avation PLC

ANNUAL REPORT

2012

OUR FLEET

(AS AT OCTOBER 2012)

Model	Airbus A321-200	Airbus A321-200
MSN	1921	1881
Lessee	Thomas Cook (OY-VKB)	Thomas Cook (OY-VKA)
Operational area	Europe, Scandinavia	Europe, Scandinavia

Model	Airbus A320-200	Airbus A320-200
MSN	429	052
Lessee	Skywest Airlines (VH-FNP)	US Airways Inc (N620AW)
Operational area	Australia	North America


Model	Fokker 100	Fokker 100
MSN	11373	11391
Lessee	Skywest Airlines (VH-FNU)	Skywest Airlines (VH-FSW)
Operational area	Western Australia, Northern Territory, Bali (Indonesia)	Western Australia, Victoria

Model	Fokker 100	Fokker 100
MSN	11484	11488
Lessee	Skywest Airlines (VH-FNY)	Skywest Airlines (VH-FNR)
Operational area	Western Australia, Northern Territory, Bali (Indonesia)	Western Australia, Northern Territory, Bali (Indonesia)

Fokker 100
11489
Skywest Airlines (VH-FNJ)
Western Australia

ATR 72-500
954
Virgin Australia (VH-FVH)
Eastern Australia

ATR 72-500
955
Virgin Australia (VH-FVI)
Eastern Australia

ATR 72-500
974
Virgin Australia (VH-FVL)
Eastern Australia

ATR 72-500
978
Virgin Australia (VH-FVU)
Eastern Australia

ATR 72-500
979
Virgin Australia (VH-FVM)
Eastern Australia

ATR 72-500
986
Virgin Australia (VH-FVX)
Eastern Australia

ATR 72-600
1025
Virgin Australia (VH-FVP)
Eastern Australia

ATR 72-600
1039
Virgin Australia (VH-FVN)
Eastern Australia

MSN denotes Manufacturer's Serial Number

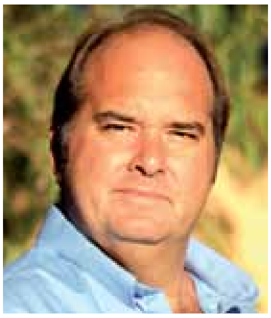
Image credits:

This Page: VH-FVH: *Damian Freiberg*.
Pages 5, 8, 13, 14, 19: *V Doroshevitch.*
Page 16: *Mickael Cavaco*

Tail of Virgin Australia Airlines ATR 72 aircraft

CONTENTS

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 2012 and to inform you of the progress that the Avation Group has made.

The highlights are:

- Increased number of aircraft from 12 to 15 with a fleet value of GBP 137 Million (US$ 214 Million);
- Net after tax profits of GBP 3,307,126;
- Basic Earnings per share of 8.16 pence;
- Dividends increased by 4% to: 1.04 pence per share;
- Delivered first six new ATR 72 aircraft into the Australian Regional Airline Network Alliance ("ARAN") to Virgin Australia;
- Arranged commercial funding of US$180 million for the initial 10 ATR aircraft;
- Cumulative Fleet growth of 25% p.a. with planned fleet expansion under the ARAN of a minimum 5 aircraft per year for the next 5 years; and
- Progressing dual listing on the Singapore Stock Exchange.

Your Board is pleased to report that in respect of the year ended 30th June 2012 the consolidated net profit after tax was GBP 3,307,126 on revenues of GBP 22,098,019 with earnings per share of 8.16 pence. Returns comprise cash yield (income) from the lease payments plus the net asset value (capital) realisable from the sale of the aircraft after repayment of associated debt obligations.

The ARAN alliance between Avation, Skywest Airlines and Virgin Australia is a unique long term aircraft operating lease arrangement and delivers a solid operating platform for the continued asset and earnings growth of the Avation business. The ARAN Fleet commenced with the order of 15 ATR 72 aircraft and 25 options and purchase rights to enable a fleet expansion of 40 aircraft to service Virgin Australia's regional airline network on the east coast of Australia with a potential value of up to US$800 million.

In the period to 30th June 2012, Avation successfully; (i) delivered 6 new ATR 72-500 aircraft with a further 4 new ATR 72-600's to be delivered by end December 2012; (ii) converted 5 options to firm delivery for aircraft delivery in 2013 and January 2014; and (iii) ordered 8 more option ATR 72-600 aircraft for delivery in 2014 and 2015.

The Avation fleet of 15 aircraft has an average age and lease term of 10.6 years and 7.8 years respectively and generates a rental yield of 14.6% from a current customer base of 4 airlines in Australia, Europe and North America.

Avation's fleet is diverse, comprising the new ATR aircraft and other aircraft including the Fokker 100s and A320 aircraft which are used for core transport services to the mining and resources sector in Australia. Avation continues to provide active fleet and financial management to ensure the retention of asset values and maximisation of earnings. In accordance with this policy the Group sold its Australian leasing subsidiary Capital Lease Australian Portfolio One Pty Ltd ("C1") on 28th June 2012 to Skywest Airlines.This C1 sale delivered a higher cash return on ageing and end of lease aircraft. Whilst increasing the overall cash reserves of the Avation Group, earnings were impacted by a fall of 1.0 penny per share on a fully diluted basis.

Revenue growth to GBP 22,098,019 was consistent with the build-out and significant investment in the ATR fleet and reflected lease income commencing in August 2011 from the delivery of the 6 ATR's. Lease revenues are forecast to grow by GBP 4.6 million in 2013 and GBP 2.9 million in 2014 respectively from the proposed ATR fleet expansion.

As of June 30th, total assets increased by GBP 58,740,060 to GBP 158,131,903. Corresponding liabilities increased to GBP 105,610,847 resulting in a moderate net asset increase of 6.2% to GBP 52,521,056.

The Company secured committed funding of US$180 million covering all aircraft deliveries for the period ending 31st December 2012 from traditional aircraft financing banks. Debt facilities are primarily asset based and limited recourse financings and matched to the leases in terms of currency, term and loan servicing ensuring there is no "through lease term" re-financing risk.

The Company believes that it can obtain access to the necessary debt for the purchase of aircraft. Access to funding nevertheless remains a risk, which is common to all businesses that are capital intensive. Specific aviation based industry risks are also present and include the creditworthiness of client airlines.

CHAIRMAN'S STATEMENT

Directors believe that they have demonstrated that the Group has a sustainable business model and are committed to develop the Avation business as a differentiated aircraft operating lease business to provide constant and defined IRR's, cash yields and predictive capital returns from investment in the narrow body aircraft market and more particularly in the Australian and South East Asian regional airline sector.

Our business provides for continued and sustainable growth in 2013 and beyond. Our fleet procurement and investment policies are robust and we will only acquire aircraft with leases attached, ensuring there is no "ramp-up" phase or speculation.

The outlook for 2013 is positive with scheduled ATR aircraft investment in FY 2013 of US$ 111 million and US$ 74 million for 2014. Net Profit after Tax is expected to increase proportionately with these increased revenues.

Avation continues to actively evaluate further preferred aircraft acquisition investment opportunities. As a result, the Company is well advanced with respect to funding of its 2013 deliveries and is developing formalised capital funding programs to provide a diversified funding base with access to both debt and equity markets. Our Singapore Stock Exchange listing remains a priority and core feature of our capital strategy going forward.

Whilst the business is engaged in funding the significant asset growth of the fleet, your Board overwhelmingly recognises the importance of rewarding shareholders and is recommending to shareholders a final dividend payment of 1.04 pence per share. Accordingly, 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.

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, 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

30 October 2012

ABOUT AVATION PLC

Avation PLC is a public company incorporated in England and Wales (11 July 2006) with its headquarters and operations now based in Singapore. The shares of the Company are traded on the Official List (Standard Listing) on the London Stock Exchange's main market for listed securities and have been since 2010. Prior to that, the Company was listed on the PLUS Markets exchange since November 2006.

The Company is principally an aircraft leasing company, which directly and through its subsidiaries either owns or leases seventeen (as of 30 October 2012) commercial passenger jet and turboprop aircraft that are leased to various airlines in Europe, the United States and Australia.

The Company has a 62 per cent holding in Capital Lease Aviation PLC ("CLA") whose shares are admitted to trading on AIM. CLA is an aircraft leasing company whose focus is on a different customer base to the Company.

The Company also owns 99.96 per cent of Avation.net Inc., a subsidiary incorporated in Delaware, through which the Company offers a procurement service to purchase technical spare parts and consumables.

Under the Australian Regional Airline Network ("ARAN") agreement between the Company, Skywest Airlines (Australia) Pty. Ltd. ("Skywest Airlines") and Virgin Australia Airlines Pty. Ltd. ("Virgin Australia"), the Company has agreed to supply a fleet of a minimum of 18 ATR 72 aircraft for use by Virgin Australia under a wet lease arrangement operated by Skywest Airlines.

Under this ARAN agreement, the Company has so far delivered 8 new ATR72 aircraft, (as of 30 Oct 2012). It will deliver 2 more ATR72 aircraft before the end of 2012 and it has firm commitments to deliver a minimum of 4 ATR72 aircraft in 2013 and a minimum of a further 4 ATR72 aircraft in 2014. The ATR72 aircraft are leased on terms of ten years, which provides the Company with a stable cash flow.

The Company believes that its services will become increasingly in demand as airlines look to reduce capital expenditure by leasing, rather than purchasing, aircraft.

SALE OF AUSTRALIAN SUBSIDIARY

In 2012 Avation subsidary Capital Lease AviationPlc ("CLA") sought to reduce exposure to some older aircraft assets in its portfolio. CLA therefore sold its wholly owned subsidiary Capital Lease Australian Portfolio One Pty Ltd ("C1") to Skywest Airlines (S) Pte Ltd ("SKWS") on 28 June.

C1 owned three Fokker F100 aircraft which were on lease to Skywest Airlines (Australia) Pty Ltd. The leases for these aircraft were to expire on 26 September 2012, 28 September 2012 and 28 February 2013. Given the approaching lease expiries and a preference to complete transactions on newer aircraft, CLA took the opportunity to dispose of all the aircraft.

The gross sale price for the company and associated CLA loan assets was $9,300,000 USD. After adjustments for obligations of the company, the net cash settlement received on 2 July 2012 by CLA was $4,319,753. CLA has improved its cash position considerably and has a relatively low level of gearing placing it in a good position to acquire some newer aircraft assets and return the company to growth.

On 28 June CLA announced an interim dividend of 0.45 pence per share, expected to be be paid in the third quarter of 2012. In the year ended 30 June 2011, C1 had revenues of US$4.6m and profit before tax of US $1.57m. and had net assets of $7.5m.

