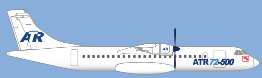
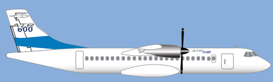
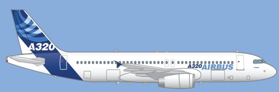
avation PLC

ANNUAL REPORT

2016

OUR FLEET

Aircraft Type		In Operation	Ordered	Options
ATR 72-500		6	-	-
ATR 72-600		18	9	27
Airbus A320-200		3	-	-
Airbus A321-200		6	3	-
Fokker 100		5	-	-
Total		**38**	**12**	**27**

MODEL ATR 72-500 ATR 72-600

MODEL Airbus A320-200* Airbus A321-200

MODEL Fokker F100

*Photo: Habib M'henni / Wikimedia Commons

COMPANY INFORMATION

DIRECTORS:	Robert Jeffries Chatfield Roderick Douglas Mahoney Stephen John Fisher
COMPANY SECRETARIES:	Duncan Gerard Stephen Scott Jason Francis Gollogly
REGISTERED OFFICE:	5 Fleet Place London EC4M 7RD United Kingdom
PRINCIPAL PLACE OF BUSINESS:	65 Kampong Bahru Road Singapore 169370
AUDITORS:	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD United Kingdom
SOLICITORS:	Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD United Kingdom
REGISTRARS:	Computershare Investor Services LLC The Pavilions Bridgewater Road Bristol BS99 6ZZ United Kingdom

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CHAIRMAN'S STATEMENT

OVERVIEW

- In Avation's tenth year as a public company, it has reported record revenue and profit
- Lease revenue increased by 25.0% to US$71.2 million (2015: US$56.9 million)
- Operating profit grew 35.6% to US$45.6 million (2015: US$33.6 million)
- Total profit after tax increased 37.6% to US$18.3 million (2015: US$13.3 million)
- Operating cash flows increased 20.9% to US$52.5 million (2015: US$43.5 million)
- Earnings per share ("EPS") increased 42.5% to 34.2 US cents (2015: 24.0 US cents)
- Interim dividend per share to increase by 8.3% to 3.25 US cents (2015: 3.00 US cents)

BACKGROUND AND OUTCOME

We are pleased to report that, for the financial year, Avation produced record revenue, profit and earnings. Lease revenue increased by 25.0% to US$71.2 million and EPS increased by 42.5% to 34.2 US cents.

During the financial year, the value of Avation's aircraft assets increased by 67.0% to US$725 million. Avation has added nine aircraft to its fleet on a net basis. As each aircraft was acquired or delivered, monthly lease revenue increased. Revenue growth accelerated during the second half, a period in which six new aircraft were delivered.

Fleet metrics improved with the weighted average age of the aircraft fleet decreasing from 5.3 to 4.2 years and the weighted average remaining lease term increasing to 6.8 years. Avation's strategy includes the acquisition of new aircraft and to maintain a low average age of the fleet. The fleet's lease yield for the financial year was 12.3%.

Increased scale and containment of costs resulted in improved profitability, with operating profit margin increasing to 64.0% and total profit after tax margin increasing to 25.7%. Avation is well positioned for continued growth.

INTERIM DIVIDEND

Earnings and profitability of Avation's leasing business have improved. The Board would like to reward ownership and recognise shareholder support as it continues the successful development of the business. Accordingly, the Board has approved an interim dividend increase to 3.25 US cents per share (2015: 3.00 US cents) in respect of the financial year. The Company confirms its aim to maintain a progressive dividend policy.

CHAIRMAN'S STATEMENT

OUTLOOK

Fleet size and lease revenue run rate increased significantly during the financial year. Additional aircraft have been acquired since the commencement of the 2017 financial period and lease revenue has subsequently continued to increase. Further aircraft deliveries are scheduled in the near term. As at the date of this report, contracted lease revenue for the 2017 financial period is over US$95 million. At 30 June 2016, total contracted future lease revenue from the existing fleet and committed deliveries was US$745.8 million (2015: US$565.4 million).

Avation's strategy continues to include the acquisition of new aircraft, maintenance of low average fleet age, increased scale and customer diversification. The Company will seek to trade mid-life and older aircraft when conditions permit in order to mitigate certain risks. Avation's average aircraft age has decreased as it has acquired new aircraft. Avation expects its lease yield to reduce correspondingly as older, higher yielding aircraft are sold off. The Company believes that this is suitable risk mitigation by trading yield against longer term unexpired revenue and lowering risk by owning new aircraft.

Management believes that it can attract airline customers and periodically obtain the required funding for growth. In addition to operational cash flows, funding is traditionally sourced from capital markets, asset backed bank lending and disposal of selected aircraft. Access to acceptably priced funding remains a risk, which is common to all capital-intensive businesses. Specific risks which are inherent in the aircraft leasing industry include, but are not limited to, the creditworthiness of client airlines, over-production of new aircraft and market saturation, technology change in engines and aircraft, residual value risks, competition from other lessors and the general risk of impairment of aircraft assets.

In its tenth year as a public company Avation's Board of Directors is pleased to deliver record revenue, profit and earnings per share from the aircraft leasing business while executing a strategy of fleet growth. Avation remains committed to delivering diversification and further scale to the business in the future.

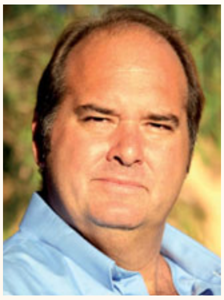
Robert Jeffries Chatfield,

Executive Chairman

Singapore

30 September 2016

BOARD OF DIRECTORS



Jeff Chatfield
Chairman

Mr Chatfield is the executive chairman of Avation PLC and has been instrumental in establishing and growing the Company. Mr Chatfield has a track record of leadership in a variety of profitable and successful businesses. He is a qualified public company director and business executive experienced in the fields of commercial airlines, aviation, aircraft leasing and finance, electronic commerce, investment management, radio and TV broadcasting. Mr Chatfield holds both Bachelor's and Master's Degrees in engineering from the University of Western Australia where he graduated top of the class. He has been involved in a number of successful businesses both private and public, the majority of which have been strongly cash flow generative. In the recent past Mr Chatfield was chairman of Skywest Airlines Ltd, a LSE-ASX dual-listed public company recently sold to Virgin Australia Ltd. He is a member of the Australian Institute of Company Directors and a fellow of the Singapore Institute of Directors. Mr Chatfield 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 and a member of the Singapore Institute of Directors.

Stephen Fisher PhD
Non-Executive Director

In addition to his role at Avation PLC, Stephen is Chairman, Principal and Chief Investment Officer of First Degree Global Asset Management Pte. Ltd., a privately owned asset management company in Singapore founded in 2011. First Degree Global Asset Management operates a number of strategies for its clients including a Fixed Income focused hedge fund.

Stephen has had twenty-two years experience as an investment professional with leading investment management groups in the United States, Asia and Australia. From 2000 to 2011 he was Managing Director and Head of Global Fixed Income Product – Asia Pacific at JPMorgan Asset Management. Stephen held the positions of Australian Head of Capital Markets Research from 1992- 1996, and Asia Pacific Regional Head of Capital Markets Research at J.P. Morgan Investment Management, Inc. from 1996-1998.

Stephen's particular areas of expertise are in quantitative analysis of fixed income, equities, asset allocation and derivatives. He has advised Central Banks and Sovereign Wealth Funds on their reserves management practice, and his research on investment management issues has been widely published in academic and industry journals.

Stephen has a Master of Science (Finance) and a PhD (Finance) from the WE Simon Graduate School of Business Administration, University of Rochester, New York and a Bachelor of Economics (First Class Honours) from the University of Sydney.

STRATEGIC REPORT

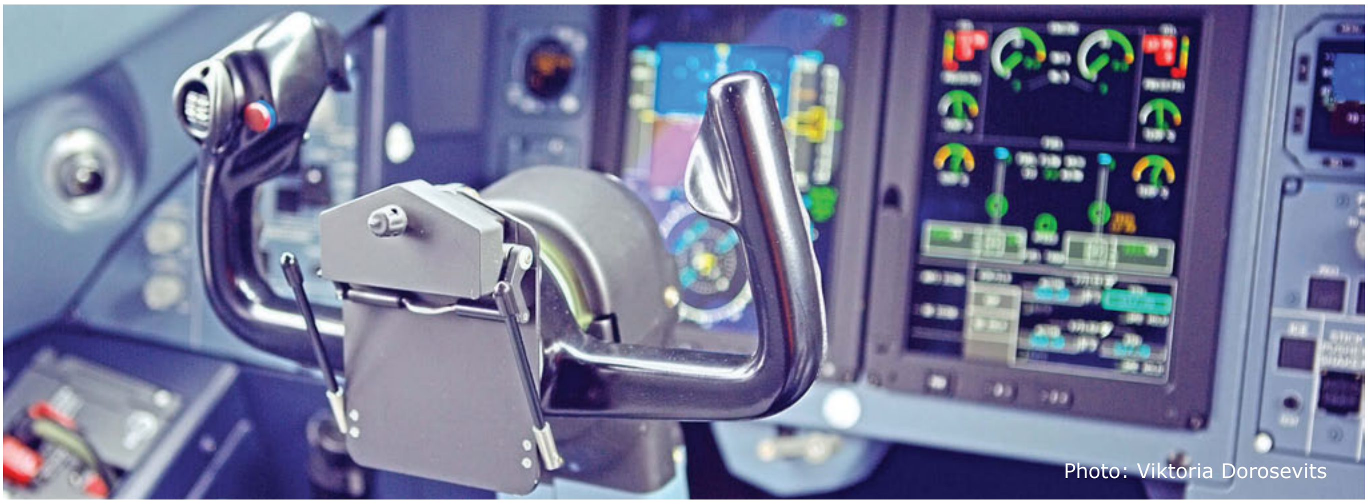


Photo: Viktoria Dorosevits

The Directors present their strategic report for the year ended 30 June 2016.

BUSINESS OVERVIEW

Avation PLC and its subsidiaries ("Avation", the "Group") is a commercial passenger aircraft leasing group managing a fleet of 38 aircraft, as at 30 June 2016, which are leased to airlines globally. Avation's customers include Virgin Australia, Thomas Cook, Condor, Fiji Airways, UNI Air, Air India Regional, Flybe, Air France, Air Berlin and Vietjet Air. The Group's fleet includes Airbus A320 and A321 narrow body jets, ATR 72 twin engine turboprop aircraft and five older Fokker 100 jets.

Avation operates from its headquarters in Singapore where it is tax resident and, since 17 April 2014, a beneficiary of the Singapore Aircraft Leasing Scheme tax incentive.

Avation's management team has extensive experience in the aviation industry and has the expertise to select and acquire aircraft that will achieve strong operational performance for our customers and generate stable returns for our shareholders.

Avation will continue to grow its fleet and earnings in the coming year with additional Airbus A321-200s to be acquired under sale and leaseback transactions, ATR 72-600s on order from the manufacturer, and the possibility to add further second hand aircraft on an ad-hoc basis. Older aircraft will be sold when opportunities arise in order that a low average fleet age is maintained.

Avation is listed on the main list of the London Stock Exchange under the ticker symbol LSE: AVAP.

BUSINESS MODEL

Avation aims to grow its fleet and build shareholder value over the long term by focussing on a) new turbo-prop regional aircraft, principally the popular and fuel efficient ATR 72-600 model and b) new and second-hand narrow body jets in particular the popular Airbus A320/A321 family and Boeing 737NG aircraft. Owning different types of aircraft provides a benefit in terms of diversification of market and residual value risk.

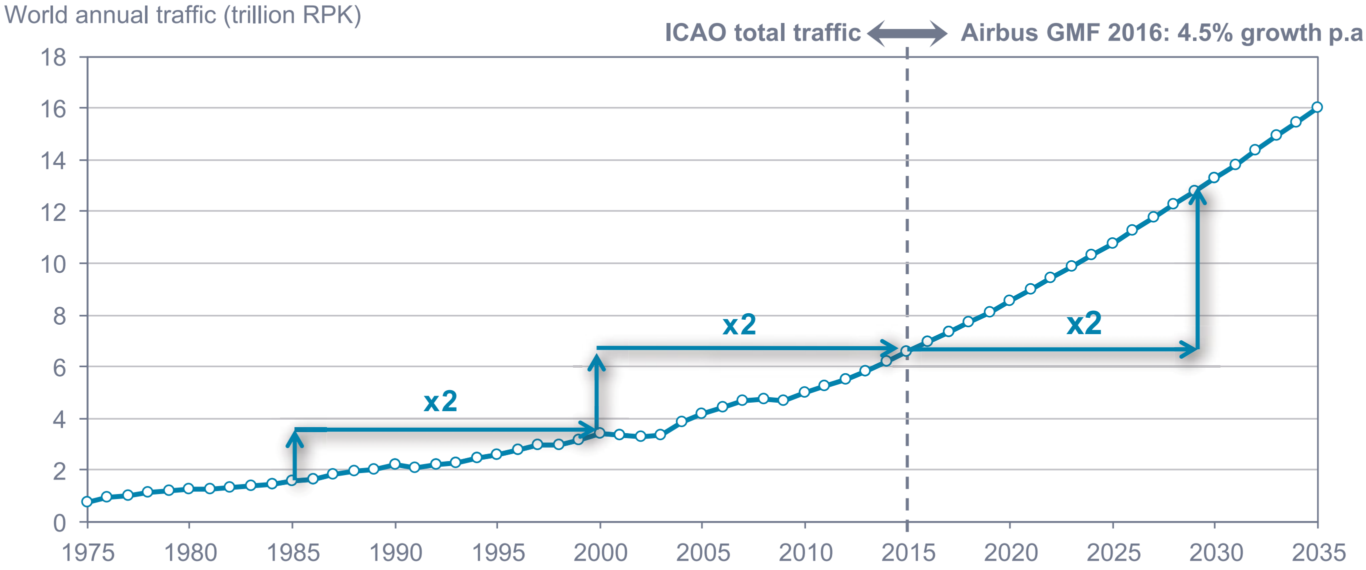
The Group finances the acquisition of new aircraft using internally generated cash flows and a mixture of senior and junior secured debt finance and unsecured notes. Debt is re-financed on older aircraft when there is an opportunity to reduce overall cost of debt funding and also to release equity for acquiring new aircraft.

