulting Pte Ltd in which a director of the subsidiary is also a director and includes accrued interest on this loan amount to £13,656 (2010: NIL).
- d) £140,830 (2010: £263,415) due to CaptiveVision Capital Ltd in which a director of the subsidiary is also a director and includes accrued interest on this payable amount to £1,602 (2010: NIL).
- e) £4,931 (2010: £23,265) due to Skywest Airlines (Australia) Pty Ltd in which a director of the subsidiary is also a director.

The amount due to subsidiaries and related parties are unsecured, interest free and without fixed repayment terms unless otherwise stated.

The average credit period taken to settle non-related party trade payables is approximately 60 days.

The trade and other payables are denominated in the following currencies:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Pounds Sterling	76,503	68,591	51,179	34,778
United States dollars	4,027,341	5,013,463	604,003	576,046
Australian dollars	18,308	6,302	4,385	–
Euro	5,815	5,022	–	–
Singapore dollars	145,904	104,955	60,329	31,855
	4,273,871	5,198,333	719,896	642,679

22 LOAN AND BORROWINGS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Secured borrowing I	1,750,076	2,937,994	–	–
Secured borrowing II	707,461	1,274,693	–	–
Secured borrowing III	904,671	1,377,163	–	–
Secured borrowings IV	2,525,577	3,698,619	–	–
Secured borrowings V	11,379,987	13,695,982	–	–
Secured borrowings VI	11,949,492	14,321,402	–	–
Secured borrowings VII	1,584,762	2,719,338	–	–
Secured borrowings VIII	1,594,715	2,185,895	–	–
Secured borrowings IX	1,053,687	–	–	–
Secured borrowings X	1,515,975	2,280,866	–	–
Obligations under finance lease	2,990,446	4,233,777	2,990,446	4,233,777
Total	37,956,849	48,725,729	2,990,446	4,233,777
Less: current portion of loan borrowings	(9,865,455)	(9,602,462)	(1,252,377)	(1,163,482)
	28,091,394	39,123,267	1,738,069	3,070,295

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Obligations under finance leases:

	Group & Company	
	2011	2010
	£	£
Future minimum payments due:		
Within one year	1,373,266	1,460,137
After more than one year but within 5 years	1,787,175	3,352,277
	3,160,441	4,812,414
Less: Finance charges	(169,995)	(578,637)
Present value of minimum lease payments	2,990,446	4,233,777
The present value of minimum lease payments is analysed as follows:		
Within one year	1,252,377	1,163,482
After more than one year but within 5 years	1,738,069	3,070,295
Balance at end of year	2,990,446	4,233,777

Secured borrowing III is for a five year period and maturing in 2013, repayable monthly. The loan is secured by fixed and floating charges over all aircraft purchased by its subsidiary, F100.

Secured borrowing IV is for a five year period to January 2013, repayable monthly. The loan is secured by the aircraft of the its subsidiary, Capital Lease Aviation PLC ("CLA").

Secured borrowing V is for a seven year period to March 2015, repayable monthly. The loan is secured by the aircraft of its subsidiary, Capital Lease Malta Ltd ("CLM") and a charge over the shares in CLM.

Secured borrowing VI is for a seven year period to February 2015, repayable monthly. The loan is secured by the aircraft of its subsidiary, CLM and a charge over the shares in CLM.

Secured borrowing VII is for a five year period and maturing 2012 repayable monthly. The loan is secured by the aircraft of its subsidiary, Capital Lease Australian Portfolio One Pty Ltd.

Secured borrowing VIII is for a five year period and maturing 2013 repayable monthly. The loan is secured by the aircraft of its subsidiary, Capital Lease Australian Portfolio One Pty Ltd.

Secured borrowing IX is for a three year period to December 2013 repayable monthly. The loan is secured by the aircraft of its subsidiary, Capital Lease Australian Portfolio One Pty Ltd.

Secured borrowing X is for a four year period and maturing in 2013, repayable monthly. The loan is secured by fixed and floating charges over all aircraft purchased by its subsidiary, F100.

The Group had a facility with a related party, CaptiveVision Capital Ltd, in which the related party granted a lender of the secured borrowings of the Group a charge over its assets for US\$2,000,000 and this facility has expired during the financial year. CaptiveVision Capital Ltd charged the Group interest at 14% per annum based on the committed asset amount of A\$2,089,967 until November 2010 and interest charged at 14 % on the outstanding balance due to CaptiveVision Capital Ltd.