COMPANY OVERVIEW

avation PLC

GROUP STRUCTURE

AVATION PLC
UK Co. No. 5872328

Registered Office: Cheyne House, Crown Court, 61-63 Cheapside, London EC2V 6AX

Date Of Incorporation: England & Wales, 11 July 2006, admitted on LSE, on 6 October 2010

100%

F100 PTY LTD

Registered Office:
Barringtons House
283 Rokeby Road
Subiaco WA 6008

Date of Incorporation:
Victoria, Australia,
15 November 2006

62.07%

CAPITAL LEASE AVIATION PLC

Registered Office:
Cheyne House,
Crown Court,
62-63 Cheapside,
London EC2V 6AX

Date Of Incorporation:
England & Wales,
6 June 2007

- 100%

  #### CAPITAL LEASE MALTA LIMITED

  Registered Office:
  Suite 2, Tower Business Centre
  Ground Floor, Tower Street, Swatar
  Birkirkara BKR 4013
  Malta

  Date Of Incorporation:
  Malta,
  20 June 2008

- 100%

  #### CAPITAL LEASE AVIATION (S) PTE LTD

  Registered Office:
  510 Thomson Road
  #12-04 SLF Building
  Singapore 298135

  Date Of Incorporation:
  Singapore,
  30 November 2011

99.96%

AVATION.NET INC

Registered Office:
Corporation Trust Center
1209 Orange Street
Wimington USA

Date Of Incorporation:
Delaware, USA,
18 January 2000

- 100%

  #### AVATION.NET INC SINGAPORE BRANCH

  Registered Office:
  510 Thomson Road
  #12-04 SLF Building
  Singapore 298135

  Date Of Incorporation:
  Singapore,
  2 October 2007

100%

MSN 429 LIMITED

Registered Office:
Cheyne House,
Crown Court,
61-63 Cheapside,
London EC2V 6AX

Date Of Incorporation:
England & Wales,
24 March 2010

100%

AVATION EASTERN FLEET PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
8 February 2011

- 100%

  #### AIRFRAME LEASING (S) PTE LTD

  Registered Office:
  510 Thomson Road
  #12-04 SLF Building
  Singapore 298135

  Date Of Incorporation:
  Singapore,
  12 May 2011

100%

AVATION EASTERN FLEET II PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
12 January 2012

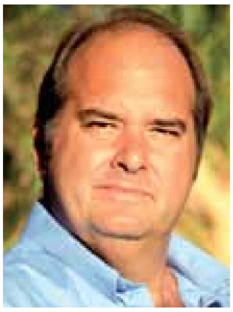
- 100%

  #### AIRFRAME LEASING (S) II PTE LTD

  Registered Office:
  510 Thomson Road
  #12-04 SLF Building
  Singapore 298135

  Date Of Incorporation:
  Singapore,
  13 January 2012

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 of a variety of patents. He has Bachelor of Engineering and Master of Engineering Science degrees 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.

Rod Mahoney
Executive Director

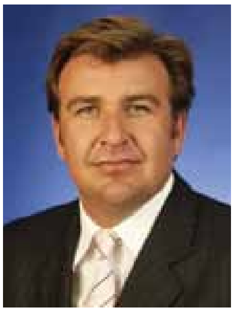
Mr Mahoney is the Chief Operating Officer and an Executive Director of the Company. Before this executive appointment, he was a fleet planning and aircraft procurement consultant to the Company. He has previously been a project advisor to a variety of Asia-Pacific airlines, suppliers and other aviation businesses, including Virgin Blue and V Australia and also held various senior executive positions at Airbus for 23 years, largely within the sales divisions covering Europe and Africa, China and the Pacific. He holds a Bachelor of Science Degree in Aeronautical Engineering (BSc. Hons), a Masters in Air Transport (MSc.) and a Masters of Applied Finance (MAppFin). Mr Mahoney holds dual citizenship of the United Kingdom and Australia and resides in Singapore. Mr Mahoney is a graduate member of the Australian Institute of Company Directors.

Andrew Baudinette
Non-Executive Director

Mr Baudinette is a founding director of the Company and long-serving executive of the Group. In 2003, Mr Baudinette was appointed CEO of the Company's subsidiary Avation.net Inc and has been its Managing Director since 2005, not only growing the existing business but also conceiving and developing its activities as the major procurement arm of the Group.

A skilled marketer and manager, he has a 25 year history in media, having held management positions in the Australian radio and newspaper industries and previously worked as a broadcaster and radio programmer in regional Australian radio. Mr Baudinette has also been involved with and driven start-up businesses in the advertising, travel, technology and entertainment industries. Mr Baudinette has assisted the Group with corporate re-structuring, transactional projects and asset acquisition.

He is also a director of a number of unlisted companies.



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. He is also a director of a number of listed and unlisted companies and is also a member of the Australian Institute of Company Directors.

CURRENT AIRCRAFT IN FLEET

(AS AT OCTOBER 2012)

MSN	Registration	Aircraft Type	Airline Lessee	Commencement Date (Original Date)	Lease term (months)	Areas of Operation
11484	(VH-FNY)	Fokker 100	Skywest Airlines (Australia) Pty Ltd	3 April 2007	114	Western Australia, Northern Territory, Bali (Indonesia)
11489	(VH-FNJ)	Fokker 100	Skywest Airlines (Australia) Pty Ltd	24 April 2004	117	Western Australia, Northern Territory, Bali (Indonesia)
11488	(VH-FNR)	Fokker 100	Skywest Airlines (Australia) Pty Ltd	3 August 2004	117	Western Australia, Northern Territory, Bali (Indonesia)
11373	(VH-FNU)	Fokker 100	Skywest Airlines (Australia) Pty Ltd	8 August 2008	72	Western Australia, Northern Territory, Bali (Indonesia)
11391	(VH-FSW)	Fokker 100	Skywest Airlines (Australia) Pty Ltd	19 August 2008	64	Western Australia, Victoria
52	(N620AW)	Airbus A320-200	US Airways Inc	28 September 1990	275	North America
1881	(OY-VKA)	Airbus A321-200	Thomas Cook Airlines Scandinavia A/S	1 April 2003	144	Europe, Scandinavia
1921	(OY-VKB)	Airbus A321-200	Thomas Cook Airlines Scandinavia A/S	28 February 2003	144	Europe, Scandinavia
429	(VH-FNP)	Airbus A320-200	Skywest Airlines (Australia) Pty Ltd	4 April 2010	36	Western Australia, Victoria
954	(VH-FVH)	ATR 72-500	Virgin Australia	11 August 2011	120	Eastern Australia
955	(VH-FVI)	ATR 72-500	Virgin Australia	18 August 2011	120	Eastern Australia
974	(VH-FVL)	ATR 72-500	Virgin Australia	13 October 2011	120	Eastern Australia
979	(VH-FVM)	ATR 72-500	Virgin Australia	29 November 2011	120	Eastern Australia
978	(VH-FVU)	ATR 72-500	Virgin Australia	26 January 2012	120	Eastern Australia
986	(VH-FVX)	ATR 72-500	Virgin Australia	1 February 2012	120	Eastern Australia
1025	(VH-FVP)	ATR 72-600	Virgin Australia	3 August 2012	120	Eastern Australia
1039	(VH-FVN)	ATR 72-600	Virgin Australia	6 September 2012	120	Eastern Australia

ATR DELIVERY SCHEDULE

(AS AT OCTOBER 2012)

Delivered Aircraft	Type	Delivery Date
Aircraft 1	ATR 72-500	August 2011
Aircraft 2	ATR 72-500	August 2011
Aircraft 3	ATR 72-500	October 2011
Aircraft 4	ATR 72-500	November 2011
Aircraft 5	ATR 72-500	January 2012
Aircraft 6	ATR 72-500	February 2012
Aircraft 7	ATR 72-600	August 2012
Aircraft 8	ATR 72-600	September 2012
Scheduled Future Deliveries as part of firm options		
Aircraft 9	ATR 72-600	November 2012
Aircraft 10	ATR 72-600	December 2012
Aircraft 11	ATR 72-600	February 2013
Aircraft 12	ATR 72-600	April 2013
Aircraft 13	ATR 72-600	July 2013
Aircraft 14	ATR 72-600	October 2013
Aircraft 15	ATR 72-600	January 2014

FUTURE STRATEGY

The Company's strategy is to continue to expand the Group's aircraft leasing business by:

- *"Capitalising on continued growth in the aircraft leasing market by acquiring additional aircraft:"* the Company intends to exploit the current growth in the aircraft leasing market by acquiring additional aircraft. The Company will adopt a flexible approach to the type of aircraft it purchases and this will depend principally on the requirements of its growing customer base. The Company is continuously evaluating potential opportunities for growth in line with its strategy, notably growing its portfolio of aircraft, in particular by maintaining communications with aircraft owners and manufacturers.
- *"Leasing aircraft to both regional and international airlines:"* the Directors expect the Group's customer base to comprise both regional and global airline companies. The Group's customer base will not be restricted to a particular geography or type of customer.
- *"Efficiently raising capital to execute its growth strategy:"* the Company expects to fund its growth strategy through a mix of retained cashflow, debt and equity financing. The Company may utilize a broad range of funding options to support its growth strategy.
- *"Continuing to support Skywest Airlines:"* the Company was originally incorporated in order to support Skywest Airlines by providing aircraft leasing facilities. While the Group now provides aircraft leasing facilities to larger airlines, Skywest Airlines will continue to be an important customer of the Group and it is intended that Avation will continue to assist Skywest Airlines with its ongoing aircraft leasing requirements, in particular, with the ATR aircraft used by Virgin Australia in the ARAN.

Aircraft Demand and the Global Commercial Aircraft Fleet

Demand for new aircraft is derived from both traffic growth and replacement of older equipment. Historically, demand for growth has been driven by economic growth and market maturity, market liberalization and the adoption of new business models. Aircraft replacement is related to the relative operating economics of old and new aircraft, fuel prices, technological improvements and the demand for conversions of passenger aircraft to freighters.

Growth Drivers

The world fleet is expected to grow steadily as airlines continue to develop service offerings to accommodate the world's rapidly growing demand for air travel. Key elements that are currently driving growth in demand for both new and used aircraft include:

- High rates of economic growth and increasing propensity to travel in emerging markets;
- Liberalisation of air service between and within countries; and
- Stimulation of traffic from growing Low Cost Carriers offering lower fares.

Replacement Drivers

The requirement to replace older aircraft that are retired or converted to freighter configuration also forms a substantial driver of aircraft demand, particularly in large mature regions. Replacement demand is driven by a number of factors including:

FUTURE STRATEGY

- Relative operating economics, reliability, and environmental considerations;
- Technological advancement, including the introduction of new aircraft and engines;
- Aircraft reaching their economic useful lives, driving retirement demand; and
- Freighter conversion demand, driving replacement demand of passenger aircraft.

Overall, the size of the global commercial aircraft fleet is expected to double over the next two decades. Airbus forecasts growth to 31,424 total aircraft by 2030, of which 26,931 will be mainline passenger jets (with more than 100 seats). In addition, Airbus predicts that the world's airlines will require more than 5,000 smaller aircraft, either jet or turboprop, to serve regional demand, especially in Europe and the United States. Boeing predicts that the world fleet will reach 39,530 aircraft in 2030, of which the vast majority - 36,030 - will be mainline passenger jets (with more than 90 seats) of which 33,500 units will be delivered new between 2011 and 2030, 60% being for growth and 40% for replacement.