The Board applies prudent financial management principles to manage risk when acquiring aircraft by seeking to match lease and financing duration, using mostly fixed interest rate debt and amortising debt aggressively over lease periods.

As the fleet grows, the Group seeks to diversify the customer base as part of its overall credit risk management policy.

The Avation fleet of 38 aircraft (as at 30 June 2016) has a weighted average age of 4.2 years, which is likely to reduce in the short term as the Group adds new aircraft and disposes of old aircraft, and weighted average remaining lease term of 6.8 years with a current customer base of airlines in Australia, Europe and the Asia-Pacific region.

STRATEGIC REPORT



Source: ICAO, Airbus Global Market Forecast 2016

MARKETS AND TRENDS

Aircraft leasing is a growth industry with an increasing market share of the world's total commercial passenger aircraft fleet. Avation expects that the percentage of leased aircraft in the world fleet will continue to grow in future due to the flexibility that the leasing model provides for airlines and also due to increased access to financial capital for leasing companies.

The aircraft leasing industry also benefits from good long-term fundamentals including growth in air travel demand, capital constraints amongst airlines and normal cycles of aircraft replacement.

The world fleet of commercial passenger aircraft is predicted to grow substantially with aircraft traffic expected to double every 15 years. Airbus forecasts that over 33,000 new aircraft are required over the next 20 years; of which 41% are expected to be in Asia-Pacific, 20% in Europe, 18% in North America and of the total, 68% are expected to be single aisle. [1]

Low interest rates and improved access to capital, including unsecured debt, are supporting the growth plans of both established leasing companies and new entrants into the global aircraft leasing market. Many stand-alone aircraft lessors have improved their leverage profile over the last several years and have been able to diversify funding sources.

PRINCIPAL RISKS AND UNCERTAINTIES

The aircraft leasing sector is highly competitive and Avation is exposed to a number of market related, operational and financial risks. The Group is committed to mitigating business risk through the application of prudent risk management policies. The risks and uncertainties described below are those that the Group has identified as most significant to the business. Avation's Board of Directors is responsible for managing risk and reviews risk management policies regularly.

Market related risks:

Exposure to the airline industry

The Group's customers are commercial airlines which are financially exposed to the demand for passenger air travel. The financial condition of commercial airlines may weaken due to a number of factors including but not limited to local and global economic conditions, increased competition between airlines, speculative ordering of new aircraft, war, terrorism and natural disasters. If the financial condition of the Group's airline customers weakens for any reason, the Group may be exposed to increased risks of lessee default and lower lease rates for its aircraft.

[1] Airbus Global Market Forecast 2016

STRATEGIC REPORT

Asset value risk
Fluctuations in the supply and demand for aircraft and aircraft travel may impact values of and lease rates for the Group's aircraft. Market forces and prevailing economic conditions may change over the economic lives of the Group's aircraft and could have a positive or negative impact on aircraft valuations.

Advances in aircraft technology may create obsolescence in the fleet before the end of aircrafts' current estimated useful lives. The Group regularly obtains independent third party valuations for its fleet and may dispose of aircraft in order to reduce its exposure to certain aircraft types. Avation has a policy of investing in popular narrowbody aircraft types on the basis that asset values and lease rates will be supported by continuing high demand for these aircraft.

Operational risks:
Economic, legal and political risks
Avation leases aircraft to lessees in different jurisdictions. As such the Group is exposed to economic, legal and political risk in those jurisdictions. Avation's aircraft are subject to operational risks specific to the aviation sector resulting from war, acts of terrorism or the threat of terrorism, and natural disasters. The Group mitigates against these risks by requiring airline lessees to maintain adequate insurance over the aircraft.

Regulatory risks
Avation's fleet operates in many jurisdictions and complies with tax and other regulatory requirements in those jurisdictions. There is a risk that changing tax and regulatory regimes may have an impact on the business and financial results.

Lessee risks
Avation's airline lessees are responsible for all maintenance and safety checks. The requirement for each airline lessee to service and maintain the aircraft are set out in the lease agreements. There is a risk that airlines may not properly maintain aircraft which may lead to an impairment of the aircraft's value. In order to mitigate against this risk the Group closely monitors each airline's usage of aircraft and their compliance with agreed maintenance schedules. Avation can require lessees to pay maintenance reserve payments in order to ensure that there is adequate funding at all times for proper maintenance of the aircraft.

Financial risks
Avation's financial risk management objectives and policies are set out in note 7 to the financial statements and are as follows:

- Airline industry risks
- Credit risk
- Interest rate risk
- Foreign currency risk
- Liquidity risk
- Capital risk

STRATEGIC REPORT

FINANCIAL REVIEW

	2016 US$'000s	2015 US$'000s
Lease revenue	71,190	56,932
Operating profit	45,573	33,608
Total profit	18,280	13,285
Net cash from operating activities	52,547	43,451
Total assets	831,785	586,182
Total equity	173,608	128,204
Basic earnings per share	34.35 cents	24.12 cents
Dividend per share	3.25 cents	3.00 cents

Lease revenue increased by 25.0% to US$71.2 million (2015: US$56.9 million) as a result of the increase in the size of the aircraft fleet.

Operating profit increased 35.6% to US$45.6 million (2015: US$33.6 million).

Depreciation increased as a consequence of overall fleet growth by 30.5% to US$23.2 million (2015: US$17.8 million).

Gains on sales of aircraft during the period were US$3.7 million (2015: loss of US$0.7 million). One aircraft in the fleet was impaired during the Financial Year with an impairment of US$0.9 million.

Administrative expenses increased 4.9% to US$7.5 million (2015: US$7.2 million). As a percentage of lease revenue administrative expenses decreased to 10.6% (2015: 12.6%). Other expenses were US$0.7 million (2015: US$0.8 million).

With the addition of aircraft assets, finance expenses increased by 52.0% to US$28.7 million (2015: US$18.9 million). Total interest expense within finance expenses increased to US$26.8 million (2015: US$17.3 million). The increase in total interest expense was primarily attributable to interest on the unsecured notes issued under the Company's Global Medium Term Note Programme ("GMTN"), which was US$8.3 million (2015: US$0.8 million). Finance income was US$1.2 million (2015: US$0.8 million).

STRATEGIC REPORT

The majority of the Group's operations are based in Singapore and are included in Singapore's Aircraft Leasing Scheme, benefitting from a concessionary tax rate. Taxation for the year was a credit of US$0.2 million primarily due to the reversal of an over-provision for deferred taxation (2015: US$1.0 million expense).

Operating cash flows increased by 20.9% to US$52.5 million (2015: US$43.5 million). EBITDA defined as the sum of pre-tax profit from continuing operations, finance expenses and depreciation increased by 34.0% to US$70.0 million (2015: US$52.2 million).

Total profit after tax for the Financial Year increased 37.6% to US$18.3 million (2015: US$13.3 million).

Total diluted earnings per share increased by 42.5% to 34.2 US cents (2015: 24.0 US cents).

The Company confirms that there have been no changes to its accounting policies.

FLEET OVERVIEW

Type	1 July 2015	Additions	Disposals	30 June 2016	On order	Options
ATR 72-500	6	-	-	6	-	-
ATR 72-600	13	6	1	18	9	27
A320-200	2	2	1	3	-	-
A321-200	3	3	-	6	3	1
Fokker 100	5	-	-	5	-	-
Total	**29**	**11**	**2**	**38**	**12**	**28**

Eight new and two second hand aircraft were added to the fleet during the period, with one new aircraft acquired and sold immediately after delivery. One 23 year old aircraft was sold during the year. As at 30 June 2016 the weighted average age of the fleet was 4.2 years (2015: 5.3 years) and the weighted average remaining lease term was 6.8 years (2015: 6.5 years). As at 30 June 2016, the fleet was 100 per cent utilised.

Aircraft totalling US$33.5 million were transferred to receivables as a result of two aircraft in the fleet being sold under finance leases.

In accordance with the Company's accounting policy requiring periodic re-valuation, the fleet has been revalued as at 30 June 2016. The revaluation has resulted in a net uplift to the fleet value of US$29.4 million which includes the impairment of US$0.9 million referred to above. Apart from the impairment, this revaluation has no impact on total profit or earnings per share.

STRATEGIC REPORT

DEBT SUMMARY

	2016 US$'000s	2015 US$'000s
Loans and borrowings	615,724	428,095
Cash and cash equivalents	48,267	108,647
Net indebtedness	567,457	319,448
Loan to value ratio	74.0%	73.0%
Weighted average cost of secured debt	4.3%	4.4%
Weighted average cost of total debt	4.8%	5.1%

Loans and borrowings and net indebtedness increased due to additional secured debt issued to fund fleet acquisitions.

The weighted average cost of total debt continued to decline to 4.8% as at 30 June 2016 (2015: 5.1%). The weighted average cost of the group's secured debt facilities was lower at 4.3% as at 30 June 2016 (2015: 4.4%). The overall decrease in the Group's cost of debt resulted from paying down debt with higher interest rates, increasing the proportion of secured debt as a percentage of total debt and improved interest rates on new secured loans drawn down in the year.

The issue of the notes under the GMTN in 2015 provided funding to support growth during 2016. These funds were combined with proceeds from aircraft sales, ordinary earnings and additional secured debt and deployed to fund aircraft acquisitions. The Board is pleased to report achieving both significant fleet growth and a reduction in the weighted average cost of debt.

At the end of the Financial Year, Avation's overall loan to value ratio was 74.0% (2015: 73.0%). At 30 June 2016, 91.6% of total debt was at fixed interest rates (2015: 88.8%). At 30 June 2016, there was no related party debt other than pursuant to participation in notes issued under the GMTN (2015: US$2.0 million).

Environment

Avation is committed to environmental responsibility as part of its business strategy. This is achieved by investing in technologically advanced designs of commercial aircraft that offer improved fuel efficiency and lower emissions. The majority of our fleet are modern regional turbo-prop aircraft which provide significant environmental benefits over comparable jet aircraft due to their more economical use of fuel and consequently lower carbon dioxide emissions.

Employees

A breakdown by gender of the number of persons who were Directors of the Company, senior managers and other employees as at 30 June 2016 is set out below:

	Male	Female
Directors of the Company	3	-
Senior managers	3	-
Other employees	5	7

On behalf of the board

Robert Jeffries Chatfield
Director

30 September 2016

DIRECTORS' REPORT

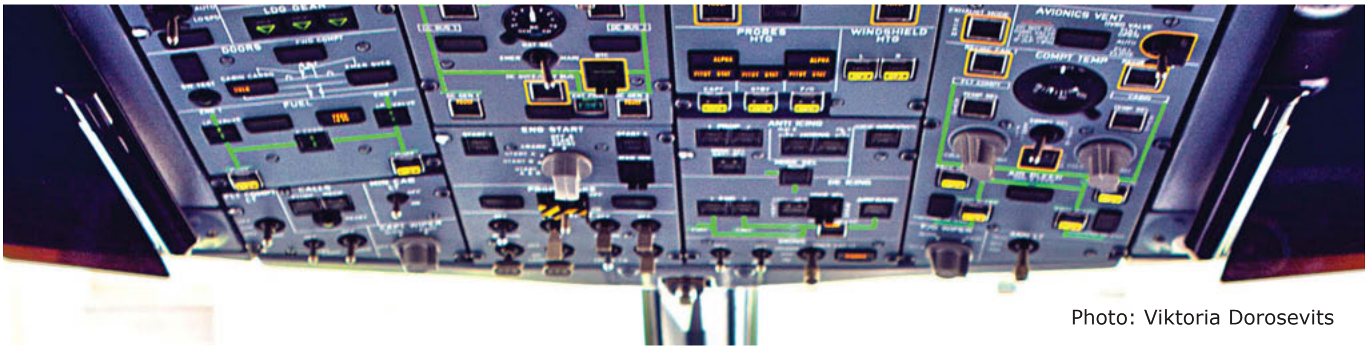


Photo: Viktoria Dorosevits

The directors present their report and financial statements for the financial year ended 30 June 2016.

Principal activities and business review

The principal activity of the Group is leasing aircraft. Details of activities carried out by subsidiary companies are set out in Note 24 to these financial statements.

The principal risks and uncertainties affecting the Group's turnover are described in the Strategic Report.

The full business review including KPI's can be found in the Strategic Report and in Note 7 to these financial statements. The Group has reviewed the environmental matters in the Strategic Report.

Results and dividends

The consolidated statement of profit or loss and other comprehensive income for the year is set out on page 30. The directors have resolved to pay a 3.25 US cents interim dividend.

Directors and their interests

The directors who served the Company during the year together with their interests and deemed interests in the shares of the Company at the beginning (or subsequent date of appointment) and end of the year, were as follows:

	Direct interest		**Deemed interest**	
	30 June 2016	**1 July 2015**	**30 June 2016**	**1 July 2015**
Ordinary shares of £0.01 each:				
Robert Jeffries Chatfield	1	1	10,405,000	10,215,365
Roderick Douglas Mahoney	300,000	240,000	-	-
Stephen John Fisher	5,000	5,000	-	-

Significant shareholdings

	Ordinary shares	**Percentage**
Ordinary shares of £0.01 each:		
Goldman Sachs Securities (Nominees) Limited	14,427,188	25.86%
Chase Nominees Limited	7,691,140	13.79%
Fitel Nominees Limited	5,624,006	10.08%
Lynchwood Nominees Limited	5,275,746	9.46%
State Street Nominees Limited	4,269,769	7.65%
HSBC Global Custody Nominee (UK) Limited	3,792,405	6.80%

DIRECTORS' REPORT

Photo: Viktoria Dorosevits

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.

Future Developments

In accordance with s414C(11) of the Companies Act 2006, the directors have chosen to include information about future developments in the Chairman's Statement and Strategic Report.

Financial Instruments

See Note 7 to these financial statements.