The average interest rates for the outside party borrowings range from 5.00% to 6.50% per annum (2010: 6% to 11% per annum).

All the loans are denominated in United States Dollars. The carrying amounts of the borrowings approximate their fair values.

23 SHORT-TERM PROVISIONS

	Group	
	2011	2010
	£	£
Maintenance reserve claim	2,849,839	2,047,185

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Group	
	2011	2010
	£	£
Movement in provision for maintenance provisions claim is as follows:		
Balance at beginning of financial year	2,047,185	1,088,555
Provision made during the financial year	1,242,589	2,860,979
Provision used during the financial year	(311,597)	(2,045,903)
Currency realignment	(128,338)	143,554
Balance at end of financial year	2,849,839	2,047,185

A provision of £1,242,589 (2010: £2,860,979) was made during the year ended 30 June 2011. This provision is based on maintaining a sufficient balance to match expected drawdowns of reserves over the lease period of the aircraft.

There were drawdowns totalling £311,597 (2010: £2,045,903) on the reserves for the year ended 30 June 2011.

24 DEFERRED TAX LIABILITIES

Recognised deferred tax assets and liabilities are attributable to the following:

<u>Group</u>	Assets	Liabilities	Net
	2011	2011	2011
	£	£	£
Property, plant and equipment	–	4,385,283	4,385,283
Other items	(641,782)	1,163,387	521,605
Tax losses carried forward	(94,950)	–	(94,950)
Tax assets	(736,732)	5,548,670	4,811,938
Set off tax	736,732	(736,732)	–
Net tax (assets)/ liabilities	–	4,811,938	4,811,938

<u>Group</u>	Assets	Liabilities	Net
	2010	2010	2010
	£	£	£
Property, plant and equipment	–	4,112,643	4,112,643
Other items	(614,415)	940,652	326,237
Tax losses carried forward	(190,856)	–	(190,856)
Tax assets	(805,271)	5,053,295	4,248,024
Set off tax	805,271	(805,271)	–
Net tax (assets)/ liabilities	–	4,248,024	4,248,024

Movement in temporary differences during the financial year:

<u>Group</u>	Recognised				Balance 30 June 2011
	Balance 1 July 2010	in profit and loss	Recognised in equity	Currency realignment	
	£	£	£	£	£
Property, plant and equipment	4,379,440	(218,483)	482,322	(257,996)	4,385,283
Other items	59,441	469,124	–	(6,960)	521,605
Tax losses carried forward	(190,857)	85,199	–	10,708	(94,950)
	4,248,024	335,840	482,322	(254,248)	4,811,938

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

Movement in temporary differences during the last financial year:

Group	Balance	Recognised	Recognised in equity	Currency realignment	Balance
	1 July 2009	in profit and loss			30 June 2010
	£	£	£	£	£
Property, plant and equipment	3,533,023	419,873	–	426,544	4,379,440
Other items	(324,025)	395,714	–	(12,248)	59,441
Tax losses carried forward	–	(182,157)	–	(8,700)	(190,857)
	3,208,998	633,430	–	405,596	4,248,024

Recognised deferred tax assets and liabilities are attributable to the following:

Company	Assets	Liabilities	Net
	2011	2011	2011
	£	£	£
Property, plant and equipment	–	138,340	138,340
Other items	–	–	–
Tax losses carried forward	–	–	–
Tax assets	–	138,340	138,340
Set off tax	–	–	–
Net tax (assets)/ liabilities	–	138,340	138,340

Company	Assets	Liabilities	Net
	2010	2010	2010
	£	£	£
Property, plant and equipment	–	193,266	193,266
Other items	–	–	–
Tax losses carried forward	–	–	–
Tax assets	–	193,266	193,266
Set off tax	–	–	–
Net tax (assets)/ liabilities	–	193,266	193,266

Movement in temporary differences during the financial year:

Company	Balance	Recognised in	Recognised in	Balance
	1 July 2010	profit and loss	equity	30 June 2011
	£	£	£	£
Property, plant and equipment	193,266	(59,464)	4,538	138,340

Movement in temporary differences during the last financial year:

Company	Balance	Recognised in	Recognised in	Balance
	1 July 2009	profit and loss	equity	30 June 2010
	£	£	£	£
Property, plant and equipment	–	193,266	–	193,266