Aircraft Financing and Leasing Markets

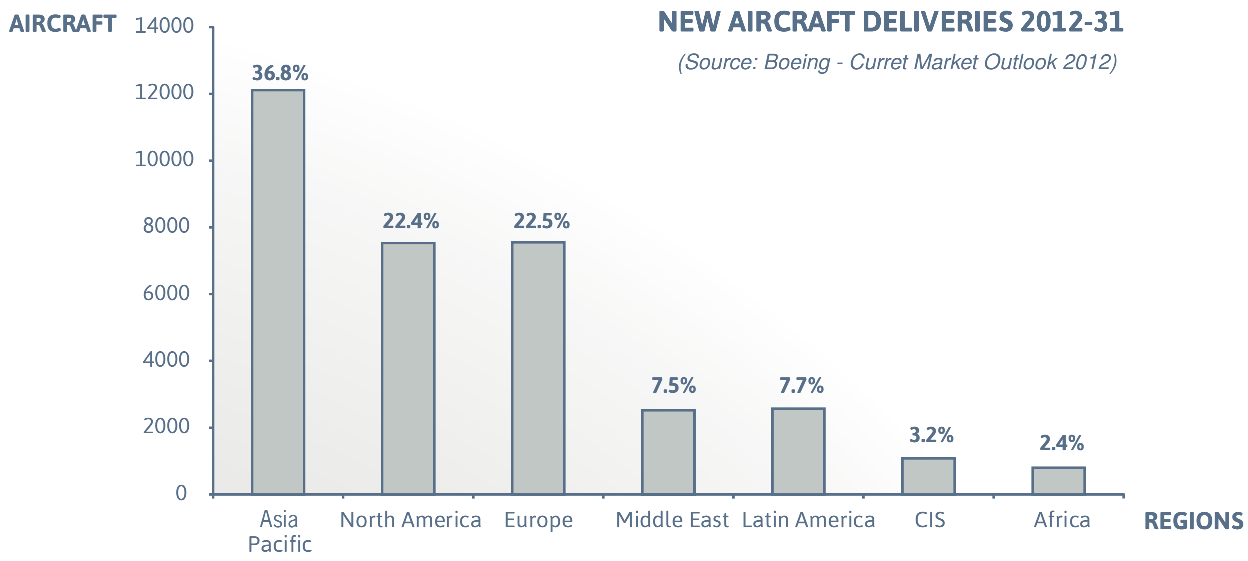
Few airlines have the internal cash available to self-finance acquisitions of new or used aircraft, and most airlines seek financing from a variety of sources, including traditional bank debt, export credit guarantees, tax leases, capital markets, and operating leases.

An aircraft operating lease is a lease wherein the lessor retains ownership of the aircraft and where the aircraft will be returned to the lessor at the end of the lease. Such leases do not impact the balance sheet of the lessee. Aircraft operating leasing has evolved over the last 40 years to become highly sophisticated and attractive to airlines, in effect becoming a source of capital that carriers utilise along with debt and equity to finance their equipment acquisitions.

Airlines are attracted to operating leasing for a variety of reasons, including low capital outlay requirements, fleet planning flexibility, delivery date availability and residual value risk avoidance. Furthermore, operating leases are often preferred by start-up carriers because they lower the capital costs for market entry.

Aircraft lessors have an intermediary role attractive to both the aircraft manufacturers and airlines. They provide an added distribution channel and an important alternative source of funding. Aircraft lessors command a sizeable position in the order books of Airbus and Boeing in particular.

Over the past 20 years, the world's airlines have increasingly turned to operating leases for their aircraft financing requirements: the percentage of the global active commercial aircraft fleet under operating lease by non-airline affiliated entities has increased from 20% in 1996 to nearly 40% in 2012.



REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and financial statements for the financial year ended 30 June 2012.

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 including KPI's can be found in the Chairman's statement on page 6. 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 24. The directors have proposed to pay a 1.04 pence 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** (in name of director and nominee)		**Deemed interest**	
Ordinary Shares of £0.01 each	**30 June 2012**	**1 July 2011**	**30 June 2012**	**1 July 2011**
Robert Jeffries Chatfield	1	1	7,039,490	6,863,210
Andrew Baudinette	1	1	670,000	620,000
Bryant James Mclarty	117,300	57,300	-	-
Roderick Douglas Mahoney	110,000	-	-	-

REPORT OF THE DIRECTORS

Significant Shareholdings

	Ordinary shares	Percentage
Fitel Nominees Limited	6,729,490	15.17%
HSBC Client Holdings Nominee (UK) Limited	5,173,463	11.66%
Lynchwood Nominees Limited	3,404,972	7.67%
Fitel Nominees Limited	2,700,000	6.08%
Fitel Nominees Limited	2,269,156	5.11%

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

(a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) 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

30 October 2012

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 (audited)

Individual Director's remuneration was as follows

Group	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Executive		
Robert Jeffries Chatfield	157,716	185,680
Roderick Douglas Mahoney	72,384	-
Non-executive		
Andrew Baudinette	140,746	109,073
Bryant James Mclarty	21,273	12,500
	392,119	307,253

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 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 *	21 Dec 2009	35.5 p	176,280	-	(176,280)	-
Robert Jeffries Chatfield *	2 Dec 2010	67.5 p	200,000	-	-	200,000
Robert Jeffries Chatfield *	12 Dec 2011	110.5 p	-	400,000	-	400,000
Andrew Baudinette **	2 Dec 2010	67.5 p	200,000	-	(75,000)	125,000
Andrew Baudinette **	12 Dec 2011	110.5 p	-	200,000	-	200,000
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
Bryant James Mclarty	12 Dec 2011	110.5 p	-	200,000	-	200,000

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

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

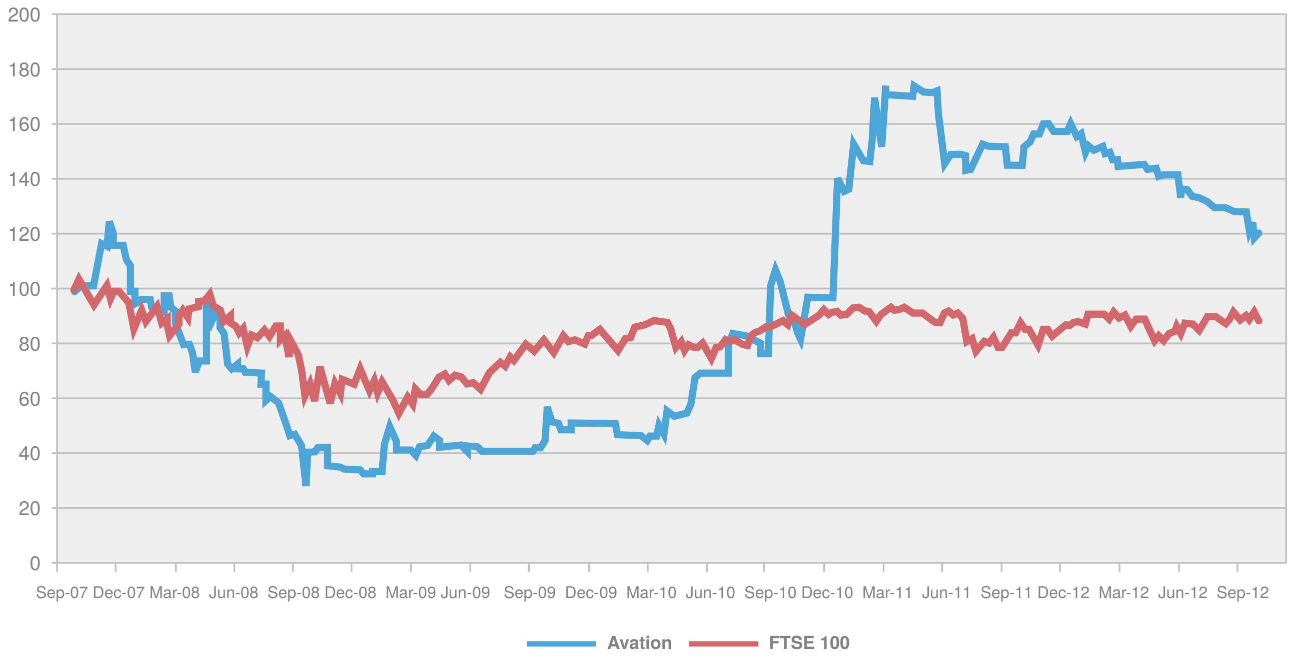
On 12 December 2011, Robert Jeffries Chatfield via Epsom Assets Limited exercised 176,280 warrants, Andrew Baudinette via Giant Mix Investments Limited exercised 75,000 warrants and Bryant James Mclarty exercised 50,000 warrants, at the exercise price of 35.5p and 67.5p. The market price on that day of exercise was 109.5p.

The weighted average fair value of the warrants granted during the financial year is 8.17 pence.

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 FTSE100 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

30 October 2012

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, and, in respect of the Company 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 2012 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 Annual Report 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 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 2012 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
- 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

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

Devonshire House
60 Goswell Road
London
EC1M 7AD

30 October 2012

avation PLC

FINANCIAL STATEMENTS

For the financial year ended 30 June 2012

Registered Number: 5872328 (England & Wales)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	2012	2011
Continuing operations		£	£
Revenue	8	22,098,019	16,291,428
Cost of sales		(713,126)	(739,278)
Gross profit		21,384,893	15,552,150
Other income	9	160,549	297,792
Other operating expenses	10	(9,159,965)	(6,207,042)
Expenses			
- Administrative expenses		(2,193,520)	(1,255,756)
- Finance expenses	11	(4,951,087)	(2,755,498)
Profit before taxation	13	5,240,870	5,631,646
Taxation	14	(1,079,660)	(574,920)
Profit from continuing operations for the year		4,161,210	5,056,726
Other comprehensive income			
Currency translation differences arising on consolidation		528,268	(1,809,245)
Revaluation (loss) / gain on property, plant and equipment, net of tax		(3,081,286)	859,629
Other comprehensive income for the year, (net of tax)		(2,553,018)	(949,616)
Total comprehensive income for the year		1,608,192	4,107,110
Profit attributable to:			
Equity holders of the parent		3,307,126	3,627,293
Non-controlling interest		854,084	1,429,433
		4,161,210	5,056,726
Total comprehensive income attributable to:			
Equity holders of the parent		1,462,520	3,128,808
Non-controlling interest		145,672	978,302
		1,608,192	4,107,110
Earnings per share	15		
- Basic – continuing and total operations		8.16 pence	11.95 pence
- Fully Diluted – continuing and total operations		8.13 pence	11.84 pence

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2012	2011
	£	£
Profit for the year	953,896	1,288,382
Other comprehensive income:		
Revaluation gains on property, plant and equipment, net of tax	–	22,158
Other comprehensive income for the year, (net of tax)	–	22,158
Total comprehensive income for the year	953,896	1,310,540