Going Concern

After making appropriate enquiries and taking into account the matters set out in the principal risks and uncertainties in the Strategic Report, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Greenhouse Gas Emissions Statement

It is not practical for the Company to calculate its greenhouse gas emissions. Usage of the Company's aircraft is under the control of lessees who are not required to provide emissions data to the Company.

Capital Structure

Details of the Company's issued share capital, together with details of the movements therein during the financial year are shown in Note 32. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

By a resolution passed at the AGM held on 16 November 2015 the Company's Directors are authorised to buy back shares not exceeding 15 per cent of the total number of shares in issue on that date. Share buy backs may be at market prices but not under £0.50 and not above £3.00 per share, including commissions and other related expenses.

DIRECTORS' REPORT

Photo: Viktoria Dorosevits

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfers of securities or on voting rights.

Details of employees share option schemes are set out in Note 33.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regards to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Corporate Governance Statement

The Board is accountable to the shareholders for the good corporate governance of the Group. The principles of corporate governance and a code of best practice are set out in the UK Corporate Governance Code issued in September 2014. The Company is not required to comply in full with the Code nor state any areas with which it does not comply. The Board has adopted policies that it considers to be appropriate for the Company's size and nature.

The Board acts as the administrative, management and supervisory body overseeing the operation of the Group. The Board consist of two executive directors (Robert Jeffries Chatfield and Roderick Douglas Mahoney) and one non-executive director (Stephen John Fisher). The Board meets at least six times a year; matters for discussion at formal meetings are clearly laid down and decisions recorded. The Board is responsible for overall corporate strategy; the reviewing and approval of acquisition and divestment opportunities; the approval of significant capital expenditures; the review of budgets, trading performance, and all significant financial and operational issues.

The Company operates the following committees whose members are detailed below:

- Audit Committee - Robert Jeffries Chatfield, Roderick Douglas Mahoney, Stephen John Fisher and Iain Cawte (non-Board member); and
- Risk Committee - Robert Jeffries Chatfield, Roderick Douglas Mahoney, Stephen John Fisher, Iain Cawte (non-Board member), Duncan Scott (non-Board member), Richard Wolanski (non-Board member), Sumit Vasudeva (non-Board member) and Ashley Nicholas (non-Board member).
- Remuneration Committee - Robert Jeffries Chatfield, Roderick Douglas Mahoney, Stephen John Fisher

The Board is responsible for identifying and evaluating the major business risks faced by the Company and for determining and monitoring the appropriate course of action to manage these risks. The key risks the Company faces are described in the risk assessment section of this annual report and accounts.

DIRECTORS' REPORT

The Board conducts a review of the effectiveness of the Company's systems of internal control and risk management on an annual basis. Following this review it has concluded that the Company's financial, operational and compliance controls and risk management procedures are appropriate and suitable to enable the Board to safeguard shareholders' investments and the Company's assets.

The process and systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve the Company's objectives, and can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

Statement as to disclosure of information to auditors

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

Auditors

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

Purchase of own shares

During the financial year, the Company purchased 3,750,600 shares for US$7.94 million. These were held as treasury shares and presented within shareholders equity. The Company subsequently sold 4,200,000 treasury shares.

Subsequent events

See Note 41 to these financial statements.

Information to be included in annual report

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the following table provides references to where the information to be included in the annual report and accounts, where applicable, under LR 9.8.4, is set out.

Listing Rule requirement	Reference
Details of any long-term incentive schemes as required by LR 9.4.3 R.	Directors' Remuneration report and Notes to the Financial Statements – Note 33, Share Based Payments
Details of any contract of significance subsisting during the period under review to which the listed company, or one of its subsidiary undertakings, is a party and in which a director of the listed company is or was materially interested.	Notes to the Financial Statements – Note 8, Related Party Transactions

On behalf of the board

Robert Jeffries Chatfield

Director

DIRECTORS’ REMUNERATION REPORT

Introduction

This report has been prepared in accordance with Schedule 8 of the Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. 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.

The information in the Directors’ Remuneration Report is not audited, unless specifically stated that the section is subject to audit.

Statement by the Chair of the remuneration committee

The Company’s remuneration policy remains substantiality unchanged for 2016. Key aspects of the policy are to attract and retain executives; be consistent with best practices and to ensure alignment between performance and compensation. The Company’s performance in the current year was in line with expectations with revenue increasing 25% and earnings per share increasing 40% and remuneration was commensurate with this performance.

Remuneration (audited)

The components of remuneration are:

- basic salary and benefits determined by the Remuneration Committee which are included in employment agreements and reviewed annually;
- bonuses based upon performance of the Company and the individual concerned; and
- share warrants.

DIRECTORS' REMUNERATION REPORT

Component	Purpose	Operation & framework used to assess performance
Salary and benefits	To provide the core reward for the role at a sufficient level to recruit and retain individuals of the necessary competence to execute the company's business strategy.	**Operation:** Salaries are typically set after considering salary levels in companies of a similar size and complexity, the responsibilities of each individual role, progression within the role, individual performance and an individual's experience. Our overall policy, having had due regard to the factors noted, is normally to target salaries at the market median level. Salaries may be adjusted in line with the market and adjustments out of line with the market may be awarded in certain circumstances such as where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group. Salary levels for current incumbents are set out elsewhere in this report. **Framework used to assess performance:** The remuneration committee considers individual salaries at the appropriate committee meeting each year after having due regard to the factors noted in operating the salary policy. No recovery provisions apply to salary.
Bonuses	To incentivise and recognise execution of the business strategy on a semi-annual basis.	**Operation:** Bonuses are paid in cash twice yearly to Directors based on a target percentage of the employee's basic salary. All bonus payments are at the discretion of the Committee, as shown following this table. **Framework used to assess performance:** The remuneration committee will assess company and individual performance compared to prior year and expectations for the current year. Individual performance will also be assessed against key performance metrics established for each executive. Metrics considered in awarding bonuses include share price appreciation; increase in the Company's earnings per share; reliable and high quality financial reporting; growth in asset value and profits; and dividend growth.
Share Warrants	To incentivise and recognise execution of the business strategy over the long-term.	**Operation:** Each year share warrants and/or performance shares awards may be granted subject to the achievement of performance targets. Awards normally vest over a three-year period. **Framework used to assess performance:** Same as for bonus.

DIRECTORS’ REMUNERATION REPORT

Individual Director’s remuneration from the group was as follows:

	Salaries and fees US$’000s	Bonuses US$’000s	Taxable benefits US$’000s	Total 2016 US$’000s	Total 2015 US$’000s
Executive Directors:					
Robert Jeffries Chatfield	528	70	101	699	711
Roderick Douglas Mahoney	230	198	-	428	308
Non-executive Directors:					
Stephen John Fisher	30	-	-	30	30
	788	**268**	**101**	**1,157**	**1,049**

Bonuses are subject to the discretion of the remuneration committee and are awarded after assessing company and individual performance compared to prior years and expectations for the current year. Individual performance is also assessed against key performance metrics established for each executive.

Taxable benefits mainly relate to housing expenses.

The information in this part of the Directors’ Remuneration Report is subject to audit.

Service contracts

The employment contracts of the executive Directors with the Company are terminable by either party with no less than four weeks’ notice in writing to the other.

The Directors’ service contracts are as follows:

	Date of contract	Unexpired term	Notice period	Compensation payable on early termination
Robert Jeffries Chatfield	29 April 2013	Indefinite	4 months	-
Roderick Douglas Mahoney	16 December 2011	Indefinite	4 weeks	-
Stephen John Fisher	29 April 2014	Indefinite	1 month	-

Share options and warrants (audited)

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

Warrants are granted to Directors and senior management of the Group to promote:

- improvement in share price;
- improvement in profit; and
- improvement in returns to shareholders.

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. There are no performance conditions that need to be met before warrants can be exercised.

Warrants granted to Directors on 20 November 2013 have a 3 year vesting schedule with details as follows:

DIRECTORS' REMUNERATION REPORT

Vesting period	Proportion of total share options that are exercisable
Before 20 November 2014	0 per cent
On 20 November 2014 and before 20 November 2015	Up to 33 per cent of the grant
On 20 November 2015 and before 20 November 2016	Up to 33 per cent of the grant or up to 66 per cent of the grant if warrants were not exercised after the first vesting year
On 20 November 2016	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

Warrants granted to directors on 8 December 2014 have a 3 year vesting schedule with details as follows:

Vesting period	Proportion of total share options that are exercisable
Before 8 December 2015	0 per cent
On 8 December 2015 and before 8 December 2016	Up to 33 per cent of the grant
On 8 December 2016 and before 8 December 2017	Up to 33 per cent of the grant or up to 66 per cent of the grant if warrants were not exercised after the first vesting year
On 8 December 2017	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

Warrants granted to directors on 8 December 2015 have a 3 year vesting schedule with details as follows:

Vesting period	Proportion of total share options that are exercisable
Before 16 November 2016	0 per cent
On 16 November 2016 and before 16 November 2017	Up to 33 per cent of the grant
On 16 November 2017 and before 16 November 2018	Up to 33 per cent of the grant or up to 66 per cent of the grant if warrants were not exercised after the first vesting year
On 16 November 2018	Balance or 100 per cent of the grant if warrants were not exercised after the first and second vesting years

DIRECTORS' REMUNERATION REPORT

The following share warrants issued to Directors were outstanding at the year-end:

Director	Date granted	Warrant price	Balance at beginning of year	Granted during the year	Exercised during the year	Balance at end of year
Robert Jeffries Chatfield *	20 Nov 2013	110.0p	335,000	-	(35,000)	300,000
Robert Jeffries Chatfield *	8 Dec 2014	153.0p	450,000	-	-	450,000
Robert Jeffries Chatfield *	16 Nov 2015	130.0p	-	450,000	-	450,000
Roderick Douglas Mahoney**	20 Nov 2013	110.0p	300,000	-	-	300,000
Roderick Douglas Mahoney	8 Dec 2014	153.0p	400,000	-	-	400,000
Roderick Douglas Mahoney	16 Nov 2015	130.0p	-	400,000	-	400,000

* Robert Jeffries Chatfield was granted the share warrants via Epsom Assets Limited. For warrants exercised during the year the market price was 147.0p at the date of exercise.

** Roderick Douglas Mahoney was granted the share warrants via Douglas Aviation Pte Ltd.

The closing market price of the shares subject to warrants at the year-end was £1.41. The highest and lowest closing market prices during the year were £1.50 and £1.19.

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 since the Company's shares were first publicly traded in November 2006. 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.

DIRECTORS' REMUNERATION REPORT

Remuneration of Executive Chairman

	2016 US$'000s	2015 US$'000s	2014 US$'000s	2013 US$'000s	2012 US$'000s
Executive Chairman single figure remuneration	699	711	638	267	250
Annual bonus pay-out (as % of maximum)	15%	-	-	-	-
Long term incentive vesting rates against maximum opportunity %	N/A	N/A	N/A	N/A	N/A

The table above shows the prescribed remuneration data for the Director, Robert Jeffries Chatfield, Executive Chairman undertaking the role of Group Chief Executive Officer during each of the last five financial years.

Percentage change in remuneration of Chief Executive Officer

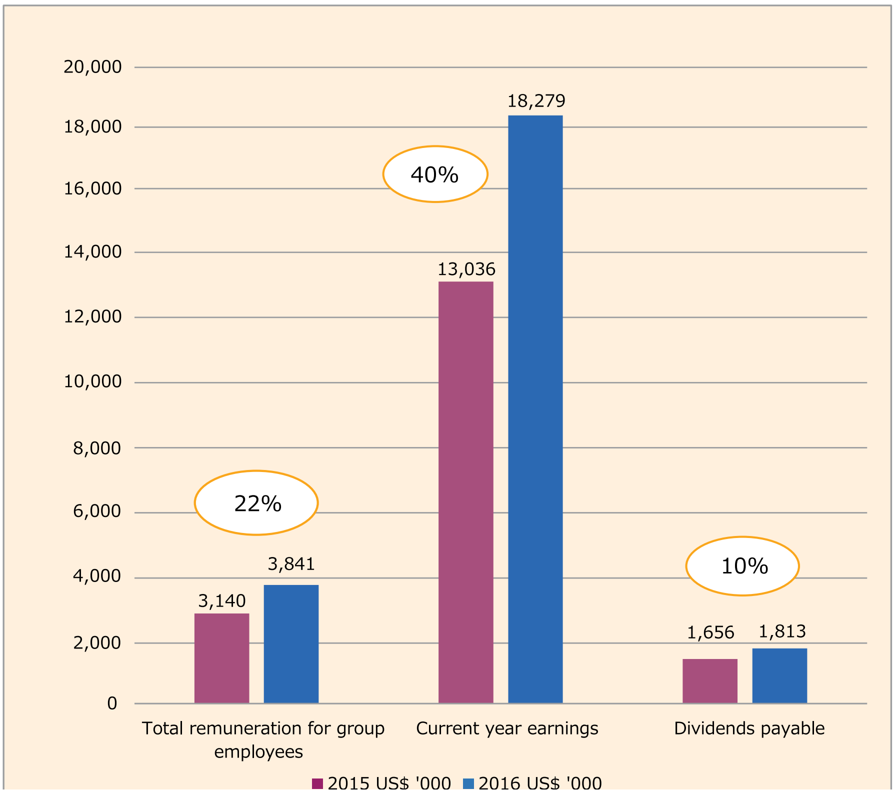
The table below sets out the percentage change in the remuneration of the Executive Chairman who is undertaking the role of Group Chief Executive Officer compared to that of all employees of the Group.

	Change in remuneration from 2015 to 2016		
	% change in base salary	% change in annual bonus	% change in taxable benefits
Executive Chairman	(10%)	N/A	(18%)
All employees	8%	73%	0%

DIRECTORS' REMUNERATION REPORT

Relative importance of spend on pay

The Chart below displays the relative expenditure of the Company on various matters, as required (in the case of remuneration for group employees and shareholder distributions) by the relevant remuneration regulations:



Directors' remuneration policy

The Company applies a policy for Directors' remuneration which is designed to meet the following objectives:

- provide a fair and transparent remuneration policy that is in alignment with shareholders' interests;
- provide both immediate and incentive remuneration that is sufficient to attract and retain executives;
- be consistent with best practice for governance of stock exchange listed companies;
- allow claw-back of incentives from executives should previous performance be found to have led to future adverse circumstances for the Company; and
- ensure alignment between performance and compensation.