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

25 SHARE CAPITAL

	Company	
	2011	2010
	£	£
Allotted, called up and fully paid:		
38,607,220 (2010: 26,219,010) ordinary shares of 1 penny each	386,072	262,190
a) On 26 October 2010, the Company issued 2,313,210 ordinary shares of 1 penny each following the exercise of warrants by a warrant holder for £100,000.		
b) On 30 March 2011, the Company issued 10,000,000 ordinary shares of 1 penny each following a private placement exercise for £10,000,000.		
c) On 11 April 2011, the Company issued 75,000 ordinary shares of 1 penny each following the exercise of warrants by a warrant holder for £26,625.		

26 SHARE-BASED PAYMENTS

a) Share options and warrants

The Group has an ownership-based compensation scheme for directors and senior management of the Group.

Each share warrant converts into one ordinary share of Avation PLC on exercise. No amounts are paid or are payable by the recipient on receipt of the warrant. The warrants carry neither rights to dividends nor voting rights. Warrants may be exercised at any time from the date of vesting to the date of their expiry.

Warrants are granted to the directors and senior management of the Group to gain:

- Improvement in share price
- Improvement in net profit
- Improvement in return to shareholders

The following share-based payment arrangements were in existence during the current reporting period:

Warrant series signed on	Balance at beginning of year	Granted during the year	Exercised during the year	Expired/Cancelled	Balance at end of year	Expiry date	Exercise price	Fair value at grant date
(1) 30 Oct 2006	2,289,490	–	(2,289,490)	–	–	29 Oct 2010	4.0 p	0.3 p
(2) 21 Dec 2009	425,000	–	(98,720)	–	326,280	21 Dec 2011	35.5 p	3.88 p
(3) 2 Dec 2010	–	425,000	–	–	425,000	2 Dec 2012	67.5p	13.63p

The weighted average fair value of the warrants granted during the financial year is 13.63 pence (2010:3.88 pence).

The value of the warrants granted during the year is £57,912 (2010: £16,490).

The warrants were priced using the Binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past four months.

	<u>Warrant series signed on</u> <u>2 December 2010</u>	<u>Warrant series signed on</u> <u>21 December 2009</u>
Inputs into the model		
Grant date share price	67.5 pence	35.5 pence
Exercise price	67.5 pence	35.5 pence
Expected volatility	50%	30%
Warrant life	2 years	2 years
Dividend yield	0.88%	1.42%
Risk free interest rate	3.23%	0.50%

The Company issued a total of 425,000 warrants during the financial year at 67.5 pence when the then market price was 67.5 pence.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

27 CAPITAL COMMITMENTS

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2011	2010
	£	£
Property, plant and equipment	87,921,230	–

28 OPERATING LEASES

a) Leases as Lessor

The Group and the Company lease out their aircraft held under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	Group	
	2011	2010
	£	£
In the second to fifth years inclusive	22,668,333	38,841,715
More than five years	–	–

b) Contingencies

The Company's subsidiaries, Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd receive maintenance rent from the lease of its aircraft in addition to the base rent. Lessees may be entitled to be reimbursed for specific long term maintenance items ("maintenance rent activities") that they may incur during the term of the lease. The lessees must not be in default of the lease and must satisfy certain conditions before they can claim. Furthermore, the lessees must provide invoices and supporting documentation as satisfactory evidence to Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd that the maintenance rent activity has been carried out necessarily.

The amount of the claim for any one maintenance rent activity is limited to the total amount of the maintenance rent received for that specific maintenance rent activity to date under the lease for that aircraft.

The carrying out of each specific maintenance activity is dependant on the number of cycles and flying hours conducted by the aircraft.

Consequently, Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd have a contingent liability which is conditional on the volume of cycles and flying hours of the aircraft, upon the actual cost of maintenance rent activity, the lessee making a valid claim with the required documents in the required time frame, and there being an unclaimed balance against the specific maintenance rent activity for that aircraft.

Any unclaimed balance that Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd hold at the end of the lease is not refundable to the lessees.

During the financial year ended 30 June 2011, Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd had received £1,274,280 (2010: £3,320,157) in maintenance rent.