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2012

	Note	2012 £	2011 £
ASSETS			
Current assets:			
Cash and cash equivalents		5,824,099	5,626,771
Trade and other receivables	16	5,770,332	7,542,395
Prepayments	17	297,904	–
Inventories	18	9,168	1,946
Total current assets		11,901,503	13,171,112
Non-current assets:			
Trade and other receivables	16	5,403,585	–
Prepayments	17	2,452,619	–
Property, plant and equipment	20	137,049,655	84,896,190
Goodwill	21	1,324,541	1,324,541
Total non-current assets		146,230,400	86,220,731
Total assets		158,131,903	99,391,843
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	22	3,242,101	3,331,862
Deferred lease income	23	58,519	–
Provision for taxation		332,421	38,748
Loans and borrowings	24	12,522,177	9,865,455
Short-term provisions	25	1,901,456	2,849,839
Total current liabilities		18,056,674	16,085,904
Non-current liabilities:			
Trade and other payables	22	3,883,863	942,009
Deferred lease income	23	468,156	–
Loans and borrowings	24	79,402,426	28,091,394
Deferred tax liabilities	26	3,799,728	4,811,938
Total non-current liabilities		87,554,173	33,845,341
Equity attributable to shareholders:			
Share capital	27	423,745	386,072
Share premium		14,192,267	10,543,750
Assets revaluation reserve		5,465,206	7,436,517
Capital redemption reserve		7,000	7,000
Warrant reserve		120,779	74,381
Capital reserve		1,636,511	–
Foreign currency translation reserve		2,515,434	2,388,729
Retained earnings		17,790,185	14,890,326
		42,151,127	35,726,775
Non-controlling interest		10,369,929	13,733,823
		52,521,056	49,460,598
Total liabilities and equity		158,131,903	99,391,843

Approved by the board and authorised for issue on 30 October 2012

Robert Jeffries Chatfield

Director

COMPANY BALANCE SHEET

AS AT 30 JUNE 2012

	Note	2012 £	2011 £
ASSETS			
Current assets:			
Cash and cash equivalents		757,149	3,310,383
Trade and other receivables	16	6,632,083	5,961,754
Total current assets		7,389,232	9,272,137
Non-current assets:			
Trade and other receivables	16	5,403,585	–
Investment in subsidiaries	19	3,145,790	1,440,336
Property, plant and equipment	20	5,356,415	5,654,618
Total non-current assets		13,905,790	7,094,954
Total assets		21,295,022	16,367,091
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	22	815,303	719,896
Provision for taxation		–	–
Loans and borrowings	24	1,350,401	1,252,377
Total current liabilities		2,165,704	1,972,273
Non-current liabilities:			
Trade and other payables	22	1,697,447	–
Loan and borrowings	24	432,491	1,738,069
Deferred tax liabilities	26	201,754	138,340
Total non-current liabilities		2,331,692	1,876,409
Capital and reserves:			
Share capital	27	423,745	386,072
Share premium		14,192,267	10,543,750
Assets revaluation reserve		22,158	22,158
Capital redemption reserve		7,000	7,000
Warrant reserve		120,779	74,381
Retained earnings		2,031,677	1,485,048
Net equity		16,797,626	12,518,409
Total liabilities and equity		21,295,022	16,367,091

Approved by the board and authorised for issue on 30 October 2012

Robert Jeffries Chatfield

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Share capital £	Share premium £	Assets revaluation reserve £	Capital Redemption reserve £	Warrant Reserve £	Capital reserve £	Foreign currency translation reserve £	Retained earnings £	Total £	Non-Controlling Interest £	Total Equity £
Group											
Balance at 1 July 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
Profit for the year	–	–	–	–	–	–	–	3,307,126	3,307,126	854,084	4,161,210
Other comprehensive income	–	–	(1,971,311)	–	–	–	126,705	–	(1,844,606)	(708,412)	(2,553,018)
Total comprehensive income	–	–	(1,971,311)	–	–	–	126,705	3,307,126	1,462,520	145,672	1,608,192
Dividend related to 2011 paid	–	–	–	–	–	–	–	(407,267)	(407,267)	–	(407,267)
Dividend of subsidiary paid to minority shareholders	–	–	–	–	–	–	–	–	–	(167,603)	(167,603)
Increase in issued share capital	37,673	3,817,724	–	–	(18,988)	–	–	–	3,836,409	–	3,836,409
Acquisition of ordinary shares in subsidiary	–	–	–	–	–	–	–	–	–	(3,341,963)	(3,341,963)
Share issue expenses	–	(169,207)	–	–	–	–	–	–	(169,207)	–	(169,207)
Capital expenses	–	–	–	–	–	1,636,511	–	–	1,636,511	–	1,636,511
Warrant expenses	–	–	–	–	65,386	–	–	–	65,386	–	65,386
Balance at 30 June 2012	423,745	14,192,267	5,465,206	7,000	120,779	1,636,511	2,515,434	17,790,185	42,151,127	10,369,929	52,521,056
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

During the financial year, the Company increased its share holding in its subsidiary, Capital Lease Aviation PLC from 51.18% to 62.07%. The consideration for the acquisition of the CLA shares is through the allotment of 1,647,781 new ordinary shares.

The dividend paid during the year was for 1p (2011: 0.6p) per share.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Share capital £	Share premium £	Asset Revaluation Reserve £	Capital redemption Reserve £	Warrant Reserve £	Retained earnings £	Total £
Company							
Balance at 1 July 2011	386,072	10,543,750	22,158	7,000	74,381	1,485,048	12,518,409
Profit for the year	–	–	–	–	–	953,896	953,896
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	953,896	953,896
Dividend relating to 2011 paid	–	–	–	–	–	(407,267)	(407,267)
Increase of issued share capital	37,673	3,817,724	–	–	(18,988)	–	3,836,409
Share issue expenses	–	(169,207)	–	–	–	–	(169,207)
Warrant expenses	–	–	–	–	65,386	–	65,386
Balance at 30 June 2012	423,745	14,192,267	22,158	7,000	120,779	2,031,677	16,797,626
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

The dividend paid during the year was for 1p (2011: 0.6p) per share.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	2012 £	2011 £
Cash flows from operating activities:		
Profit before taxation	5,240,870	5,631,646
Adjustments for:		
Depreciation expense	6,515,334	4,964,453
Claim on maintenance reserve	1,257,494	1,242,589
Impairment loss on property plant and equipment	990,924	–
Amortisation of loan premium	225,283	–
Amortisation of deferred lease expense	4,207	–
Loss on disposal of subsidiary	396,213	–
Warrant expense	65,386	74,381
Interest expense	4,721,597	2,680,231
Interest income	(59,643)	(3,607)
Operating profit before working capital changes	19,357,665	14,589,693
Movement in working capital:		
Trade and other receivables and prepayments	(4,099,516)	(5,157,029)
Inventories	(7,222)	(1,239)
Deferred lease income	526,675	–
Trade and other payables	5,416,497	(972,482)
Short-term provisions	(571,189)	(311,597)
Cash from operations	20,622,910	8,147,346
Interest paid	(4,721,597)	(2,809,256)
Interest received	59,643	3,607
Corporation tax paid	(298,554)	(440,543)
Net cash from operating activities	15,662,402	4,901,154
Cash flows from investing activities:		
Cash outflow from disposal of subsidiary – See Note A	(127,977)	–
Purchase of property, plant and equipment	(4,884,565)	(19,233)
Loan to related parties	–	(1,579,860)
Net cash (used in) investing activities	(5,012,542)	(1,599,093)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	1,961,749	9,418,374
Dividends paid	(407,266)	(171,193)
Proceeds from borrowings	–	1,257,800
Repayment of borrowings	(10,960,417)	(8,192,846)
Capital element of finance lease repayments	(1,497,535)	(1,355,278)
Net cash (used in) from financing activities	(10,903,469)	956,857
Effects of exchange rates on cash and cash equivalents	450,937	139,972
Net increase in cash and cash equivalents	197,328	4,398,890
Cash and cash equivalents at beginning of financial year	5,626,771	1,227,881
Cash and cash equivalents at end of financial year	5,824,099	5,626,771

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Note A – Disposal of a subsidiary, Capital Lease Australian Portfolio One Pty Ltd:

The aggregate cash inflows arising from the disposal of Capital Lease Australian Portfolio One Pty Ltd were:

	£
Cash	127,977
Trade and other receivables	1,194,144
Property, plant and equipment	6,849,275
Trade and other payables	(2,564,404)
Borrowings	(2,392,449)
Provisions	(1,634,688)
Income tax payable	(329,515)
Identifiable net assets disposed	1,250,340
Loss on disposal	(396,213)
Cash proceeds from disposal	854,127
Less: cash and cash equivalents in subsidiary disposed	(127,977)
Net cash inflow on disposal, receivable after year end	726,150

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

	2012 £	2011 £
Pounds Sterling	36,680	2,878,890
United States Dollars	5,663,893	2,686,475
Australian Dollars	10,734	11,089
Euro	1,060	1,198
Singapore Dollars	111,732	49,119
	5,824,099	5,626,771
Interest earning balances	5,712,367	5,577,652

The rate of interest for the cash on interest earning accounts is at 1.0% to 4.5% (2011:1.0% to 4.5%) per annum. These approximate the weighted effective interest rate.

COMPANY STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	2012 £	2011 £
Cash flows from operating activities:		
Profit before taxation	1,017,381	1,228,848
Adjustments for:		
Dividend income	(274,272)	-
Depreciation	299,376	226,093
Warrant expense	65,386	74,381
Interest expense	56,375	154,744
Operating profit before working capital changes	1,164,246	1,684,066
Movement in working capital:		
Trade and other receivables	(5,799,642)	(4,645,598)
Trade and other payables	1,792,854	29,195
Cash (used in) from operations	(2,842,542)	(2,932,337)
Interest paid	(56,375)	(283,769)
Corporation tax paid	(72)	-
Net cash (used in) operating activities	(2,898,989)	(3,216,106)
Cash flows from investing activities:		
Loan to related parties	-	(1,579,860)
Purchase of property, plant and equipment	(1,173)	-
Investment in subsidiaries	(1)	(49)
Net cash (used in) investing activities	(1,174)	(1,579,909)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	1,961,749	9,418,374
Dividends paid	(407,266)	(171,193)
Capital element of finance lease repayments	(1,207,554)	(1,355,280)
Net cash from financing activities	346,929	7,891,901
Net (decrease) increase in cash and cash equivalents	(2,553,234)	3,095,886
Cash and cash equivalents at beginning of financial year	3,310,383	214,497
Cash and cash equivalents at end of financial year	757,149	3,310,383

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

	2012 £	2011 £
Pounds Sterling	27,399	2,824,927
United States dollars	726,622	485,456
Singapore dollars	3,128	-
	757,149	3,310,383

The rate of interest for the cash on interest earning accounts is at 1.0% (2011:1.0%) per annum. These approximate the weighted effective interest rate.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1 GENERAL

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 5872328) 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 2012.

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.

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 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

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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

The residual values, useful lives and depreciation methods are revised and adjusted if appropriate, at each reporting date.