The Company targets the following outcomes in applying its policy to ensure alignment of Directors' remuneration and shareholders' interests:

- share price appreciation;
- increase in the Company's earnings per share;
- reliable and high quality financial reporting;
- growth in asset value and profits; and
- dividend growth.

Remuneration of the Company's Executive Directors is comprised of the following components:

- base salary;
- short-term incentives in the form of a cash bonus for linked to performance against individual KPIs; and
- long-term incentives in the form of share warrants and/or performance shares.

DIRECTORS' REMUNERATION REPORT

Remuneration of the Company's Non-Executive Directors is comprised of fixed Directors' Fees.

Payments for loss of office

No provisions are made under the Directors' service contracts for any payments beyond the applicable notice period.

Remuneration for the appointment of a new Executive Director

Base salary levels are set in accordance with the Company's remuneration policy, taking into account the experience and calibre of the individual. Benefits are provided in line with those offered to other employees, with relocation expenses/arrangements provided if necessary. The Company may offer a cash amount on recruitment, payment of which may be deferred, as compensation for the value of benefits a new employee would have received from a former employer.

Statement of consideration of employment conditions elsewhere in the company

Pay and employment conditions of other employees in the company were taken into account when setting the policy for Directors' remuneration. Similar remuneration polices are in place for Directors and employees of an equivalent level.

Shareholders' vote on remuneration

	Share Count	% of Total
Votes cast in favour	24,725,407	84.00%
Votes cast against	4,710,000	16.00%
Total votes cast in favour or against	29,435,407	100.00%
Votes withheld	2,375,000	

The Board as a whole considers the remuneration of the Directors and has not engaged external advisers. The remuneration report for the year ended 30 June 2015 was approved at the Annual General Meeting held on 16 November 2015.

On behalf of the Board

Robert Jeffries Chatfield

Director

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 that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU.

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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- present information, including accounting policies, in a manner that provides relevant reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific IFRSs are insufficient to enable the users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- properly select and apply accounting policies.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's 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.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and of the Group, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Group's position, performance, business model and strategy.

By order of the Board
Robert Jeffries Chatfield
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVATION PLC

We have audited the financial statements of Avation PLC for the year ended 30 June 2016 which comprise the Consolidated Statement of Profit or Loss and other 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 27 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 and the Parent Company'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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 matters 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;
- the information given in the Corporate Governance Statement included in the Directors’ report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements; 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; and
- a Corporate Governance Statement has not been prepared by the Company.

30 September 2016

Mark Twum-Ampofo (Senior Statutory Auditor)
For and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

AVATION PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 US$'000s	2015 US$'000s
Continuing operations			
Lease revenue		71,190	56,932
Other income	9	3,045	3,202
		74,235	60,134
Depreciation	25	(23,201)	(17,775)
Gain/(loss) on disposal of aircraft		3,660	(729)
Impairment loss on aircraft		(902)	-
Administrative expenses	10	(7,550)	(7,199)
Other expenses	11	(669)	(823)
Operating profit		45,573	33,608
Finance income	12	1,202	807
Finance expenses	13	(28,706)	(18,895)
Profit before taxation	15	18,069	15,520
Taxation	16	202	(1,039)
Profit from continuing operations		**18,271**	**14,481**
Discontinued operations			
Profit/(Loss) from discontinued operations	17	9	(1,196)
Total profit		**18,280**	**13,285**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		(6)	(23)
Fair value loss on derivative financial instruments		(2,158)	(229)
		(2,164)	(252)
Items that may not be reclassified subsequently to profit or loss:			
Revaluation gain on property, plant and equipment, net of tax		30,987	-
Other comprehensive income, net of tax		28,823	(252)
Total comprehensive income for the year		**47,103**	**13,033**
Profit attributable to:			
Equity holders of the Company		18,279	13,036
Non-controlling interests		1	249
		18,280	**13,285**
Total comprehensive income attributable to:			
Equity holders of the Company		47,098	12,786
Non-controlling interests		5	247
		47,103	**13,033**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		2016 US$'000s	2015 US$'000s
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company			
Basic earnings per share:			
From continuing operations	18	34.33 cents	26.29 cents
From total operations		34.35 cents	24.12 cents
Diluted earnings per share:			
From continuing operations	18	34.13 cents	26.13 cents
From total operations		34.15 cents	23.97 cents

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 not to present the Company statement of profit or loss and other comprehensive income. The Company's profit for the year was US$16.68 million (2015: US$12.42 million).

AVATION PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 US$'000s	2015 US$'000s
ASSETS:			
Current assets:			
Cash and cash equivalents	19	48,267	108,647
Trade and other receivables	20	5,631	4,362
Loan receivable	21	-	19,600
Finance lease receivables	22	3,032	-
Options held for trading	23	3,040	-
Assets held for sale		-	30
Total current assets		59,970	132,639
Non-current assets:			
Trade and other receivables	20	11,304	17,080
Finance lease receivables	22	33,627	-
Property, plant and equipment	25	724,982	434,079
Goodwill	26	1,902	2,384
Total non-current assets		771,815	453,543
Total assets		**831,785**	**586,182**
LIABILITIES AND EQUITY:			
Current liabilities:			
Trade and other payables	27	10,065	10,280
Provision for taxation		1,029	431
Loans and borrowings	28	72,423	51,584
Maintenance reserves	29	7,440	825
Total current liabilities		90,957	63,120
Non-current liabilities:			
Trade and other payables	27	13,471	11,271
Loans and borrowings	28	543,301	376,511
Derivative financial instruments	30	2,387	229
Deferred tax liabilities	31	4,738	6,847
Maintenance reserves	29	3,323	-
Total non-current liabilities		567,220	394,858
Equity attributable to shareholders:			
Share capital	32	993	991
Treasury shares	32	(1)	(682)
Share premium		38,925	38,692
Merger reserve		6,715	6,715
Asset revaluation reserve		41,142	10,159
Capital reserve		8,876	8,459
Other reserves	34	(1,814)	50
Retained earnings		78,679	62,363
		173,515	126,747
Non-controlling interest		93	1,457
Total equity		173,608	128,204
Total liabilities and equity		**831,785**	**586,182**

Approved by the board and authorised for issue on 30 September 2016

Robert Jeffries Chatfield
Director

AVATION PLC

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 US$'000s	2015 US$'000s
ASSETS:			
Current assets:			
Cash and cash equivalents	19	7,666	1,490
Trade and other receivables	20	52,476	48,647
Options held for trading	23	3,040	-
Total current assets		63,182	50,137
Non-current assets:			
Trade and other receivables	20	5,567	9,053
Investment in subsidiaries	24	15,375	15,353
Property, plant and equipment	25	17,000	17,436
Total non-current assets		37,942	41,842
Total assets		**101,124**	**91,979**
LIABILITIES AND EQUITY:			
Current liabilities:			
Trade and other payables	27	9,359	13,355
Loans and borrowings	28	1,592	3,546
Total current liabilities		10,951	16,901
Non-current liabilities:			
Trade and other payables	27	1,406	1,163
Loans and borrowings	28	7,362	8,954
Deferred tax liabilities	31	432	493
Total non-current liabilities		9,200	10,610
Equity attributable to shareholders:			
Share capital	32	993	991
Treasury shares	32	(1)	(682)
Share premium		38,925	38,692
Merger reserve		6,715	6,715
Asset revaluation reserve		3,448	2,873
Other reserves	34	600	300
Retained earnings		30,293	15,579
Total equity		80,973	64,468
Total liabilities and equity		**101,124**	**91,979**

Approved by the board and authorised for issue on 30 September 2016

Robert Jeffries Chatfield
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		Attributable to shareholders of the parent										
	Note	Share capital	Treasury shares	Share premium	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
		US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Balance at 1 July 2015		991	(682)	38,692	6,715	10,159	8,459	50	62,363	126,747	1,457	128,204
Profit for the year		-	-	-	-	-	-	-	18,279	18,279	1	18,280
Other comprehensive income		-	-	-	-	30,983	-	(2,164)	-	28,819	4	28,823
Total comprehensive income		-	-	-	-	30,983	-	(2,164)	18,279	47,098	5	47,103
Dividend paid	39	-	-	-	-	-	-	-	(1,656)	(1,656)	-	(1,656)
Purchase of treasury shares	32	-	(7,936)	-	-	-	-	-	-	(7,936)	-	(7,936)
Re-issue of treasury shares	32	-	8,617	-	-	-	-	-	(307)	8,310	-	8,310
Treasury shares of a subsidiary		-	-	-	-	-	882	-	-	882	2	884
Increase in issued share capital	32	2	-	233	-	-	-	(39)	-	196	-	196
Warrants expense		-	-	-	-	-	-	339	-	339	-	339
Change in ownership interest in a subsidiary		-	-	-	-	-	(465)	-	-	(465)	(1,371)	(1,836)
Balance at 30 June 2016		**993**	**(1)**	**38,925**	**6,715**	**41,142**	**8,876**	**(1,814)**	**78,679**	**173,515**	**93**	**173,608**

During the year the Company paid a dividend of 3.00 US cents (2015: 2.01 US cents) per share.

Other reserves consists of capital redemption reserve, warrant reserve, fair value reserve and foreign currency translation reserve.

The merger reserve arose on acquisition of additional shares of the Company's subsidiary Capital Lease Aviation PLC through the allotment of ordinary shares in the year ended 30 June 2015. The merger reserve represents the difference between the fair value and the nominal value of the shares issued by the Company.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

		Attributable to shareholders of the parent										
	Note	Share capital	Treasury shares	Share premium	Merger reserve	Asset revaluation reserve	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
		US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Balance at 1 July 2014		891	(682)	31,424	-	10,159	3,856	12	50,446	96,106	14,661	110,767
Profit for the year		-	-	-	-	-	-	-	13,036	13,036	249	13,285
Other comprehensive income		-	-	-	-	-	-	(250)	-	(250)	(2)	(252)
Total comprehensive income		-	-	-	-	-	-	(250)	13,036	12,786	247	13,033
Dividend paid	39	-	-	-	-	-	-	-	(1,119)	(1,119)	-	(1,119)
Treasury shares of a subsidiary		-	-	-	-	-	395	-	-	395	18	413
Increase in issued share capital	32	100	-	7,871	6,715	-	-	-	-	14,686	-	14,686
Share issue expenses	32	-	-	(603)	-	-	-	-	-	(603)	-	(603)
Warrants expense		-	-	-	-	-	-	288	-	288	-	288
Change in ownership interest in a subsidiary		-	-	-	-	-	4,208	-	-	4,208	(13,469)	(9,261)
Balance at 30 June 2015		**991**	**(682)**	**38,692**	**6,715**	**10,159**	**8,459**	**50**	**62,363**	**126,747**	**1,457**	**128,204**

AVATION PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Asset revaluation reserve	Other reserves	Retained earnings	Total
		US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Balance at 1 July 2015		991	(682)	38,692	6,715	2,873	300	15,579	64,468
Profit for the year		-	-	-	-	-	-	16,677	16,677
Other comprehensive income		-	-	-	-	575	-	-	575
Total comprehensive income		-	-	-	-	575	-	16,677	17,252
Dividend paid	39	-	-	-	-	-	-	(1,656)	(1,656)
Purchase of treasury shares	32	-	(7,936)	-	-	-	-	-	(7,936)
Re-issue of treasury shares	32	-	8,617	-	-	-	-	(307)	8,310
Increase in issued share capital	32	2	-	233	-	-	(39)	-	196
Warrants expense		-	-	-	-	-	339	-	339
Balance at 30 June 2016		**993**	**(1)**	**38,925**	**6,715**	**3,448**	**600**	**30,293**	**80,973**

During the year the Company paid a dividend of 3.00 US cents (2015: 2.01 US cents) per share.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Asset revaluation reserve	Other reserves	Retained earnings	Total
		US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Balance at 1 July 2014		891	(682)	31,424	-	2,873	12	4,275	38,793
Profit for the year		-	-	-	-	-	-	12,423	12,423
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	12,423	12,423
Dividend paid	39	-	-	-	-	-	-	(1,119)	(1,119)
Increase in issued share capital	32	100	-	7,871	6,715	-	-	-	14,686
Share issue expenses		-	-	(603)	-	-	-	-	(603)
Warrants expense		-	-	-	-	-	288	-	288
Balance at 30 June 2015		**991**	**(682)**	**38,692**	**6,715**	**2,873**	**300**	**15,579**	**64,468**

AVATION PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		US$'000s	US$'000s
Cash flows from operating activities:			
Profit before taxation from continuing operations		18,069	15,520
Profit /(Loss) before taxation from discontinued operations		9	(1,625)
Profit before income tax		18,078	13,895
Adjustments for:			
Depreciation expense		23,201	17,925
Warrants expense	14	339	288
Discount on early settlement of loans	9	-	(1,160)
Impairment loss on aircraft		902	3,850
Impairment loss on trade receivables	11	7	145
Impairment loss on goodwill	11	482	-
Amortisation of loan insurance premium	13	1,078	1,078
Amortisation of interest expense on non-current deposits	13	376	317
(Gain)/Loss on disposal of aircraft		(3,660)	729
(Gain)/Loss on disposal of assets held for sale		(25)	1,600
Fair value gain on options held for trading	9	(2,940)	-
Finance income from discounting non-current deposits to fair value	12	(393)	(309)
Interest income	12	(809)	(498)
Interest expense	13	26,811	17,295
Operating cash flows before working capital changes		63,447	55,155
Movement in working capital:			
Trade and other receivables and finance lease receivables		3,798	(141)
Trade and other payables		1,226	4,194
Maintenance reserves		9,938	825
Cash from operations		78,409	60,033
Interest received		809	498
Interest paid		(26,034)	(16,228)
Income tax paid		(637)	(852)
Net cash from operating activities		**52,547**	**43,451**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(323,222)	(110,173)
Purchase of options held for trading		(100)	-
Proceeds from disposal of aircraft		24,755	18,074
Proceeds from disposal of assets held for sale		55	1,210
Investment in loans receivable		-	(19,600)
Purchase of additional shares in a subsidiary from non-controlling interest		(22)	(843)
Repurchase of a subsidiary's treasury shares		(884)	(413)
Net cash used in investing activities		**(299,418)**	**(111,745)**
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares		196	6,591
Dividends paid to shareholders		(1,656)	(1,119)
Repurchase of treasury shares		(7,936)	-
Proceeds from sale of treasury shares		8,310	-
Dividend paid to non-controlling interest of a subsidiary		(46)	-
Proceeds from loans and borrowings, net of transactions costs		233,869	212,410
Repayment of loans and borrowings		(46,240)	(64,313)
Net cash from financing activities		**186,497**	**153,569**
Effects of exchange rates on cash and cash equivalents		(6)	(23)
Net (decrease)/increase in cash and cash equivalents		**(60,380)**	**85,252**
Cash and cash equivalents at beginning of financial year		108,647	23,395
Cash and cash equivalents at end of financial year		**48,267**	**108,647**