The future claims against the maintenance reserves funds can be estimated according to manufacturers' recommendations and typical aircraft usage. Unforeseen events may occur however, which creates some uncertainty for the Company in calculating the final future claimable amount and the timing of such claims from the maintenance reserve funds.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

29 SEGMENT INFORMATION

a) Segment reporting policy

A segment is a distinguishable component of the Group within a particular economic environment (geographical segment) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

The primary format, business segments, is based on the Group's management and internal reporting structure, as reported to the chief operating decision maker. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products or services provided by the Group, information for geographical segments is based on the geographical areas where the customers are located.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets and liabilities or profit or losses items that are not directly attributable to a segment or those that cannot be allocated on a reasonable basis. Common expenses were allocated based on revenue from the Group.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

b) Primary reporting segment – business segments

During the year ended 30 June 2011, the Group was organised into two main business segments which are aircraft leasing and business procurement.

Other operations of the Group mainly comprise investment holding which does not constitute a separate reportable segment. There are no inter-segment transactions recorded during the financial period.

<u>Group</u>	Aircraft leasing	Business procurement	Total
<u>Financial year ended 30 June 2011</u>	£	£	£
Revenue & other operating income			
- Sales	16,976,513	945,074	17,921,587
- Other income	289,745	(401)	289,344
Total of all segments			18,210,931
Less: elimination of inter-segment revenue			(1,621,711)
Consolidated revenue			16,589,220

<u>Group</u>	Aircraft leasing	Business procurement	Total
<u>Financial year ended 30 June 2011</u>	£	£	£
Results			
Segment results	15,346,354	205,796	15,552,150
Finance income			3,068
Finance expense			(2,755,498)
Unallocated corporate expenses			(7,168,073)
Profit before taxation			5,631,646
Taxation			(574,920)
Profit after taxation			5,056,726
Other segment items			
Capital expenditure & valuation movement			
- property, plant and equipment	2,027,526	5,879	2,033,405
Depreciation	4,963,394	1,059	4,964,453

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

<u>Group</u>	Aircraft	Business	
<u>Financial year ended 30 June 2011</u>	leasing	procurement	Total
	£	£	£
Segment assets	97,440,829	626,473	98,067,302
Unallocated assets	-	-	-
Consolidated total assets			<u>98,067,302</u>
Segment liabilities			
Trade and other payables	3,653,046	620,825	4,273,871
Provisions of taxation	38,748	-	38,748
Short term provisions	2,849,839	-	2,849,839
Loans and borrowings	37,956,849	-	37,956,849
Deferred tax liabilities	4,811,938	-	4,811,938
Unallocated liabilities			-
Consolidated total liabilities			<u>49,931,245</u>

<u>Group</u>	Aircraft	Business	
<u>Financial year ended 30 June 2010</u>	leasing	procurement	Total
	£	£	£
Revenue & other operating income			
- Sales	17,275,930	1,149,713	18,425,643
- Other income			63,649
Total of all segments			<u>18,489,292</u>
Less: elimination of inter-segment revenue			(929,098)
Consolidated revenue			<u>17,560,194</u>

<u>Group</u>	Aircraft	Business	
<u>Financial year ended 30 June 2010</u>	leasing	procurement	Total
	£	£	£
Results			
Segment results	6,854,574	7,213	6,861,787
Finance income			5,948
Finance expense			(3,319,635)
Unallocated corporate expenses			-
Profit before taxation			<u>3,548,100</u>
Taxation			(729,517)
Profit after taxation			<u>2,818,583</u>
Other segment items			
Capital expenditure & valuation movement			
- property, plant and equipment	5,016,050	-	5,016,050
Depreciation	4,704,566	238	<u>4,704,804</u>

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

<u>Group</u>	Aircraft leasing	Business procurement	Total
<u>Financial year ended 30 June 2010</u>	£	£	£
Segment assets	94,685,198	259,826	94,945,024
Unallocated assets			-
Consolidated total assets			94,945,024
Segment liabilities			
Trade and other payables	4,902,278	296,055	5,198,333
Provisions of taxation	14,532	3,836	18,368
Short term provisions	2,047,185	-	2,047,185
Loans and borrowings	48,725,729	-	48,725,729
Deferred tax liabilities	4,248,024	-	4,248,024
Unallocated liabilities			-
Consolidated total liabilities			60,237,639

c) Second reporting segment – geographical segments

The following table provides an analysis of the revenues by geographical market, irrespective of the origin of the goods:

<u>Group</u>	Revenue	Capital expenditure and valuation movements	Total assets
<u>Financial year ended 30 June 2011</u>	£	£	£
Australia	9,185,359	1,232,461	35,628,465
United States	1,396,158	487,625	7,074,476
Denmark	5,660,100	306,667	42,619,016
Malta	-	-	925,606
United Kingdom	-	773	9,949,037
Other	49,811	5,879	1,870,702
	16,291,428	2,033,405	98,067,302

<u>Group</u>	Revenue	Capital expenditure and valuation movements	Total Assets
<u>Financial year ended 30 June 2010</u>	£	£	£
Australia	9,418,881	5,016,050	38,795,211
United States	2,200,000	-	7,649,047
Denmark	5,764,395	-	47,368,403
Nigeria	89,294	-	-
Malta	-	-	534,235
United Kingdom	-	-	338,302
Other	79,943	-	259,826
	17,552,513	5,016,050	94,945,024

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2011

	Net book value Aircraft £
Group	
<u>Financial year ended 30 June 2011</u>	
Australia	35,197,379
United States	7,074,476
Denmark	42,619,016
	84,890,871
	Net book value Aircraft £
Group	
<u>Financial year ended 30 June 2010</u>	
Australia	37,503,127
United States	7,649,047
Denmark	47,368,403
	92,520,577

During the year, certain customers accounted for greater than 10% of the Group's total revenues. There is one customer that accounts for £9,185,359 (56%) of the Group's total revenues. These revenues were based in the Australia operating segment. There is one customer that accounts for £5,660,100 (35%) of the Group's total revenue. These revenues were based in the Denmark segment.

30 CONTINGENT LIABILITIES

	Group	
	2011	2010
	£	£
Guarantees	32,440,826	40,793,333

The maximum estimated amount the Group could become liable is as shown above.

The Group has guaranteed the loans of its subsidiaries, Capital Lease Portfolio Australian One Pty Ltd, Capital Lease Malta Ltd and F100 Pty Ltd.

30 SUBSEQUENT EVENTS

Subsequent to the end of the reporting period, the following events have occurred:

- a) The Group has entered into 10-year loan facility agreements for up to US\$152.2m (in aggregate), principally provided under a mandate to Credit Agricole Corporate and Investment Bank. The loan facilities can be drawn down progressively by the Group on an aircraft by aircraft basis for the purpose of purchasing a fleet of eight new ATR72 Aircraft for operation in Australia.
- b) The eight aircraft are being leased by the Group to Australian Carrier, Skywest Airlines (Australia) Pty Ltd, who in turn operate the aircraft on behalf of Virgin Australia, under the Virgin Australia brand, pursuant to 10-year wet leases. The Group has delivered three aircraft to Skywest Airlines (Australia) Pty Ltd.

31 ULTIMATE HOLDING COMPANY

No party controls the Company.

32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company and the consolidated financial statements of the Group for the financial period ended 30 June 2011 were authorised for issue by the Board of Directors on 28 October 2011.

Register of Top 20 Shareholders

(AS AT 30 JUNE 2011)

Name of Shareholder	Holding (Number of shares)
FITEL NOMINEES LIMITED	6,553,210
FITEL NOMINEES LIMITED	2,700,000
FITEL NOMINEES LIMITED	2,314,156
APOLLO NOMINEES LTD	1,913,000
CREDIT SUISSE SECURITIES (EUROPE) LIMITED	1,583,244
VIDACOS NOMINEES LIMITED	1,525,000
CHASE NOMINEES LIMITED	1,500,000
LYNCHWOOD NOMINEES LIMITED	1,123,092
LOEB ARON & COMPANY LTD	920,000
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	900,000
SMITH & WILLIAMSON NOMINEES LIMITED	853,000
FITEL NOMINEES LIMITED	750,000
FITEL NOMINEES LIMITED	750,000
VIDACOS NOMINEES LIMITED	749,972
HARGREAVE HALE NOMINEES LIMITED	665,000
FITEL NOMINEES LIMITED	600,000
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	500,000
FITEL NOMINEES LIMITED	430,000
THE CORPORATION OF LLOYDS	400,000
HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED	383,110

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Andrew Baudinette
Bryant James McLarty

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Siobhan Mary Macgroarty Cool

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Index: Reuters/BBG
LSE
FTSE Sector: Industrial Transportation
FTSE Sub Sector: Transportation Services

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