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.

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 and 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.d.

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.

(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.

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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 a UK incorporated Company. 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.

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 Pounds 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 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 - 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.

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 adverse change in an aircraft's physical condition or a significant adverse change in cash-flow associated with the use of the aircraft. The Group continues to record positive cash flows from its aircraft.

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

The Group regularly revalues its aircraft using independent valuers valuations. During the financial year, the Group revalued its older aircraft using independent valuers valuations and the carrying amount of the aircraft is reduced to its recoverable value. Impairment losses were recognised as an expense immediately.

(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

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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.

(v) Consolidation of special purpose entity ("SPE") – Avation Airframe Holdings Pte. Ltd.

The directors have considered whether this company, which was set up during the year and which forms part of a financing structure to facilitate the acquisition of certain new aircraft, should be consolidated as a subsidiary undertaking. Although the ultimate shareholder of the SPE is a trust, the directors consider that Avation PLC has the power to control the day to day activities of the SPE and indeed does so in practice through one of its wholly owned subsidiary undertakings. Furthermore, Avation PLC is entitled to the benefits and exposed to the risks of the activities of the SPE, which are entirely consistent with the ongoing major operations of the Avation Group, and are conducted on behalf of the Group according to the Group's specific business needs. Accordingly the directors consider that the SPE is controlled by the Group and have consolidated it as a subsidiary in these financial statements.

The Group would cease to control the SPE in the event of a "Relevant Event" as defined in the financing agreement, for example, a delay in payment of interest. Were this to occur consolidation would cease at that point although the Group has no intention, or anticipation, that any such event will occur.

5 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

The 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 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1	1 July 2012
IAS 12 Income Taxes (Amendment) – Deferred Taxes : Recovery of Underlying Assets	1 January 2013
IAS 19 Employee Benefits (Revised)	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 9 Financial Instruments – Classification and Measurement	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

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

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, and equipment failure.. 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	
	2012	2011
	£	£
Australia	580,392	1,137,182
United Kingdom	119,755	74,916
Others	1,531,609	18,167
	2,231,756	1,230,265

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 £1,391,251 (2011: £1,129,826).

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	
	2012	2011
	£	£
Past due < 3 months	163,133	49,216
Past due 3 to 6 months	654,448	51,223
Past due over 6 months	22,925	–
	840,506	100,439

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.

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FOR THE YEAR ENDED 30 JUNE 2012

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:

Group	Pounds Sterling	United States Dollars	Australian Dollars	Euro	Singapore Dollars	Total
2012	£	£	£	£	£	£
Cash and cash equivalents	36,680	5,663,893	10,734	1,060	111,732	5,824,099
Trade and other receivables	246,943	10,833,491	3,711	52,172	37,600	11,173,917
Prepayments	–	2,801,896	–	–	–	2,801,896
Loans and borrowings	–	(91,924,603)	–	–	–	(91,924,603)
Deferred lease income	–	(526,675)	–	–	–	(526,675)
Other financial liabilities	(121,108)	(6,539,685)	(7,221)	(5,228)	(452,723)	(7,125,965)
Currency exposure	162,515	(79,691,683)	7,224	48,004	(303,391)	(79,777,331)
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)

Company	Pounds Sterling	United States dollars	Australian Dollars	Euro	Singapore Dollars	Total
2012	£	£	£	£	£	£
Cash and cash equivalents	27,399	726,622	–	–	3,128	757,149
Trade and other receivables	241,772	11,733,016	3,711	51,795	5,374	12,035,668
Loans and borrowings	–	(1,782,892)	–	–	–	(1,782,892)
Other financial liabilities	(72,097)	(2,322,201)	(4,312)	(1,394)	(112,746)	(2,512,750)
Currency exposure	197,074	8,354,545	(601)	50,401	(104,244)	8,497,175
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	(51,179)	(604,003)	(4,385)	–	(60,329)	(719,896)
Currency exposure	2,780,534	2,838,160	(4,385)	–	(52,514)	5,561,795

If the foreign currencies changes against the Pound Sterling by 10% (2011: 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:

	Increase/(Decrease)		Increase/(Decrease)	
	2012	2012	2011	2011
Group	Profit after tax	Equity	Profit after tax	Equity
	£	£	£	£
USD against £				
- strengthen	(7,969,168)	–	(3,217,355)	–
- weakened	7,969,168	–	3,217,355	–
AUD against £				
- strengthen	722	–	39,545	–
- weakened	(722)	–	(39,545)	–
Euro against £				
- strengthen	4,800	–	(458)	–
- weakened	(4,800)	–	458	–
SGD against £				
- strengthen	(30,339)	–	(8,812)	–
- weakened	30,339	–	8,812	–

	Increase/(Decrease)		Increase/(Decrease)	
	2012	2012	2011	2011
Company	Profit after tax	Equity	Profit after tax	Equity
	£	£	£	£
USD against £				
- strengthen	835,455	–	283,816	–
- weakened	(835,455)	–	(283,816)	–
AUD against £				
- strengthen	(60)	–	(439)	–
- weakened	60	–	439	–
Euro against £				
- strengthen	5,040	–	–	–
- weakened	(5,040)	–	–	–
SGD against £				
- strengthen	(10,424)	–	(5,251)	–
- weakened	10,424	–	5,251	–

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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.

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

Group	Less than 1 year	Between 1and 2 years	Between 2 and 5 years	Over 5 years
2012	£	£	£	£
Trade and other payables	3,242,101	-	-	3,883,863
Deferred lease income	58,519	62,727	188,181	217,248
Loans and borrowings	15,900,805	10,244,405	27,929,755	53,288,663
	19,201,425	10,307,132	28,117,936	57,389,774
2011				
Trade and other payables	3,331,862	2,437	939,572	-
Deferred lease income	-	-	-	-
Loans and borrowings	11,953,758	12,017,462	19,182,962	-
	15,285,620	12,019,899	20,122,534	-

Company	Less than 1 year	Between 1and 2 years	Between 2 and 5 years	Over 5 years
2012	£	£	£	£
Trade and other payables	815,303	1,697,447	–	–
Loans and borrowings	1,825,138	–	–	–
	2,640,441	1,697,447	–	–
2011				
Trade and other payables	719,896	-	–	–
Loans and borrowings	1,373,458	1,779,253	–	–
	2,093,354	1,779,253	–	–

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 a suitable capital structure so as to fund growth and 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	
	2012	2011	2012	2011
	£	£	£	£
Net debt	93,226,468	36,603,949	3,538,493	399,959
Total equity	52,521,056	49,460,598	16,797,626	12,518,409
Total capital	145,747,524	86,064,547	20,336,119	12,918,368
Gearing ratio	64%	42%	17%	3%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2012 and 30 June 2011.

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.

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	
	2012	2011	2012	2011
	£	£	£	£
Key management of the Group				
- Directors' fee paid to directors of the Company	151,657	92,500	79,273	92,500
- Directors' fee paid to directors of subsidiaries	323,368	313,942	–	–
- Superannuation paid for a director of subsidiaries	25,560	21,949	–	–
- Salary paid to a director of the Company	116,746	94,073	–	–

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

	Group	
	2012	2011
	£	£
Aggregate emoluments	157,716	185,680

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

(b) Significant Related party transactions:

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Sales of goods to a related party [1]	198,070	659,547	–	–
Sales of goods to a related party [2]	4,652	–	–	–
Sales of goods to a related party [3]	933	–	–	–
Sales of goods to a related party [4]	9,470	–	–	–
Service fee income from a related party [6]	75,235	–	–	–
Service rendered to a related party [5]	36,219	109,352	–	–
Maintenance rent received from a related party [7]	1,264,655	1,274,280	–	–
Rental income received from a related party [7]	12,485,232	6,996,229	–	–
Rental income received from a related party [8]	228,235	–	228,235	–
Service fee income from a related party [7]	–	19,586	–	19,586
Sale of a subsidiary to a related party [6]	854,127	–	–	–
Expenses rebilled to a related party [7]	–	29,873	–	–
Interest income received from a related party [9]	12,293	–	12,293	–
Interest income received from a related party [10]	484	433	–	–
Interest income received from a related party [11]	42,895	–	42,895	–
Service fee paid to Loeb Aron & Company Ltd [12]	12,189	8,501	12,189	8,501
Service fee paid to Giant Mix Investment Ltd [13]	10,164	–	10,164	–
Service fee paid to Takeoff Services Pte Ltd [14]	161,260	–	161,260	–
Service fee paid to a related party [15]	2,033	–	2,033	–
Consulting fee paid to a related party [15]	235,614	–	19,171	–
Guarantee and commitment fee paid to a related party [16]	–	75,267	–	–
Expenses rebilled from a related party [15]	32,873	32,124	16,306	16,947
Arrangement fee paid to a related party [17]	–	15,723	–	–
Advance fee paid to a related party [18]	48,214	–	32,430	–
Interest expense paid to a related party [17]	–	33,017	–	–
Interest expense paid to a related party [18]	89,269	13,757	69,934	–
Interest expense paid to a related party [16]	2,835	15,597	–	–
Purchase of aircraft from a related party [19]	–	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 - Sales of goods to Skywest Airlines (Singapore) Pte Ltd in which a director of the Company is also a director of Skywest Airlines (Singapore) Pte Ltd.

3 - Sales of goods to Takeoff Services Pte Ltd in which a director of the Company is also a director of Takeoff Services Pte Ltd.

4 - Sales of goods to F11305 Pte Ltd in which a director of the Company is also a director of F11305 Pte Ltd.

5 - 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.

6 - On 28 June 2012, the Group disposed of its 100% interest in Capital Lease Australian Portfolio One Pty Ltd 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 Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.

8 - Received from F11305 Pte Ltd in which a director of the Company is also a director of F11305 Pte Ltd.

9 - Received from Takeoff Services Pte Ltd in which a director of the Company is also a director of Takeoff Services Pte Ltd.

(b) Significant Related party transactions (cont'd):

10 - Received from Giant Mix Investments Ltd in which a director of the Company is a director of Giant Mix Investments Ltd.

11 - Received from CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital Ltd.

12 - Paid to Loeb Aron & Company Ltd in which a director of a subsidiary is a director of Loeb Aron & Company Ltd.

13 - Paid to Giant Mix Investment Ltd in which a director of a subsidiary is a director of Giant Mix Investment Ltd.

14 - Paid to Takeoff Services Pte Ltd in which a director of a subsidiary is a director of Takeoff Services Pte Ltd.

15 - Paid to Skywest Airlines (Singapore) Pte Ltd in which a director of the Company is also a director of Skywest Airlines (Singapore) Pte Ltd.

16 - Paid to CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital Ltd.

17 - 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.

18 - Paid to Fleet Solution Consulting Pte Ltd in which a director of a subsidiary is also a director of Fleet Solution Consulting Pte Ltd.

19 - 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 last financial 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.