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	2016 US$'000s	2015 US$'000s
Cash flows from operating activities:		
Profit before taxation	16,618	12,292
Adjustments for:		
Dividend income	(14,810)	(12,915)
Depreciation expense	1,034	1,072
Interest income	(1,087)	(803)
Interest expense	1,115	1,090
Gain on disposal of aircraft	-	(42)
Fair value gain on options held for trading	(2,940)	-
Warrant expense	339	288
Operating cash flows before working capital changes	269	982
Movement in working capital:		
Trade and other receivables and prepayments	(2,529)	(12,622)
Trade and other payables	(7,869)	(3,128)
Cash used in operations	(10,129)	(14,768)
Interest received	358	488
Interest paid	(1,081)	(894)
Net cash used in operating activities	**(10,852)**	**(15,174)**
Cash flows from investing activities:		
Dividend received	17,724	11,000
Purchase of property, plant and equipment	(23)	(158)
Purchase of options held for trading	(100)	-
Proceeds from sale of property, plant and equipment	-	823
Investment in subsidiaries	(22)	(893)
Net cash from investing activities	**17,579**	**10,772**
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	196	6,591
Dividends paid	(1,656)	(1,119)
Repurchase of treasury shares	(7,936)	-
Re-issue of treasury shares	8,310	-
Proceeds from loans and borrowings	4,081	2,500
Repayment of loans and borrowings	(3,546)	(4,055)
Net cash (used in)/from financing activities	**(551)**	**3,917**
Net increase/(decrease) in cash and cash equivalents	**6,176**	**(485)**
Cash and cash equivalents at beginning of financial year	1,490	1,975
Cash and cash equivalents at end of financial year	**7,666**	**1,490**

1 GENERAL

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328) and is listed as a Standard Listing on the London Stock Exchange. The address of the registered office is given on page 4.

As disclosed in the Directors' Report, the Group's principal activity is aircraft leasing. Details of the activities of subsidiary companies are set out in Note 24 to these financial statements.

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 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").

The financial statements have been prepared on a going concern basis and have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain assets and liabilities.

The financial statements are presented in United States Dollars and all values are rounded to the nearest thousand (US$'000s). The year-end exchange rate for Pounds Sterling to United States Dollars is 1.339.

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 have been applied consistently by the Company and its subsidiaries, unless otherwise disclosed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) **BASIS OF CONSOLIDATION** - The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2016. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Whether or not the Group controls an investee is re-assessed if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 interests
- 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 OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Investments in subsidiaries are stated at cost less impairment in the Company's separate financial statements.

For all non-controlling interests voting rights not controlled by the Group are equivalent to ownership interests.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **BUSINESS COMBINATIONS** - 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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred 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 held by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(d) **GOODWILL**- Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(e) **GOING CONCERN** – The financial statements have been prepared on a going concern basis. The directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) **FAIR VALUE MEASUREMENT** – The Group measures financial instruments, such as derivatives, and non-financial assets such as aircraft, at fair values at each reporting date. The fair values of debt instruments are not considered to be materially different from their amortised cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

In the case of aircraft, unless otherwise disclosed, the assets are valued using lease encumbered value (“LEV”). Under such a valuation, which reflects highest and best use given the fact that the aircraft are held for use in a leasing business, the income streams associated with the lease and the expected future market value of the aircraft at the end of the lease are discounted to current values. The valuers prepare their valuation report based on the market for second hand aircraft, which is active, known and measurable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) FAIR VALUE MEASUREMENT (continued)

The Group's management determines the policies and procedures for both recurring fair value measurement, such as aircraft and unquoted available for sale ("AFS") financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operations.

External valuers are involved for valuation of significant assets, such as aircraft and AFS financial assets, and significant liabilities, such as contingent consideration.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents so far as possible.

Management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(g) **PROPERTY, PLANT AND EQUIPMENT** – All items of property, plant and equipment are initially recorded at cost. Such cost include the cost of replacing part of the property. The cost of an item of property, plant and equipment is recognised as an asset if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, aircraft are stated in the statement of financial position at their fair value. All items of property plant and equipment other than aircraft are measured at cost 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 reporting date. However, these aircraft have been reviewed for impairment.

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.

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:

Jets	25 years from date of manufacture
Turbo props	25 years from date of manufacture
Furniture and equipment	3 years

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PROPERTY, PLANT AND EQUIPMENT (continued)

Residual values, useful lives and depreciation methods are revised and adjusted if appropriate, at each reporting date. Residual values of aircraft are based on their estimated scrap value.

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) **NON-CURRENT ASSETS HELD FOR SALE** – Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal) group is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(i) **IMPAIRMENT OF NON-FINANCIAL ASSETS** - At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such costs can be identified, an appropriate valuation model is used.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

Impairment losses are recognised in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

Impairment losses are recognised as an immediate expense. However, the impairment loss shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

(j) **JOINTLY CONTROLLED ASSETS** – A jointly controlled asset involves joint control and ownership by the Group and other venturers of assets contributed to or acquired. The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or used of its share of the joint venture's output, together with its share of the expense incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

(k) **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 reporting date, and are discounted to present value where the effect is material.

(l) **MAINTENANCE RESERVES** - Normal maintenance and repairs, airframe and engine overhauls, and compliance with return conditions of the aircraft placed on operating leases are provided by and paid for by the lessees. Certain lease agreements require the lessees to make maintenance reserve contributions to the Group which subsequently can be drawn on to pay for certain maintenance events carried out. These maintenance reserve balances are accounted for as liabilities. Upon termination of the lease, any unutilised maintenance reserve balance will be released to profit and loss or continued to be retained as reserves for drawdown by the follow-on operator. Upon sale of the aircraft, any unutilised maintenance reserve balance held in respect of historic operation of the aircraft that are required to maintain the aircraft to the required standards by a follow-on operator are provided as a charge to profit and loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) **SHARE-BASED PAYMENTS** – The cost of share based payment arrangements whereby employees receive remuneration in the form of warrants, is recognised as an employee benefit expense in profit or loss. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at date of grant. The assumption underlying the number of warrants expected to vest are subsequently adjusted for the effects of non-market based vesting conditions prevailing at the reporting date. Fair value is measured by the use of the Black-Scholes method and is based on a reasonable expectation of the extent to which performance criteria will be met.

(n) **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.

(o) **BORROWING COSTS** - Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) **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 lease revenue 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 and commissions pursuant to the licence agreement are recognised as earned.

(q) **CONTINGENCIES** – A contingent liability is:

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(ii) a present obligation that arises from past events but is not recognised because:

i. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
ii. The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) **TAXATION** - Taxation expense represents the sum of current tax and deferred tax.

Current tax 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 reporting 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. 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 reporting 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.

The Company is Singapore resident for tax purposes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) **FOREIGN CURRENCIES** - The Group's consolidated financial statements and Company financial statements are presented in United States dollars. 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 most Group entities, 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 rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at 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 profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in 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 United States dollars using exchange rates prevailing on the reporting 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.

(t) **FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised in the Group's statement of financial position 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 fair value upon initial recognition, 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) FINANCIAL INSTRUMENTS (continued)

(ii) **Cash and cash equivalents** - Cash and cash equivalents comprise cash at bank and 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). Insurance premiums paid to export credit agencies independent of the lending bank or financial institution are not considered to constitute transaction costs and are accounted for separately.

(v) **Trade and other payables** - Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

(vi) **Equity instruments** - Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(u) **DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING** – The Group uses derivative financial instruments such as interest rate swap contracts to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly into profit or loss. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedged item or transaction, the hedging instrument, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's (or transaction's) cash flows attributable to the hedge risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows, and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they are designated.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (continued)

Derivatives are classified as fair value through profit or loss unless they qualify for hedge accounting. Derivatives which meet the criteria for hedge accounting are accounted for as cash flow hedges.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the fair value reserve, while the ineffective portion is recognised in profit or loss.

Amounts taken to the fair value reserve are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. If the hedged item is a non-financial asset or liability, the amounts taken to the fair value reserve are transferred to the initial carrying amount of the non-financial asset or liability.

(v) **IMPAIRMENT OF FINANCIAL ASSETS** - The Group assesses at each end of the reporting date whether there is any objective evidence that a financial asset is impaired.

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(w) **SEGMENTAL REPORTING** - Operating segments are reported in a manner consistent with the internal reporting provided to the executive chairman who is responsible for allocating resources and assessing performance of operating segments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future are made in the preparation of 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 at the reporting 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.

(a) 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 or, a significant change in an aircraft's physical condition or cash-flow associated with the use of the aircraft.

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

The Group periodically revalues its aircraft using lease encumbered value ("LEV"). Under such a valuation, which reflects highest and best use given the fact that the aircraft are held for use in a leasing business, the income streams associated with the lease and the expected future market value of the aircraft at the end of the lease are discounted to current values. Critical assumptions made in determining LEV are the discount rate applied to cashflows associated with the lease and the expected future value of aircraft at the end of the lease.

(c) Impairment of loans and receivables

At the end of each reporting period the Group assesses whether there is any objective evidence that a financial asset is impaired. The Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments to determine whether there is objective evidence of impairment.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar risk characteristics.

(d) Fair value estimation on options held for trading

The Group holds options to acquire aircraft. Management periodically assesses the Group's future fleet requirements and will identify options in excess of requirements as held for trading. The Group values options held for trading as the expected market value of the relevant aircraft based on its estimated delivery date less the Group's estimated contract price to acquire the aircraft, discounted to present value. Critical assumptions made in determining the fair value of these options include the discount rate of 8.1%, an inflation rate of 1.5% per annum used to estimate the future contract price for the aircraft and the expected open market future value of the aircraft at delivery.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) **Income taxes**

(i) Commencing 17 April 2014, Avation Group (S) Pte Ltd ("AGS") and its subsidiaries were awarded a 5-year Aircraft Leasing Scheme incentive ("ALS") by the Singapore Economic Development Board, whereby income from the leasing of aircraft and aircraft engines and qualifying activities will be taxed at a concessionary rate of 10%. Qualifying income during the period 17 April 2014 to 16 April 2019 will be taxed at the concessionary rate subject to meeting the terms and conditions of the incentive.

(ii) The Group is subject to income taxes in different jurisdictions where it operates. Significant judgment is required in determining capital allowances and the deductibility of certain expenses relevant to the estimation of the provision for income taxes.

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

Although the ultimate shareholder of the SPE is a trust, the directors of Avation PLC consider that they have the power to, and in practice, control the day to day activities of the SPE. Furthermore, Avation PLC is entitled to the benefits and is exposed to the risks of the activities of the SPE, which are consistent with the operations of the Group, and are conducted on behalf of the Group according to the Group's specific business needs. Accordingly the SPE is consolidated 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 AND STANDARDS IN EFFECT IN 2016

(a) 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** (accounting periods commencing after)
Amendments to IFRS 11 Joint arrangements	1 January 2016
Amendments to IAS 16 Property plant and equipment	1 January 2016
Amendments to IAS 38 Intangible assets	1 January 2016
Amendments to IFRS 10 and IAS 28	1 January 2016
Amendments to IAS 27 Separate financial statements	1 January 2016
IFRS 14 Regulatory deferral accounts	1 January 2016
Annual improvements 2012-2014 cycle	1 January 2016
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

The directors of the Group have not fully considered the impact on its financial position or performance on the adoption of these standards and interpretations.

(b) Standards in effect in 2016

The Group has adopted all new standards that have come into effect during the financial year.

6 FAIR VALUE MEASUREMENT

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidation sale.

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings are a reasonable approximation of fair value either due to their short-term nature or because the interest rate charged closely approximates market interest rates or that the financial instruments have been discounted to their fair value at a current pre-tax interest rate.

Non-financial assets measured at fair value:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Fair value measurement using significant unobservable inputs:				
Aircraft	724,800	433,810	16,904	17,305

Aircraft were valued at 30 June 2016 and 30 June 2015. Refer to Note 25 for the details on the valuation technique and significant inputs used in the valuation.

Classification of financial instruments:
A comparison by category of carrying amounts of all the Group and Company's financial instruments that are carried in the financial statements which are considered to equate to fair value is set out below.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Loans and receivables:				
Cash and cash equivalents	48,267	108,647	7,666	1,490
Trade and other receivables	9,647	13,133	57,907	57,594
Loan receivables	-	19,600	-	-
Finance lease receivables	36,659	-	-	-
	94,573	**141,380**	**65,573**	**59,084**
Financial liabilities measured at amortised cost:				
Trade and other payables	15,219	15,282	10,666	14,419
Loans and borrowings	615,724	428,095	8,954	12,500
Maintenance reserves	10,763	825	-	-
	641,706	**444,202**	**19,620**	**26,919**
Fair value through profit or loss:				
Options held for trading	3,040	-	3,040	-
Derivative financial instruments	2,387	229	-	-

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a number of market related, operational and financial risks. Risk is mitigated through the application of prudent risk management policies. The risks described below are those that the Group has identified as the most significant risks to the business. The directors are responsible for managing risk and review risk management policies regularly.

The Group utilises derivative financial instruments as part of its overall risk management strategy.