8 REVENUE

	Group	
	2012	2011
	£	£
Rental income	19,797,214	14,052,487
Maintenance rent revenue	1,264,655	1,274,280
Management and service income	205,514	128,940
Sales of finished goods	830,636	835,721
	22,098,019	16,291,428

9 OTHER INCOME

	Group	
	2012	2011
	£	£
Interest income	59,643	3,608
Foreign currency exchange adjustment gain	84,738	293,565
Others	16,168	619
	160,549	297,792

10 OTHER OPERATING EXPENSES

	Group	
	2012	2011
	£	£
Claim on maintenance reserve expense	1,257,494	1,242,589
Depreciation of property, plant and equipment	6,515,334	4,964,453
Impairment loss on property plant and equipment	990,924	–
Loss on disposal of a subsidiary (1)	396,213	–
	9,159,965	6,207,042

(1) On 28 June 2012, the Company disposed of its 100% interest in Capital Lease Australian Portfolio One Pty Ltd for a cash consideration of £854,127. The carrying amounts of identifiable net assets disposed of were £1,250,340 at 28 June 2012, resulting in a loss on disposal of £396,213.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

11 FINANCE EXPENSES

	Group	
	2012 £	2011 £
Interest expense on secured borrowings	4,721,597	2,680,231
Guarantee and commitment fee	–	75,267
Amortisation of loan premium	225,283	–
Amortisation of deferred lease expense	4,207	–
	4,951,087	2,755,498

12 STAFF COSTS

	Group	
	2012 £	2011 £
Directors' fees paid to directors of the Company	151,657	92,500
Directors' fee paid to directors of the subsidiaries	323,368	313,942
Wages and salaries	116,746	120,859
Employer's contribution to defined contribution plans including superannuation	25,560	21,949
Warrant expense	65,386	57,912
	682,717	607,162

13 PROFIT BEFORE TAXATION

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

	Group	
	2012 £	2011 £
Claim on maintenance reserve expense	1,257,493	1,242,589
Depreciation of property, plant and equipment	6,515,334	4,964,453
Foreign currency exchange adjustment gain	(81,216)	(293,565)
Auditors' remuneration for audit services	21,750	19,000
Auditors' remuneration for non-audit services		
- Corporate taxation	2,250	1,000

14 TAXATION

	Group	
	2012 £	2011 £
Current tax expense		
- United Kingdom	58,004	23,494
- Overseas	834,034	194,862
(Over)/Under provision in prior years tax expense		
- United Kingdom	1,318	-
- Overseas	(6,140)	-
Deferred tax expense – United Kingdom	6,908	(142,724)
Deferred tax expense – overseas	166,234	478,564
Under provision in prior years deferred tax expense - overseas	7,690	-
Other tax – overseas – current	11,612	20,724
	1,079,660	574,920

The standard rate of current tax for the period based on the Singapore standard rate of corporation tax is 17% (2011: 27.5%). The current tax expense for the period is less than 17% (2011: 27.5%) for the reasons set out in the following reconciliation:

	Group	
	2012	2011
	£	£
Profit before income tax	5,240,870	5,631,646
Tax calculated at tax rate of 17% (2011: 27.5%)	890,948	1,548,703
Effects of:		
Non-taxable items	(83,792)	(411,527)
Capital allowances and other temporary differences	(552,436)	(1,018,857)
Different tax rates of other countries	637,318	100,109
Adjustment to tax charge in respect of previous periods	(4,822)	(72)
Total income tax expense	887,216	218,356

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	
	2012	2011
	£	£
Net profit attributable to equity holders of the Company	3,307,126	3,627,293
Weighted average number of ordinary shares	40,515,436	30,355,109
Basic earnings per share	8.16 pence	11.95 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	
	2012	2011
	£	£
Net profit attributable to equity holders of the Company	3,307,126	3,627,293
Weighted average number of ordinary shares	40,515,436	30,355,109
Adjustment for:		
- Warrants	165,337	286,238
Weighted average number of ordinary shares	40,680,773	30,641,347
Diluted earnings per share	8.13 pence	11.84 pence

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
Current	2012	2011	2012	2011
	£	£	£	£
Non-trade receivables -subsidiaries	–	–	6,139,552	309,156
Trade receivables - subsidiaries	–	–	119,755	–
Non-trade receivables – related parties	3,027,831	988,380	333,283	987,250
Trade receivables – related party	1,832,212	1,134,033	20,091	–
Trade receivables	399,544	96,232	–	–
Other receivables	17,557	23,463	10,053	15,990
Prepaid expense	369,925	30,454	9,349	9,373
Tax recoverable	–	440,795	–	–
Advances – related party	19,749	10,782	–	–
Accrued income – related party	103,514	178,271	–	–
Deposit for aircraft	–	4,639,985		4,639,985
	5,770,332	7,542,395	6,632,083	5,961,754

	Group		Company	
Non-current	2012	2011	2012	2011
	£	£	£	£
Deposit for aircraft	5,403,585	–	5,403,585	–

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

a) £222,251 (2011: £279,520) from F100 Pty Ltd. Management and service income of £200,000 (2011: £175,000).

b) £89 (2011: £10,421) and trade receivables of £119,755 (2011: £Nil) from MSN 429 Limited. Rental income of £1,408,297 (2011: £1,422,565) were received from MSN 429 Limited.

c) £Nil (2011: £202) from Capital Lease Australian Portfolio One Pty Ltd.

d) £274,272 (2011: £Nil) from Capital Lease Aviation Plc. Dividend income of £274,272 (2011: £Nil) were received from Capital Lease Aviation Plc.

e) £197,090 (2011: £18,053) from Avation.net Inc. Management and service income of £Nil (2011: £22,475) and interest income of £800 (2011: £Nil).

f) £681,095 (2011: £960) from Avation Eastern Fleet Pte. Ltd

g) £259,395 (2011: £Nil) from Avation Eastern Fleet II Pte. Ltd

h) £1,007 (2011: £Nil) from Airframe Leasing (S) Pte. Ltd

i) £4,504,353 (2011: £Nil) from Avation Airframe Holding Pte. Ltd

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

a) £Nil (2011: £19,586) 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 £Nil (2011:£19,586) were paid to Skywest Airlines (Australia) Pty Ltd.

b) £107,839 (2011: £686,730) from CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital Ltd.

c) £225,242 (2011: £280,934) from Takeoff Services Pte. Ltd. in which a director of the Company is a director of Takeoff Services Pte. Ltd.

d) £202 (2011: £Nil) from Capital Lease Australian Portfolio One Pty Ltd. in which a director of the Company is a director of Capital Lease Australian Portfolio One Pty Ltd.

e) Trade receivables of £20,091 (2011: £Nil) from F11305 Pte Ltd. in which a director of the Company is a director of F11305 Pte Ltd. Rental income of £228,235 (2011: £Nil) was received from F11305 Pte Ltd.

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

a) Trade receivables of £1,812,121 (2011: £1,134,033) from Skywest Airlines (Australia) Pty Ltd, in which a director of the Company is a director. Rental income of £12,485,232 (2011: £6,996,229), maintenance rent revenue of £1,264,655 (2011: £1,274,280), sales of finished goods of £783,292 (2011: £659,547) and management and service income of £45,688 (2011: £109,352) were received from Skywest Airlines (Australia) Pty Ltd.

b) Trade receivables of £20,091 (2011: £Nil) from F11305 Pte Ltd. in which a director of the Company is a director of F11305 Pte Ltd. Rental income of £228,235 (2011: £Nil) were received from F11305 Pte Ltd.

c) £Nil (2011: £19,586) from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is a director of Skywest Airlines (Australia) Pty Ltd.

d) £107,839 (2011: £686,838) from CaptiveVision Capital Ltd in which a director of the Company is a director of CaptiveVision Capital Ltd.

e) £225,242 (2011: £280,934) from Takeoff Services Pte. Ltd. in which a director of the Company is a director of Takeoff Services Pte. Ltd.

f) £202 (2011: £Nil) from Capital Lease Australian Portfolio One Pty Ltd. in which a director of the Company is a director of Capital Lease Australian Portfolio One Pty Ltd.

g) £2,694,548 (2011: £1,022) from Skywest Airlines (S) Pte. Ltd. in which a director of the Company is a director of the Skywest Airlines (S) Pte. Ltd.

h) £19,749 (2011: £10,782) due from 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.

i) Accrued income of £103,514 (2011: £178,271) 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	
	2012	2011	2012	2011
	£	£	£	£
Pounds Sterling	246,943	6,841	241,772	6,786
United States dollars	10,833,492	7,124,170	11,733,016	5,947,153
Australian dollars	3,711	402,672	3,711	–
Euro	52,171	42	51,795	–
Singapore dollars	37,600	8,670	5,374	7,815
	11,173,917	7,542,395	12,035,668	5,961,754

17 PREPAYMENTS

Prepayments represent loan premiums on amount due to outside parties and are amortised over 10 years.

18 INVENTORIES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Finished goods, at cost	9,168	1,946	–	–

The cost of inventories recognised as an expense and included in the cost of sales amounts to £713,126 (2011: £739,278).

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FOR THE YEAR ENDED 30 JUNE 2012

19 INVESTMENT IN SUBSIDIARIES

	Company 2012 £	Company 2011 £
Unquoted equity shares, at cost	1,390,237	1,390,236
Quoted equity shares, at cost	1,755,553	50,100
	3,145,790	1,440,336
Quoted equity shares, at market value	10,256,645	7,515,000

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 2012 £	Company's cost of investment 2011 £	Group's effective equity interest 2012 %	Group's effective equity interest 2011 %
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	1,755,553	50,100	62.07	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	49	100.00	100.00
Avation Eastern Fleet II Pte Ltd (a)	Leasing of aircraft	Singapore	1	–	100.00	–
Avation Airframe Holding Pte Ltd (e)	Leasing of aircraft	Singapore	–	–	–	–
The subsidiaries held by Capital Lease Aviation PLC:						
Capital Lease Australian Portfolio One Pty Ltd (c)	Leasing of aircraft	Australia	–	–	–	51.18
Capital Lease Malta Ltd (d)	Leasing of aircraft	Malta	–	–	62.07	51.18
Capital Lease Aviation (S) Pte Ltd (a)	Leasing of aircraft	Singapore	–	–	62.07	–
The subsidiary held by Avation Eastern Fleet Pte Ltd:						
Airframe Leasing (S) Pte Ltd (e)	Leasing of aircraft	Singapore	–	–	100.00	100.00
The subsidiary held by Avation Eastern Fleet II Pte Ltd:						
Airframe Leasing (S) II Pte Ltd (a)	Leasing of aircraft	Singapore	–	–	100.00	–

(a) Audited by Jasmine Chua and Associates, Singapore

(b) Audited by Kingston Smith LLP, London, United Kingdom

(c) Audited by Moore Stephens, Perth, Australia

(d) Audited by Nexia BT, Malta

(e) Audited by Ernst & Young LLP, Singapore

Significant transactions with subsidiaries are as follows:

	Company 2012 £	Company 2011 £
Rental income	1,408,297	1,422,565
Management and service fee income	200,000	197,475
Dividend income	274,272	–

20 PROPERTY, PLANT AND EQUIPMENT

Group 2012	Furniture and equipment £	Aircraft £	Total £
Cost or valuation:			
At beginning of year	7,539	98,053,541	98,061,080
Additions	1,789	69,338,834	69,340,623
Disposal of subsidiary	–	(13,904,233)	(13,904,233)
Currency realignment	193	2,384,128	2,384,321
At end of year	9,521	155,872,270	155,881,791
Representing:			
Cost	9,521	–	9,521
Valuation	–	155,872,270	155,872,270
	9,521	155,872,270	155,881,791
Accumulated depreciation:			
At beginning of year	2,220	13,162,670	13,164,890
Depreciation for the year	2,505	6,512,830	6,515,335
Impairment loss	–	5,551,385	5,551,385
Disposal of subsidiary	–	(6,798,079)	(6,798,079)
Currency realignment	90	398,515	398,605
At end of year	4,815	18,827,321	18,832,136
Net book value:			
At beginning of year	5,319	84,890,871	84,896,190
At end of year	4,706	137,044,949	137,049,655

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FOR THE YEAR ENDED 30 JUNE 2012

Group 2011	Furniture and equipment £	Aircraft £	Total £
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

Company 2012	Furniture and equipment £	Aircraft £	Total £
Cost or valuation:			
At beginning of year	–	5,941,237	5,941,237
Additions	1,173	–	1,173
At end of year	1,173	5,941,237	5,942,410
Representing:			
Cost	1,173	–	1,173
Valuation	–	5,941,237	5,941,237
	1,173	5,941,237	5,942,410
Accumulated depreciation:			
At beginning of year	–	286,619	286,619
Depreciation for the year	260	299,116	299,376
At end of year	260	585,735	585,995
Net book value:			
At beginning of year	–	5,654,618	5,654,618
At end of year	913	5,355,502	5,356,415

Company 2011	Furniture and equipment £	Aircraft £	Total £
Cost or valuation:			
At beginning of year	–	5,014,814	5,014,814
Additions	–	901,190	901,190
Revaluation surplus	–	25,233	25,233
At end of year	–	5,941,237	5,941,237
Representing:			
Valuation	–	5,941,237	5,941,237
Accumulated depreciation:			
At beginning of year	–	61,989	61,989
Depreciation for the year	–	226,093	226,093
Increase on revaluation	–	(1,463)	(1,463)
At end of year	–	286,619	286,619
Net book value:			
At beginning of year	–	4,952,825	4,952,825
At end of year	–	5,654,618	5,654,618

Assets held on trust

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.

Assets held under finance lease

During the financial year, the Group and Company acquired aircraft with an aggregated cost of £23,694,800 (2011: £Nil) and by means of finance leases respectively.

The carrying amount of the Group and Company's aircraft held under finance leases at the end of the reporting period were £28,105,337 and £4,746,001 (2011: £4,994,400) respectively.

Assets pledged as security

In addition to assets held under finance leases, the Group's aircraft with carrying values of £108,330,111 (2011: £79,236,253) are mortgaged to secure the Group's borrowings (Note 24).

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 £Nil (2011: £12,578).

The Group's older aircraft were revalued in June 2012 by independent valuers, on the basis of lease encumbered value as of 30 June 2012 and the carrying value of the aircraft is reduced to its recoverable value. Impairment losses were recognised as an expense immediately.

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

	Group	
	2012 £	2011 £
Cost	145,106,979	92,899,707
Accumulated depreciation	(14,187,391)	(11,904,413)
Net carrying value	130,919,588	80,995,294

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

21 GOODWILL ON CONSOLIDATION

	Group	
	2012	2011
	£	£
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 carrying value of the CGU to materially exceed its recoverable amount.

22 TRADE AND OTHER PAYABLES

	Group		Company	
Current	2012	2011	2012	2011
	£	£	£	£
Trade payables - subsidiaries	–	–	35,259	–
Non-trade payables - subsidiaries	–	–	255,153	85,093
Related parties	333,143	622,860	73,874	52,878
Director	–	62	–	–
Trade payables	422,825	462,376	284,647	31,257
Deferred income – subsidiaries	–	–	119,756	114,089
Deferred income – related parties	891,460	–	9,375	–
Deferred income	480,300	996,320	–	–
Other payables	312,084	404,821	–	404,821
Accrued expenses	802,289	845,423	37,239	31,758
	3,242,101	3,331,862	815,303	719,896

	Group		Company	
Non-current	2012	2011	2012	2011
	£	£	£	£
Subsidiaries	–	–	365,028	–
Related parties	3,883,863	942,009	1,332,419	–
	3,883,863	942,009	1,697,447	–

In respect of the Company, the current and non-current amounts due to subsidiaries include the following:

Trade payables of £35,259 (2011: £Nil) due to Capital Lease Aviation (S) Pte Ltd.

a) £Nil (2011: £74,275) due to F100 Pty Ltd.

b) £Nil (2011: £10,818) due to Capital Lease Aviation PLC.

c) £255,153 (2011: £Nil) due to Airframe Leasing (S) II Pte Ltd.

d) Deferred income of £119,756 (2011: £114,089) from MSN 429 Limited.

e) Deposit collected of £365,028 (2011: £Nil) from MSN 429 Limited.

In respect of the Company, the current and non-current amounts due to related parties include the following:

a) £412 (2011: £16,807) due to Skywest Airlines Ltd in which a director of the Company is also a director.

b) £73,462 (2011: £36,071) due to Skywest Airlines (Singapore) Pte Ltd in which a director of the Company is also a director.

c) Deferred income of £9,375 (2011: £Nil) from F11305 Pte Ltd in which a director of the Company is also a director.

d) Deposit collected of £45,303 (2011: £Nil) from F11305 Pte Ltd in which a director of the Company is also a director.

e) £1,287,116 (2011: £Nil) due to Fleet Solution Consulting Pte Ltd in which a director of the Company is also a director.

In respect of the Group, the current and non-current amounts due to related parties include the following:

a) £40,801 (2011: £61,680) due to Skywest Airlines Ltd in which a director of the Company is also a director.

b) £292,342 (2011: £74,005) due to Skywest Airlines (Singapore) Pte Ltd in which a director of the Company is also a director.

c) £Nil (2011: £341,414) due to Fleet Solution Consulting Pte Ltd in which a director of the Company is also a director and includes accrued interest on this loan amount to £Nil (2011: £13,656).

d) £Nil (2011: £140,830) due to CaptiveVision Capital Ltd in which a director of the Company is also a director and a) includes accrued interest on this payable amount to £Nil (2011: £1,602).

e) £Nil (2011: £4,931) due to Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director.

f) Deferred income of £9,375 (2011: £Nil) from F11305 Pte Ltd in which a director of the Company is also a director.

g) Deferred income of £882,085 (2011: £Nil) from Skywest Airlines (Australia) Pty Ltd in which a director of the subsidiary is also a director.

h) £1,287,116 (2011: £Nil) due to Fleet Solution Consulting Pte Ltd in which a director of the Company is also a director.

i) Deposit collected of £45,303 (2011: £Nil) from F11305 Pte Ltd in which a director of the Company is also a director.

j) Deposit collected of £2,551,444 (2011: £942,009) from Skywest Airlines (Australia) Pty Ltd in which a director of the Company 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	
	2012	2011	2012	2011
	£	£	£	£
Pound Sterling	121,108	76,503	72,097	51,179
United States Dollars	6,539,685	4,027,341	2,322,201	604,003
Australian Dollars	7,221	18,308	4,312	4,385
Euro	5,228	5,815	1,394	–
Singapore Dollars	452,722	145,904	112,746	60,329
	7,125,964	4,273,871	2,512,750	719,896

23 DEFERRED LEASE INCOME

The deferred lease income is the difference between the present value and the principal amount of the deposits received from a related party. The deferred lease income is amortised through the statement of comprehensive income on a straight line basis over the lease period of 9 years.

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FOR THE YEAR ENDED 30 JUNE 2012

24 LOAN AND BORROWINGS

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Secured borrowing I	683,619	1,750,076	–	–
Secured borrowing II	187,398	707,461	–	–
Secured borrowing III	498,959	904,671	–	–
Secured borrowings IV	1,612,644	2,525,577	–	–
Secured borrowings V	10,131,761	11,379,987	–	–
Secured borrowings VI	10,696,681	11,949,492	–	–
Secured borrowings VII	–	1,584,762	–	–
Secured borrowings VIII	–	1,594,715	–	–
Secured borrowings IX	–	1,053,687	–	–
Secured borrowings X	865,206	1,515,975	–	–
Secured borrowings XI	10,687,725	–	–	–
Secured borrowings XII	10,682,730	–	–	–
Secured borrowings XIII	11,026,363	–	–	–
Secured borrowings XIV	10,948,763	–	–	–
Obligations under finance lease	23,902,754	2,990,446	1,782,892	2,990,446
Total	91,924,603	37,956,849	1,782,892	2,990,446
Less: current portion of loan borrowings	(12,522,177)	(9,865,455)	(1,350,401)	(1,252,377)
	79,402,426	28,091,394	432,491	1,738,069

Obligations under finance lease

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Future minimum lease payments due:				
Within one year	4,275,308	1,373,266	1,408,877	1,373,266
After more than one year but within 5 years	11,902,172	1,787,175	436,450	1,787,175
More than 5 years	24,000,719	–	–	–
	40,178,199	3,160,441	1,845,327	3,160,441
Less: Finance charges	(16,275,445)	(169,995)	(62,435)	(169,995)
Present value of minimum lease payments	23,902,754	2,990,446	1,782,892	2,990,446
The present value of minimum lease payments is analysed as follows:				
Within one year	2,093,215	1,252,377	1,350,401	1,252,377
After more than one year but within 5 years	4,301,301	1,738,069	432,491	1,738,069
More than 5 years	17,508,238	–	–	–
Balance at end of year	23,902,754	2,990,446	1,782,892	2,990,446

Secured borrowing I 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 Pty Ltd ("F100").

Secured borrowing II is for a four year period and maturing in 2012, repayable monthly. The loan is secured by fixed and floating charges over all aircraft purchased by its subsidiary, F100.

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.

Secured borrowing XI – XIV, the Group entered into loan agreements ("ECA Loan Facilities") with a bank to partially finance the purchase of aircraft. These aircraft have been leased to other related parties. The loans are secured by the following:

(a) Aircraft mortgages in respect of the aircraft purchased with the proceeds of ECA Loan Facilities (the "Aircraft")

(b) Security assignments of the Group's right under the leases and other contractual documents relating to the Aircraft

(c) A charge over its bank accounts into which lease payments relating to the Aircraft are received;

(d) A charge over the entire issued share capital of Avation Eastern Fleet Pte Ltd (a subsidiary)

Each advance under a ECA Loan Facility is a separate 10 year loan whose term matches the term of the lease of the Aircraft purchased with the proceeds of such loan. The security given by the Group in respect of each such loan is for a term also matching the term of the loan and lease of the corresponding Aircraft.