(a) Airline Industry Risks

The Group faces risks specific to the aviation sector including war, terrorism and equipment failure. These exposures are managed through the requirement for 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.

(b) Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay amounts owing to the Group.

The Group has adopted a prudent credit policy towards extending credit terms to customers and in monitoring those credit terms. This includes assessing customers' credit standing and periodic reviews of their financial status to determine appropriate credit limits. The Group generally requires its customers to pay rentals in advance and provide collateral in the form of cash or letters of credit as security deposits for leases.

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

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

	Group	
	2016	**2015**
	US$'000s	US$'000s
Asia Pacific	2,355	2,576
Europe	1,304	311
	3,659	**2,887**

The Group's concentration of customers is disclosed in Note 37.

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) **Credit risk (continued)**

(i) Financial assets that are neither past due nor impaired

Financial assets that are neither past due nor impaired are comprised of bank deposits and trade receivables. Bank deposits that are neither past due or impaired are mainly deposits with banks with strong credit–ratings from international credit-rating agencies. Trade receivables that are neither past due nor impaired amounting to US$2.76 million (2015: US$1.75 million) are substantially due from companies with a good payment track record.

(ii) 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	
	2016	**2015**
	US$'000s	US$'000s
Past due less than 3 months	828	927
Past due 3 to 6 months	-	-
Past due over 6 months	69	59
	897	**986**

(c) **Interest rate risk**

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

The Group seeks to reduce its exposure to interest rate risk by fixing interest rates on the majority of its loans and borrowings. As at 30 June 2016 92% (2015: 89%) of the Group's loans and borrowings are at fixed rates.

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

(d) **Foreign currency risk**

Foreign currency risk arises from transactions and cash balances that are not denominated in the Group's functional currency. The Group's foreign currency exposures arose mainly from movements in the exchange rate for British Pounds against the United States Dollar.

The Group aims to mitigate foreign currency risk by holding the majority of its cash balances in United States Dollars. From time to time the Group utilises forward foreign currency contracts to hedge its exposure to specific currency risks.

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk (continued)

The Group's foreign currency exposure is as follows:

Group	Cash and cash equivalents	Trade and other receivables	Other financial liabilities	Net currency exposure
	US$'000s	US$'000s	US$'000s	US$'000s
2016:				
Pound sterling	245	2	(86)	161
Australian dollar	16	91	(101)	6
Euro	23	23	(91)	(45)
Swiss Franc	-	6	(16)	(10)
Singapore dollar	335	1	(432)	(96)
	619	**123**	**(726)**	**16**
2015:				
Pound sterling	160	-	(130)	30
Australian dollar	12	-	(13)	(1)
Euro	20	2	(14)	8
Singapore dollar	307	3	(504)	(194)
	499	**5**	**(661)**	**(157)**

Company	Cash and cash equivalents	Trade and other receivables	Other financial liabilities	Net currency exposure
	US$'000s	US$'000s	US$'000s	US$'000s
2016:				
Pound sterling	183	1	(60)	124
Australian dollar	-	-	(10)	(10)
Euro	-	-	-	-
Singapore dollar	55	-	(19)	36
	238	**1**	**(89)**	**150**
2015:				
Pound sterling	13	-	(102)	(89)
Australian dollar	-	-	(13)	(13)
Euro	-	-	-	-
Singapore dollar	152	-	(136)	16
	165	**-**	**(251)**	**(86)**

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk (continued)

The table below illustrates the effect on total profit and total equity that would result from a strengthening of foreign currencies against the United States Dollar by 10% (2015: 10%) with all other variables including tax rate being held constant:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Foreign currency:				
Pound sterling	16	3	12	(9)
Australian dollar	-	-	(1)	(1)
Euro	(5)	-	-	-
Swiss Franc	(1)		-	-
Singapore dollar	(10)	(20)	4	2

A weakening of the respective currencies by 10% against the United States Dollar would have an equal and opposite effect.

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors and maintains a level of cash and cash equivalents that management deems adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Short-term funding is obtained from loan facilities.

Analysis of financial instruments by remaining contractual maturities
The table below summarises the maturity profile of the Group's financial assets and non-derivative liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Group	**One year or less**	**One to five years**	**Over five years**	**Total**
	US$'000s	US$'000s	US$'000s	US$'000s
2016:				
Financial assets:				
Cash and cash equivalents	48,267	-	-	48,267
Trade and other receivables	4,080	5,567	-	9,647
Finance lease receivable	3,032	33,627	-	36,659
Total undiscounted financial assets	55,379	39,194	-	94,573
Financial liabilities:				
Trade and other payables	3,497	2,831	11,061	17,389
Loans and borrowings	98,203	405,312	182,402	685,917
Maintenance reserves	7,440	3,323	-	10,763
Total undiscounted financial liabilities	109,140	411,466	193,463	714,069
Total net undiscounted financial liabilities	**(53,761)**	**(372,272)**	**(193,463)**	**(619,496)**
2015:				
Financial assets:				
Cash and cash equivalents	108,647	-	-	108,647
Trade and other receivables	2,955	10,178	-	13,133
Loan receivable	19,600	-	-	19,600
Total undiscounted financial assets	131,202	10,178	-	141,380
Financial liabilities:				
Trade and other payables	5,507	2,833	8,804	17,144
Loans and borrowings	68,556	328,249	116,322	513,127
Maintenance reserves	825	-	-	825
Total undiscounted financial liabilities	74,888	331,082	125,126	531,096
Total net undiscounted financial liabilities	**56,314**	**(320,904)**	**(125,126)**	**(389,716)**

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Company	One year or less US$'000s	One to five years US$'000s	Over five years US$'000s	Total US$'000s
2016:				
Financial assets:				
Cash and cash equivalents	7,666	-	-	7,666
Trade and other receivables	52,340	5,567	-	57,907
Total undiscounted financial assets	60,006	5,567	-	65,573
Financial liabilities:				
Trade and other payables	9,260	1,406	-	10,666
Loans and borrowings	1,993	7,660	-	9,653
Total undiscounted financial liabilities	11,253	9,066	-	20,319
Total net undiscounted financial assets/(liabilities)	**48,753**	**(3,499)**	**-**	**45,254**
2015:				
Financial assets:				
Cash and cash equivalents	1,490	-	-	1,490
Trade and other receivables	48,541	9,053	-	57,594
Total undiscounted financial assets	50,031	9,053	-	59,084
Financial liabilities:				
Trade and other payables	13,256	1,163	-	14,419
Loans and borrowings	4,073	9,653	-	13,726
Total undiscounted financial liabilities	17,329	10,816	-	28,145
Total net undiscounted financial assets/(liabilities)	**32,702**	**(1,763)**	**-**	**30,939**

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) 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 payments, return capital to shareholders, issue new shares, buy back issued shares, incur 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 less cash and cash equivalents.

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Current:				
Net debt	567,457	319,448	1,288	11,010
Total equity	173,608	128,204	80,973	64,458
Total capital	**741,065**	**447,652**	**82,261**	**75,478**
Gearing ratio:	77%	71%	2%	15%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 30 June 2016 and 30 June 2015.

(g) Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities reported in the statement of financial position approximate the carrying amounts of those assets and liabilities.

8 RELATED PARTY TRANSACTIONS

In addition to related party information disclosed elsewhere in these financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties.

(a) Remuneration of key management personnel

The remuneration of directors and key management 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. Key management remuneration is as follows:

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Key management:				
Short-term employee benefits	1,985	1,633	439	361

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

	Group	
	2016	**2015**
	US$'000s	US$'000s
Aggregate emoluments	699	711

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

8 RELATED PARTY TRANSACTIONS (continued)

(b) **Significant related party transactions:**

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Entities controlled by key management personnel (including directors):				
Interest income	-	3	-	3
Rental expenses paid	(217)	(111)	(119)	(55)
Consulting fee paid	(107)	(202)	(107)	(202)
Service fee paid	(15)	(10)	(15)	(10)
Interest expense	(506)	(615)	(74)	(399)
Directors				
Interest expense	(9)	-	-	-

(c) **Significant transactions between the Company and its subsidiaries:**

	Company	
	2016	**2015**
	US$'000s	US$'000s
Commission income	105	589
Dividend income	14,428	12,915
Interest income	1,087	638
Management and service fee income	759	199
Rental income	2,088	2,088
Interest expense	(596)	(216)

9 OTHER INCOME

	Group	
	2016	2015
	US$'000s	US$'000s
Discount on early settlement of loans	-	1,160
Fair value gain on options held for trading	2,940	-
Fees for cancellation of aircraft	-	300
Others	105	1,742
	3,045	**3,202**

10 ADMINISTRATIVE EXPENSES

	Group	
	2016	2015
	US$'000s	US$'000s
Staff costs (note 14)	3,841	3,140
Other administrative expenses	3,709	4,059
	7,550	**7,199**

11 OTHER EXPENSES

	Group	
	2016	2015
	US$'000s	US$'000s
Foreign currency exchange loss	47	535
Impairment loss on trade receivables	7	145
Impairment loss on goodwill	482	-
Others	133	143
	669	**823**

12 FINANCE INCOME

	Group	
	2016	**2015**
	US$'000s	US$'000s
Interest income	809	498
Finance income from discounting non-current deposits to fair value	393	309
	1,202	**807**

13 FINANCE EXPENSES

	Group	
	2016	**2015**
	US$'000s	US$'000s
Interest expense on borrowings	18,546	16,530
Interest expense on unsecured 7.5% notes	8,265	765
Amortisation of loan insurance premium	1,078	1,078
Amortisation of interest expense on non-current deposits	376	317
Others	441	205
	28,706	**18,895**

14 STAFF COSTS

	Group	
	2016	**2015**
	US$'000s	US$'000s
Wages and salaries	3,502	2,852
Warrant expense	339	288
	3,841	**3,140**

The average number of directors of the Company for the financial year is 3 (2015: 3). The average number of other employees for the financial year is 16 (2015: 15).

15 PROFIT BEFORE TAXATION

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

	Group	
	2016	**2015**
	US$'000s	US$'000s
Depreciation of property, plant and equipment	23,201	17,775
Foreign currency exchange loss	47	535
Audit fees:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	65	37
Fees payable to the Company's auditor and their associates for audits of the Company's subsidiaries' annual accounts	34	51
Total audit fees	**99**	**88**
Auditors' remuneration for non-audit services:		
- Tax compliance services	5	7
- Tax advisory services	-	-
- Other services	-	41
Total audit fees	**5**	**48**

16 TAXATION

	Group	
	2016	**2015**
	US$'000s	US$'000s
From continuing operations		
Current tax expense:		
- Singapore	1,018	313
- Overseas	188	35
(Over)/Under provision in prior years current tax expense:		
- Singapore	(31)	(32)
- Overseas	56	(144)
Deferred tax expense:		
- Singapore	(349)	737
- Overseas	(466)	117
Over provision in prior years deferred tax expense:		
- Singapore	(622)	-
Withholding tax - Singapore	4	13
	(202)	1,039
From discontinued operations		
Deferred tax expense:		
- Overseas	-	(429)
	(202)	**610**
Tax expense attributable to:		
- continuing operations	(202)	1,039
- discontinued operations (Note 17)	-	(429)
	(202)	**610**

16 TAXATION (continued)

Income tax differs from the amount of income tax expense determined by applying the Singapore tax rate of 17% to profit before income tax as a result of the following differences:

	Group	
	2016	**2015**
	US$'000s	US$'000s
Profit before income tax		
- continuing operations	18,069	15,520
- discontinued operations (Note 17)	9	(1,625)
	18,078	13,895
Tax calculated at 17% (2015: 17%)	3,073	2,362
Effects of:		
(Over)/under provision in prior years current tax expense		
- Singapore	(31)	(32)
- Overseas	56	(144)
Over provision in prior years deferred tax expense:		
- Singapore	(622)	-
Non-deductible items	1,492	1,625
Income not subject to tax	(1,971)	(1,411)
Different tax rates of other countries	223	(245)
Effect of concessionary tax rate at 10%	(2,417)	(1,516)
Effect of tax exemption and tax relief	(89)	(23)
Withholding tax - Singapore	4	13
Others	80	(19)
	(202)	**610**

17 DISCONTINUED OPERATIONS

In the prior financial year, the Company's subsidiary Capital Lease Aviation PLC reported a US$1.2 million loss, net of a tax write-back, on the part-out disposal of a 25 year old aircraft. This loss was classified within discontinued operations as it represented the Group's only aircraft operating in North America.

(a) Results of discontinued operations

	Group	
	2016	**2015**
	US$'000s	US$'000s
Revenue	25	3,997
Expenses	(16)	(5,622)
Profit/(Loss) before tax from discontinued operations	9	(1,625)
Taxation	-	429
Profit/(Loss) after tax from discontinued operations	**9**	**(1,196)**

(b) Cash flows from discontinued operations

	Group	
	2016	**2015**
	US$'000s	US$'000s
Operating cash/(outflow) inflows	(16)	3,975
Investing cash inflows	55	1,210
Total cash inflows	**39**	**5,185**

(c) Earnings per share from discontinued operations

	Group	
	2016	**2015**
Profit/(Loss) per share from discontinued operation attributable to equity owners of the Company (cents per share)		
Basic	0.02 cents	(2.17) cents
Diluted	0.02 cents	(2.16) cents

18 EARNINGS PER SHARE

(a) Basic earnings per share ("EPS")

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

	Company	
	2016	**2015**
	US$'000s	US$'000s
Total profit attributable to equity holders of the company		
- Continuing operations	18,270	14,210
- Discontinued operations	9	(1,174)
	18,279	13,036
Weighted average number of ordinary shares ('000s)	53,208	54,050
Basic earnings per share:		
- Continuing operations	34.33 cents	26.29 cents
- Discontinued operations	0.02 cents	(2.17) cents
	34.35 cents	24.12 cents

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, total 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.

18 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share (continued)

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

	Company	
	2016	**2015**
	US$'000s	US$'000s
Total profit attributable to equity holders of the company		
- Continuing operations	18,270	14,210
- Discontinued operations	9	(1,174)
- Total operations	18,279	13,036
Weighted average number of ordinary shares ('000s)	53,208	54,050
Adjustment for Warrants ('000s)	314	335
Weighted average number of ordinary shares ('000s)	53,522	54,385
Diluted earnings per share:		
- Continuing operations	34.13 cents	26.13 cents
- Discontinued operations	0.02 cents	(2.16) cents
- Total operations	34.15 cents	23.97 cents

19 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Cash at bank and on hand	48,267	108,647	7,666	1,490

The rate of interest for cash on interest earning accounts is approximately 0.01% to 0.10% (2015: 0.01% to 0.10%) per annum.

Cash and cash equivalents denominated in foreign currencies are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Pounds sterling	245	160	183	13
Australian dollar	16	12	-	-
Euro	23	20	-	-
Singapore dollar	335	307	55	152

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Current:				
Trade receivables	3,659	2,742	15	6
Other receivables:				
– subsidiaries	-	-	51,019	45,229
– third parties	391	155	255	46
Accrued interest	-	-	1,051	322
Deposits	30	58	-	24
Prepaid expenses	469	329	136	106
Prepaid loan premiums	1,082	1,078	-	-
Dividend receivable	-	-	-	2,914
	5,631	**4,362**	**52,476**	**48,647**
Non-current:				
Deposits for aircraft	5,567	10,178	5,567	9,053
Prepaid expenses	529	616	-	-
Prepaid loan premiums	5,208	6,286	-	-
	11,304	**17,080**	**5,567**	**9,053**

Other receivables from subsidiaries includes interest bearing receivables of US$24.96 million (2015: US$6.89 million). The receivables are unsecured and repayable upon demand. Interest is charged at 5.5% to 6.0% (2015: 5.5% to 6.0%) per annum.

The average credit period generally granted to customers is 30 to 60 days. Rent for leased aircraft is due in advance in accordance with the leases.

Trade and other receivables denominated in foreign currencies are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Pound sterling	2	-	1	-
Australian dollar	91	-	-	-
Euro	23	2	-	-
Swiss Franc	6	-	-	-
Singapore dollar	1	3	-	-

21 LOAN RECEIVABLE

	Group	
	2016	**2015**
	US$'000s	US$'000s
Loan receivable	-	19,600

The Group granted a loan facility of up to US$24 million to a third party for the purpose of financing the acquisition of two new aircraft. The loan facility bore interest at LIBOR + 3.95% per annum.

During the financial year, the Group purchased the two aircraft from the third party and the US$24 million loan receivable was offset against the purchase price for the aircraft. The Group currently leases these aircraft to the same third party under operating leases.

22 FINANCE LEASE RECEIVABLES

During the financial year, a third party who leases two aircraft from the Group agreed to acquire the aircraft at the end of their lease terms. As a result the leases for these aircraft have been reclassified as finance leases. The leases have a remaining term of approximately 1.5 years.

Future minimum lease payments receivable under these finance are as follows:

	2016		**2015**	
Group	**Minimum lease payments**	**Present value of payments**	**Minimum lease payments**	**Present value of payments**
	US$'000s	US$'000s	US$'000s	US$'000s
Within one year	3,600	3,032	-	-
Later than one year but not more than five years	33,600	33,627	-	-
Total minimum lease payments	**37,200**	**36,659**	**-**	**-**
Less: amounts representing interest income	(541)	-	-	-
Present value of minimum lease payments	**36,659**	**36,659**	**-**	**-**

23 OPTIONS HELD FOR TRADING

	Group and Company	
	2016	**2015**
	US$'000s	US$'000s
Options to purchase aircraft, at fair value	3,040	-

24 INVESTMENT IN SUBSIDIARIES

	Company	
	2016	**2015**
	US$'000s	US$'000s
Unquoted equity shares, at cost	15,375	2,556
Quoted equity shares, at cost	-	12,797
	15,375	15,353
Quoted equity shares, at market value	-	25,660

In the opinion of management there is no impairment of the value of investments in subsidiaries.

Details of subsidiaries are as follows:

Name of entity		**Country of incorporation**	**Principal activities**	**Ownership interest 2016** %	**2015** %
Held directly by the Company:					
Avation.net Inc	(a)	United States	Procurement	99.96	99.96
Avation Capital S.A.	(c)	Luxembourg	Financing	100.00	100.00
Capital Lease Aviation Limited (formerly known as Capital Lease Aviation PLC)	(b)	United Kingdom	Aircraft leasing	99.68	96.71
Avation Eastern Fleet Pte. Ltd.	(e)	Singapore	Aircraft leasing	-	100.00
Avation Airframe Holding Pte. Ltd.	(e)	Singapore	Aircraft leasing	-	-
MSN 1922 Pte. Ltd.	(e)	Singapore	Aircraft leasing	-	100.00
MSN429 Leaseco Limited	(b)	United Kingdom	Aircraft leasing	100.00	100.00
AVAP Aircraft Trading Pte. Ltd.	(e)	Singapore	Procurement/ Aircraft leasing	-	100.00
Avation Group (S) Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
F100 Pty Ltd.	(h)	Australia	Aircraft leasing	-	100.00
AVAP Leasing (Europe) Limited	(g)	Ireland	Aircraft leasing	100.00	100.00
AVAP Leasing (Asia) Limited	(f)	Ireland	Aircraft leasing	100.00	100.00

24 INVESTMENT IN SUBSIDIARIES (continued)

Name of entity		Country of incorporation	Principal activities	Ownership interest 2016 %	Ownership interest 2015 %
AVAP Leasing (Asia) II Limited	(g)	Ireland	Aircraft leasing	100.00	-
AVAP Leasing (Asia) III Limited	(g)	Ireland	Aircraft leasing	100.00	-
AVAP Leasing (Asia) IV Limited	(g)	Ireland	Aircraft leasing	100.00	-
Held by Capital Lease Aviation Limited:					
Capital Lease Malta Ltd.	(d)	Malta	Aircraft leasing	99.68	96.71
Capital Lease Aviation (S) Pte. Ltd.	(a)	Singapore	Aircraft leasing	99.68	96.71
MSN 1607 Pte. Ltd.	(e)	Singapore	Aircraft leasing	-	96.71
Capital MSN 4033 Limited	(f)	Ireland	Aircraft leasing	99.68	-
Held by Avation Eastern Fleet Pte. Ltd.:					
Airframe Leasing (S) Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Held by Avation Eastern Fleet II Pte. Ltd.:					
Airframe Leasing (S) II Pte. Ltd.	(a)	Singapore	Aircraft leasing	100.00	100.00
Held by Avation Eastern Fleet III Pte. Ltd.:					
Airframe Leasing (S) III Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Held by Avation Eastern Fleet IV Pte. Ltd.:					
Airframe Leasing (S) IV Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Held by MSN 429 Leaseco Limited:					
MSN 429 Limited	(b)	United Kingdom	Aircraft leasing	100.00	100.00
Held by F100 Fleet Pte. Ltd.:					
F100 Leasing Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Held by Avation Group (S) Pte. Ltd.:					
Avation Eastern Fleet Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
Avation Eastern Fleet II Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Avation Eastern Fleet III Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Avation Eastern Fleet IV Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Avation Pacific Leasing Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Avation Taiwan Leasing Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Europe) II Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
AVAP Leasing (Europe) III Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
MSN 429 (S) Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
F100 Fleet Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
MSN 1607 Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
AVAP Aircraft Trading Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
AVAP Leasing (Europe) IV Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
Avation Leasing (China) Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
AVAP Leasing Holding Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
Avation Asia Fleet Pte. Ltd.	(g)	Singapore	Aircraft leasing	100.00	-
MSN 1922 Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-

(a) Audited by Jasmine Chua and Associates, Singapore
(b) Audited by Kingston Smith LLP, London, United Kingdom
(c) Audited by Artemis Audit and Advisory, Luxembourg
(d) Audited by Nexia BT, Malta
(e) Audited by Ernst & Young LLP, Singapore
(f) Audited by KSi Faulkner Orr, Dublin, Ireland
(g) Audited by Kingston Smith LLP, London, United Kingdom for consolidation purposes.
(h) Dissolved during the financial year.

For all non-controlling interests, voting rights not controlled by group are equivalent to ownership interests.

25 PROPERTY, PLANT AND EQUIPMENT

Group	**Furniture and equipment** US$'000s	**Jets** US$'000s	**Turbo-props** US$'000s	**Total** US$'000s
2016:				
Cost or valuation:				
At beginning of year	357	163,040	344,492	507,889
Additions	31	226,914	115,877	342,822
Disposals/written-off	-	(7,999)	(19,258)	(27,257)
Reclassified as held under finance leases	-	-	(35,601)	(35,601)
Movement in revaluation reserve	-	610	29,705	30,315
At end of the year	**388**	**382,565**	**435,215**	**818,168**
Representing:				
At cost	388	-	-	388
At valuation	-	382,565	435,215	817,780
	388	**382,565**	**435,215**	**818,168**
Accumulated depreciation and impairment:				
At beginning of year	88	47,875	25,847	73,810
Depreciation expense – continuing operations	118	9,704	13,379	23,201
Disposals/written-off	-	(2,636)	-	(2,636)
Reclassified as held under finance leases	-	-	(2,091)	(2,091)
Impairment loss	-	902	-	902
At end of the year	**206**	**55,845**	**37,135**	**93,186**
Net book value:				
At beginning of the year	**269**	**115,165**	**318,645**	**434,079**
At end of the year	**182**	**326,720**	**398,080**	**724,982**

25 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	**Furniture and equipment**	**Jets**	**Turbo-props**	**Total**
	US$'000s	US$'000s	US$'000s	US$'000s
2015:				
Cost or valuation:				
At beginning of year	133	177,596	253,000	430,729
Additions	311	-	109,862	110,173
Disposals/written-off	(87)	(1,078)	(18,370)	(19,535)
Reclassified as assets held for sale	-	(13,478)	-	(13,478)
At end of the year	**357**	**163,040**	**344,492**	**507,889**
Representing:				
At cost	357	-	-	357
At valuation	-	163,040	344,492	507,532
	357	**163,040**	**344,492**	**507,889**
Accumulated depreciation and impairment:				
At beginning of year	73	48,129	15,202	63,404
Depreciation expense				
- Continuing operations	90	6,680	11,005	17,775
- Discontinued operations	-	150	-	150
	90	6,830	11,005	17,925
Impairment loss – discontinued operations	-	3,850	-	3,850
Disposals/written-off	(75)	(296)	(360)	(731)
Reclassified as assets held for sale	-	(10,638)	-	(10,638)
At end of the year	**88**	**47,875**	**25,847**	**73,810**
Net book value:				
At beginning of the year	**60**	**129,467**	**237,798**	**367,325**
At end of the year	**269**	**115,165**	**318,645**	**434,079**

25 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	**Furniture and equipment**	**Jets**	**Total**
	US$'000s	US$'000s	US$'000s
2016:			
Cost or valuation:			
At beginning of year	166	19,374	19,540
Additions	23	-	23
Movement in revaluation reserve	-	575	575
At end of the year	**189**	**19,949**	**20,138**
Representing:			
At cost	189	-	189
At valuation	-	19,949	19,949
	189	**19,949**	**20,138**
Accumulated depreciation and impairment:			
At beginning of year	35	2,069	2,104
Depreciation expense	58	976	1,034
At end of the year	**93**	**3,045**	**3,138**
Net book value:			
At beginning of the year	**131**	**17,305**	**17,436**
At end of the year	**96**	**16,904**	**17,000**

25 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	**Furniture and equipment**	**Jets**	**Total**
	US$'000s	US$'000s	US$'000s
2015:			
Cost or valuation:			
At beginning of year	8	20,452	20,460
Additions	158	-	158
Disposals	-	(1,078)	(1,078)
At end of the year	**166**	**19,374**	**19,540**
Representing:			
At cost	166	-	166
At valuation	-	19,374	19,374
	166	**19,374**	**19,540**
Accumulated depreciation and impairment:			
At beginning of year	4	1,325	1,329
Depreciation expense	31	1,041	1,072
Disposals	-	(297)	(297)
At end of the year	**35**	**2,069**	**2,104**
Net book value:			
At beginning of the year	**4**	**19,127**	**19,131**
At end of the year	**131**	**17,305**	**17,436**

25 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets pledged as security

The Group's aircraft with carrying values of US$724.80 million (2015: US$433.81 million) are mortgaged to secure the Group's borrowings (Note 28).

Valuation

The Group's aircraft were valued in June 2016 by independent valuers on lease-encumbered basis ("LEV'). LEV takes into account the current lease arrangements for the aircraft and estimated residual values at the end of the lease. These amounts have been discounted to present value using discount rates of 6.5% and 8.1% per annum. Different discount rates are considered appropriate for different aircraft based on their respective risk profiles. Management estimates that a change of 1% in the discount rate used would increase/decrease the total LEV of the fleet by US$15.70 million.

An impairment loss of US$0.9 million was recognised during the year to write down the book value of a 24 year old aircraft to LEV. An impairment loss of US$3.85 million was recognised during the previous financial year to write down an aircraft to its fair value less costs to sell prior to the aircraft being reclassified as an asset held for sale. This was a non-recurring impairment loss which was measured using observable inputs, being the prices for recent sales of similar aircraft parts, and is therefore within Level 2 of the fair value hierarchy.

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

	2016		2015	
Group	**Jets**	**Turbo-props**	**Jets**	**Turbo-props**
	US$'000s	US$'000s	US$'000s	US$'000s
Cost	363,011	405,510	144,058	344,366
Accumulated depreciation and impairment	(44,031)	(37,135)	(38,878)	(25,846)
Net book value	**318,980**	**368,375**	**105,180**	**318,520**

	2016		2015	
Company	**Jets**	**Turbo-props**	**Jets**	**Turbo-props**
	US$'000s	US$'000s	US$'000s	US$'000s
Cost	16,561	-	16,561	-
Accumulated depreciation and impairment	(2,479)	-	(1,905)	-
Net book value	**14,082**	**-**	**14,656**	**-**

26 GOODWILL

	Group	
	2016	**2015**
	US$'000s	US$'000s
Cost:		
At beginning and end of the year	**2,384**	**2,384**
Accumulated amortisation and impairment:		
At beginning of the year	-	-
Impairment loss	482	-
At end of the year	**482**	**-**
Net carrying amount:		
At beginning of the year	**2,384**	**2,384**
At end of the year	**1,902**	**2,384**

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 the CGU has been determined based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a two-year period.