The Group may not deal with any Aircraft nor the associated assets and rights relating to each such Aircraft without the consent of the bank under the ECA Loan Facility, save to the extent that such transaction would enable the Group to repay the loan relating to the Aircraft.

The average interest rates for the outside party borrowings range from 4.00% to 9.90% per annum (2011: 5% to 6% per annum).

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

25 SHORT-TERM PROVISIONS

	Group	
	2012	2011
	£	£
Maintenance reserve claim	1,901,456	2,849,839

	Group	
	2012	2011
	£	£
Movement in provision for maintenance provisions claim is as follows:		
Balance at beginning of financial year	2,849,839	2,047,185
Provision made during the financial year	1,879,254	1,242,589
Provision used during the financial year	(1,275,104)	(311,597)
Disposal of a subsidiary	(1,611,587)	–
Currency realignment	59,054	(128,338)
Balance at end of financial year	1,901,456	2,849,839

A provision of £1,879,254 (2011: £1,242,589) was made during the year ended 30 June 2012. 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 £1,275,104 (2011: £311,597) on the reserves for the year ended 30 June 2012.

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FOR THE YEAR ENDED 30 JUNE 2012

26 DEFERRED TAX LIABILITIES

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

Group	Assets 2012 £	Liabilities 2012 £	Net 2012 £
Property, plant and equipment	–	3,367,889	3,367,889
Other items	–	413,034	413,034
Tax losses carried forward	–	18,805	18,805
Tax (assets)/ liabilities	–	3,799,728	3,799,728
Set off tax	–	–	–
Net tax (assets)/ liabilities	–	3,799,728	3,799,728

	Assets 2011 £	Liabilities 2011 £	Net 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

Movement in temporary differences during the financial year:

Group	Balance 1 July 2011 £	Recognised in profit and loss £	Recognised in equity £	Currency realignment £	Balance 30 June 2012 £
Property, plant and equipment	4,385,283	89,569	(267,538)	(839,425)	3,367,889
Other items	521,605	(274,084)	–	165,513	413,034
Tax losses carried forward	(94,950)	114,562	–	(807)	18,805
	4,811,938	(69,953)	(267,538)	(674,719)	3,799,728

Movement in temporary differences during the last financial year:

Group	Balance 1 July 2010 £	Recognised in profit and loss £	Recognised in equity £	Currency realignment £	Balance 30 June 2011 £
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

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

Company	Assets 2012 £	Liabilities 2012 £	Net 2012 £
Property, plant and equipment	–	201,754	201,754
Other items	–	–	–
Tax losses carried forward	–	–	–
Tax assets	–	201,754	201,754
Set off tax	–	–	–
Net tax (assets)/ liabilities	–	201,754	201,754

	Assets 2011 £	Liabilities 2011 £	Net 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

Movement in temporary differences during the financial year:

Company	Balance 1 July 2011 £	Recognised in profit and loss £	Recognised in equity £	Balance 30 June 2012 £
Property, plant and equipment	138,340	63,414	–	201,754

Movement in temporary differences during the last financial year:

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

27 SHARE CAPITAL

	Company 2012 £	Company 2011 £
Allotted, called up and fully paid:		
42,374,463 (2011: 38,607,220) ordinary shares of 1 penny each	423,745	386,072

a) On 9 December 2011, the Company issued 1,818,182 ordinary shares of 1 penny each following a private placement exercise for £2,000,000.

b) On 12 December 2011, the Company issued 301,280 ordinary shares of 1 penny each following the exercise of warrants by 3 warrant holders for £130,954.

c) On 20 January 2012, the Company issued 1,647,781 ordinary shares of 1 penny each in consideration for the additional 10.89% of the shares acquired in Capital Lease Aviation PLC for £1,705,453.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

28 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) 21 Dec 2009	326,280	–	(226,280)	(100,000)	–	21 Dec 2011	35.5 p	3.88 p
(2) 02 Dec 2010	550,000	–	(75,000)	–	475,000	01 Dec 2012	67.5 p	13.63 p
(3) 14 Dec 2011	–	800,000	–	–	800,000	11 Dec 2013	110.5 p	8.17 p

The weighted average fair value of the warrants granted during the financial year is 8.17 pence (2011:13.63 pence). The value of the warrants granted during the year is £65,386 (2011: £57,912).

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.

	Warrant series signed on 14 December 2011	Warrant series signed on 21 December 2010
Inputs into the model		
Grant date share price	110.5 pence	67.5 pence
Exercise price	110.5 pence	67.5 pence
Expected volatility	20%	50%
Warrant life	2 years	2 years
Dividend yield	0.91%	0.88%
Risk free interest rate	0.35%	3.23%

The Company issued a total of 800,000 warrants during the financial year at 110.5 pence when the then market price was 110.5 pence.

29 CAPITAL COMMITMENTS

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

	Group	
	2012	2011
	£	£
Property, plant and equipment	99,410,201	87,921,230

30 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	
	2012	2011
	£	£
Within one year	18,907,095	13,867,576
In the second to fifth years inclusive	45,838,254	22,668,333
More than five years	37,207,115	–

b) Contingencies

The Company's subsidiary, F100 Pty Ltd receives 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 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 dependent on the number of cycles and flying hours conducted by the aircraft.

Consequently, 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 F100 Pty Ltd holds at the end of the lease is not refundable to the lessees.

During the financial year ended 30 June 2012, the Group had received £1,264,655 (2011: £1,274,280) 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 Group in calculating the final future claimable amount and the timing of such claims from the maintenance reserve funds.

31 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. 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

b) Primary reporting segment – business segments

During the year ended 30 June 2012, 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.

Group Financial year ended 30 June 2012	Aircraft leasing £	Business procurement £	Total £
Revenue & other operating income			
- External sales	29,786,084	876,325	30,662,409
- Other income	830,727	(7,862)	822,865
Total of all segments			31,485,274
Less: elimination			(9,226,706)
Consolidated revenue			22,258,568

Group Financial year ended 30 June 2012	Aircraft leasing £	Business procurement £	Total £
Results			
Segment results	21,221,694	163,199	21,384,893
Finance income			84,737
Finance expense			(4,951,087)
Unallocated corporate expenses			(11,277,673)
Profit before taxation			5,240,870
Taxation			(1,079,660)
Profit after taxation			4,161,210
Other segment items			
Capital expenditure & valuation movement			
- property, plant and equipment	69,340,007	615	69,340,622
Depreciation	6,513,349	1,985	6,515,334

Group Financial year ended 30 June 2012	Aircraft leasing £	Business procurement £	Total £
Segment assets	157,335,380	796,523	158,131,903
Unallocated assets			–
Consolidated total assets			158,131,903
Segment liabilities			
Trade and other payables	6,243,980	881,984	7,125,964
Deferred lease income	526,675	–	526,675
Provisions of taxation	332,421	–	332,421
Short term provisions	1,901,456	–	1,901,456
Loans and borrowings	91,924,603	–	91,924,603
Deferred tax liabilities	3,799,728	–	3,799,728
Unallocated liabilities	–	–	–
Consolidated total liabilities			105,610,847

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Group Financial year ended 30 June 2011	Aircraft leasing £	Business procurement £	Total £
Revenue & other operating income			
- External 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			(1,621,711)
Consolidated revenue			16,589,220

Group Financial year ended 30 June 2011	Aircraft leasing £	Business procurement £	Total £
Results			
Segment results	15,346,354	205,796	15,552,150
Finance income			3,067
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

Group Financial year ended 30 June 2011	Aircraft leasing £	Business procurement £	Total £
Segment assets	97,440,829	626,473	98,067,302
Unallocated assets	-	-	-
Consolidated total assets			98,067,302
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			49,931,245

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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:

Group Financial year ended 30 June 2012	Revenue £	Capital expenditure and valuation movements £	Total assets £
Australia	14,317,892	69,338,833	90,946,768
United States	1,404,541	–	5,662,061
Denmark	5,682,150	–	41,684,917
Malta	–	–	599,386
United Kingdom	89,482	–	11,514,454
Other	603,954	1,789	7,724,317
	22,098,019	69,340,622	158,131,903

Group Financial year ended 30 June 2011	Revenue £	Capital expenditure and valuation movements £	Total assets £
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

Group Financial year ended 30 June 2012	Net book value Aircraft £
Australia	89,698,256
United States	5,661,776
Denmark	41,684,917
	137,044,949

Group Financial year ended 30 June 2011	Net book value Aircraft £
Australia	35,197,379
United States	7,074,476
Denmark	42,619,016
	84,890,871

During the year, certain customers accounted for greater than 10% of the Group's total revenues. There is one customer that accounts for £14,317,892 (65%) of the Group's total revenues. These revenues were based in the Australia operating segment. There is one customer that accounts for £5,682,150 (26%) of the Group's total revenue. These revenues were based in the Denmark segment.

32 CONTINGENT LIABILITIES

	Group	
	2012	**2011**
	£	**£**
Guarantees	23,063,624	32,440,826

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

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

33 SUBSEQUENT EVENTS

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

1) On 5 July 2012, the Company issued 2,000,000 ordinary shares of 1 penny each following a private placement exercise for £2,000,000.

2) The Group took delivery of 2 ATR 72-600 series aircraft on 3 August 2012 and 6 September 2012.

3) Following a confirmation from Virgin Australia in October 2012 of its desire for an additional three ATR 72-600 aircraft to be made available to it throughout the course of 2014, the Group will exercise aircraft purchase options to acquire three new additional ATR 72-600 aircraft for this purpose.

34 ULTIMATE HOLDING COMPANY

No party controls the Company.

35 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 2012 were authorised for issue by the Board of Directors on 30 October 2012.

REGISTER OF TOP 20 SHAREHOLDERS

(AS AT 30 OCTOBER 2012)

Name of Shareholder	Holding (Number of shares)
FITEL NOMINEES LIMITED	6,729,490
HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED	5,173,463
LYNCHWOOD NOMINEES LIMITED	3,404,972
FITEL NOMINEES LIMITED	2,900,000
FITEL NOMINEES LIMITED	2,369,156
CHASE NOMINEES LIMITED	2,250,000
APOLLO NOMINEES LTD	2,011,879
CREDIT SUISSE SECURITIES (EUROPE) LIMITED	1,583,244
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	1,437,500
VIDACOS NOMINEES LIMITED	1,363,549
LOEB ARON & COMPANY LTD	920,000
FITEL NOMINEES LIMITED	750,000
HARGREAVE HALE NOMINEES LIMITED	715,000
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	531,079
FITEL NOMINEES LIMITED	500,000
FITEL NOMINEES LIMITED	500,000
FITEL NOMINEES LIMITED	490,000
THE CORPORATION OF LLOYDS	480,922
SMITH & WILLIAMSON NOMINEES LIMITED	394,000
W H IRELAND NOMINEES LIMITED	392,100

ATR-72 aircraft under construction for Avation
at the Avions de Transport Régional plant
at Toulouse Airport at Blagnac, France

avation PLC

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Andrew Baudinette
Roderick Mahoney
Bryant Mclarty

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Duncan Scott
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London Stock Exchange
LISTED
STANDARD
SHARES

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

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