Key assumptions used for value-in-use calculations:

	2016	**2015**
	%	%
Average cash flow growth rate	2.0	2.0
Terminal growth rate	2.0	2.0
Discount rate	7.0	6.5

Management determined cash flow growth based on past performance and its expectations of market development. The terminal growth rate of 2% that was used to extrapolate cash flows beyond the budget period did not exceed the long term average growth rate for the business in which the CGU operates. Management has estimated that the recoverable amount of CGU is US$1.90 million (2015: US$3.27 million).

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.

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	US$'000s	US$'000s	US$'000s	US$'000s
Current:				
Trade payables	535	2,001	167	615
Other payables:				
- subsidiaries	-	-	8,714	11,510
- third parties	31	99	31	-
Accrued interest on related party loan	-	7	-	7
Deposits collected	-	1,000	-	1,000
Deferred lease income	365	329	-	-
Revenue received in advance	6,203	4,444	99	99
Accrued expenses	2,931	2,400	348	124
	10,065	**10,280**	**9,359**	**13,355**
Non-current:				
Deposits collected	11,722	9,775	1,406	1,163
Deferred lease income	1,749	1,496	-	-
	13,471	**11,271**	**1,406**	**1,163**

Amounts due to subsidiaries are unsecured, interest free and without fixed repayment terms unless otherwise stated.

Other payables due to subsidiaries includes interest bearing payables of US$4.08 million (2015: US$3.48 million) which are unsecured, payable upon demand and bear interest at 5.5% to 6.0% (2015: 5.5% to 6.0%) per annum.

The average credit period taken to settle non-related party trade payables is approximately 30 to 60 days.

Deposits collected are security deposits collected from customers in respect of aircraft lease commitments, and have been discounted to present value at a current pre-tax rate that reflect the risks specific to these deposits. Deposits will be refunded at the end of the respective lease term.

Trade and other payables denominated in foreign currencies are as follows:

	Group		Company	
	2016	2015	2016	2015
	US$'000s	US$'000s	US$'000s	US$'000s
Pound sterling	86	130	60	102
Australian dollar	101	13	10	13
Euro	91	14	-	-
Swiss Franc	16	-	-	-
Singapore dollar	432	504	19	136

28 LOANS AND BORROWINGS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Secured borrowings	510,640	319,451	8,954	10,500
Junior secured borrowings	8,017	10,148	-	-
Related party borrowings (a)	-	2,000	-	2,000
Unsecured 7.5% notes due 2020 (b)	97,067	96,496	-	-
	615,724	**428,095**	**8,954**	**12,500**
Less: current portion of borrowings	(72,423)	(51,584)	(1,592)	(3,546)
	543,301	**376,511**	**7,362**	**8,954**

	Maturity		Weighted average interest rate per annum	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	%	%
Secured borrowings	2015-2028	2015-2027	4.3%	4.3%
Junior secured borrowings	2020-2024	2020-2024	6.3%	6.3%
Related party borrowings (a)	-	2015	8.0%	8.0%
Unsecured 7.5% notes due 2020 (b)	2020	2020	7.5%	7.5%

Secured borrowings are secured by first ranking mortgages over the aircraft financed by the related borrowings, security assignments of the Group's rights under leases and other contractual agreements relating to the aircraft, charges over bank accounts in which lease payments relating to the aircraft are received and charges over the issued share capital of certain subsidiaries.

Junior secured borrowings are secured by second ranking aircraft mortgages, security assignments and charges over bank accounts.

(a) Interest bearing unsecured loan due to an entity over which a director has significant influence amount to US$2.0 million as at 30 June 2015. The loan was repaid during the financial year. Interest was charged at 8.0% (2015: 8.0%) per annum.

28 LOANS AND BORROWINGS (continued)

(b) In May 2015, the Company through its wholly-owned subsidiaries, Avation Capital S.A. and Avation Group (S) Pte Ltd (together, "the Issuers") established a US$500 million global medium term note programme (the "Programme") guaranteed by the Company.

Under the Programme, the Issuers may from time to time issue Notes (the "Notes") denominated in any currency as agreed.

In May 2015, the Issuers issued US$100 million unsecured Notes with a fixed coupon rate of 7.5% per annum and a tenor of 5 years repayable in May 2020 under the Programme. The Notes are listed on the Singapore Exchange (SGX).

Entities over which a director has significant influence hold US$5.45 million (2015: US$5.00 million) of the May 2015 series of the unsecured Notes as at 30 June 2016.

A director of the Company holds US$0.4 million (2015: US$Nil) of the May 2015 series of the unsecured Notes as at 30 June 2016.

The carrying amounts of borrowings approximate fair value.

29 MAINTENANCE RESERVES

	Group	
	2016	**2015**
	US$'000s	US$'000s
Current	7,440	825
Non-current	3,323	-
Total maintenance reserves	**10,763**	**825**

	Group	
	2016	**2015**
	US$'000s	US$'000s
At beginning of year	825	-
Transfer from sellers	8,552	-
Contributions	1,386	825
At end of the year	**10,763**	**825**

The Group also holds letters of credit for US$14.10 million (2015: US$7.30 million) as security for lessees' obligations under operating leases for the maintenance of aircraft.

30 DERIVATIVE FINANCIAL INSTRUMENTS

Group	Contract/ notional amount 2016	2015	Fair value 2016	2015
	US$'000s	US$'000s	US$'000s	US$'000s
Interest rate swap	54,010	15,031	2,387	229

The Group pays fixed rates of interest of 1.78% to 2.3% per annum and receives floating rate interest equal to 3-month LIBOR under the interest rate swap contracts. The swap contracts mature between 30 May 2026 and 26 May 2028.

31 DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities are attributable to the following:

	Group 2016	2015	Company 2016	2015
	US$'000s	US$'000s	US$'000s	US$'000s
Property, plant and equipment	5,700	6,847	432	493
Tax losses carried forward	(962)	-	-	-
Other items	-	-	-	-
	4,738	**6,847**	**432**	**493**

Movements in temporary differences are as follows:

Group	Property, plant and equipment	Tax losses carried forward /other items	Total
	US$'000s	US$'000s	US$'000s
2016			
At beginning of the year	6,847	-	6,847
Recognised in profit or loss			
- Continuing operations	(475)	(962)	(1,437)
Recognised in equity	(672)	-	(672)
At end of the year	**5,700**	**(962)**	**4,738**
2015			
At beginning of the year	6,464	(42)	6,422
Recognised in profit or loss			
- Continuing operations	812	42	854
- Discontinued operations	(429)	-	(429)
At end of the year	**6,847**	**-**	**6,847**

31 DEFERRED TAX LIABILITIES (continued)

Company	**Property, plant and equipment** US$'000s	**Other items** US$'000s	**Total** US$'000s
2016			
At beginning of the year	493	-	493
- Recognised in profit or loss	(61)	-	(61)
At end of the year	**432**	**-**	**432**
2015			
At beginning of the year	624	-	624
- Recognised in profit or loss	(131)	-	(131)
At end of the year	**493**	**-**	**493**

32 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	2016		**2015**	
	No of shares	US$'000s	No of shares	US$'000s
Allotted, called up and fully paid Ordinary shares of 1 penny each:				
At beginning of the year	55,663,727	991	49,604,639	891
Issue of shares	121,500	2	6,059,088	100
At end of the year	**55,785,227**	**993**	**55,663,727**	**991**

During the financial year, the Company issued 121,500 ordinary shares of 1 penny each at a price of 110p following the exercise of warrants by warrant holders raising gross proceeds of US$196,000.

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

32 SHARE CAPITAL AND TREASURY SHARES (continued)

(b) **Treasury shares**

	2016		2015	
	No of treasury shares	US$'000s	No of treasury shares	US$'000s
At beginning of the year	450,000	682	450,000	682
Acquired during the financial year	3,750,600	7,936	-	-
Re-issued during the financial year	(4,200,000)	(8,617)	-	-
At end of the year	**600**	**1**	**450,000**	**682**

During the financial year, the Company purchased 3,750,600 shares through the market into treasury at prices ranging from 118 pence to 140 pence and subsequently sold 4,200,000 treasury shares at a price of 138 pence.

33 SHARE BASED PAYMENTS

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

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 are granted to the directors and senior management of the Group to promote:

- Improvement in share price
- Improvement in profit
- Improvement in returns to shareholders

Movement in warrants during the financial year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, warrants during the financial year:

	2016		2015	
	No.	WAEP	No.	WAEP
Outstanding at beginning of the year	3,420,000	136.0p	1,240,000	110.0p
- Granted	3,000,000	130.0p	2,180,000	150.0p
- Exercised	(121,500)	110.0p	-	-
- Lapsed/cancelled	(350,000)	130.0p	-	-
Outstanding at end of the year	**5,948,500**	**133.9p**	**3,420,000**	**136.0p**
Exercisable at end of the year	**1,433,500**	**130.5p**	**414,000**	**110.0p**

33 SHARE BASED PAYMENTS (continued)

The weighted average fair value of warrants granted during the financial year was 11.82 pence (2015: 14.96 pence). The charge recognised in profit or loss in respect of share based payments is US$0.3 million (2015: US$0.3 million).

During the financial year 121,500 warrants were exercised (2015: Nil).

All warrants are settled in cash.

Warrants outstanding at the end of the year have the following expiry date and exercise price:

Warrant series granted on	Expiry date	Exercise price	Number of warrants 2016	Number of warrants 2015
20 November 2013	21 Nov 2016	110.0p	1,248,500	1,370,000
8 December 2014	9 Dec 2017	153.0p	2,050,000	2,050,000
16 November 2015	16 Nov 2018	130.0p	2,650,000	-

The warrants granted on 20 November 2013 have a 3 year vesting schedule and the details are as follows:

Vesting period	Warrant series signed on 20 November 2013
Before 20 November 2014	0 per cent
On 20 November 2014 and before 20 November 2015	Up to 33 per cent of the grant
On 20 November 2015 and before 20 November 2016	Up to 33 per cent of the grant **or** up to 66 per cent of the grant if warrants were not exercised after the first vesting year
On 20 November 2016	Balance **or** 100 per cent of the grant if warrants were not exercised after the first and second vesting years

The warrants granted on 8 December 2014 have a 3 year vesting schedule and the details are as follows:

Vesting period	Warrant series signed on 8 December 2014
Before 8 December 2015	0 per cent
On 8 December 2015 and before 8 December 2016	Up to 33 per cent of the grant
On 8 December 2016 and before 8 December 2017	Up to 33 per cent of the grant **or** up to 66 per cent of the grant if warrants were not exercised after the first vesting year
On 8 December 2017	Balance **or** 100 per cent of the grant if warrants were not exercised after the first and second vesting years

33 SHARE-BASED PAYMENTS (continued)

The warrants granted on 16 November 2015 have a 3 year vesting schedule and the details are as follows:

Vesting period	Warrant series signed on 16 November 2015
Before 16 November 2016	0 per cent
On 16 November 2016 and before 16 November 2017	Up to 33 per cent of the grant
On 16 November 2017 and before 16 November 2018	Up to 33 per cent of the grant **or** up to 66 per cent of the grant if warrants were not exercised after the first vesting year
On 16 November 2018	Balance **or** 100 per cent of the grant if warrants were not exercised after the first and second vesting years

The warrants were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on 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 previous nine months.

	Warrant series granted on 16 November 2015	Warrant series granted on 8 December 2014	Warrant series granted on 20 November 2013
Inputs into the model:			
Grant date share price	130.0 pence	153.5 pence	123.0 pence
Exercise price	130.0 pence	153.0 pence	110.0 pence
Expected volatility	20%	20%	20%
Warrant life	3 years	3 years	3 years
Dividend yield	1.01%	0.73%	1.01%
Risk free interest rate	0.35%	0.35%	0.35%

34 OTHER RESERVES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Capital redemption reserve	12	12	12	12
Warrant reserve	588	288	588	288
Fair value reserve	(2,387)	(229)	-	-
Foreign currency translation reserve	(27)	(21)	-	-
	(1,814)	**50**	**600**	**300**

Movements in other reserves are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$'000s	US$'000s	US$'000s	US$'000s
Warrant reserve:				
At the beginning the year	288	-	288	-
Employee share warrant scheme:				
- Value of employee services	339	288	339	288
- Issue of shares	(39)	-	(39)	-
At end of the year	**588**	**288**	**588**	**288**
Fair value reserve:				
At the beginning the year	(229)	-	-	-
Fair value loss	(2,158)	(229)	-	-
At end of the year	**(2,387)**	**(229)**	**-**	**-**
Foreign currency translation reserve:				
At the beginning the year	(21)	-	-	-
Currency translation differences arising from consolidation of foreign subsidiaries	(6)	(23)	-	-
Less: non-controlling interests	-	2	-	-
At end of the year	**(27)**	**(21)**	**-**	**-**

35 CAPITAL COMMITMENTS

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

	Group	
	2016	**2015**
	US$'000s	US$'000s
Property, plant and equipment	327,955	292,232

The above capital commitments represent amounts due under contracts entered into by the group to purchase aircraft. The company has paid deposits towards the cost of these aircraft which are included in trade and other receivables.

Included in the above are commitments to purchase nine ATR 72-600 aircraft from the manufacturer with expected delivery dates over a three-year period ending in June 2019. Two of these aircraft are due to be delivered before the end of the calendar year 2016. As at the date of this report the Group has not placed these aircraft on leases. Management intends to arrange leases for or agree sales of these aircraft prior to delivery.

36 OPERATING LEASE COMMITMENTS

The Group leases out aircraft under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group	
	2016	**2015**
	US$'000s	US$'000s
Within one year	84,182	58,154
In the second to fifth years inclusive	313,268	193,946
More than five years	240,947	115,926

The Group holds cash deposits of US$12.80 million (2015: $10.40 million) and letters of credit for US$4.70 million (2015: US$2.30 million) as security for lessees' obligations under operating leases.

37 SEGMENT INFORMATION

Management has determined the operating segments based on reports reviewed by the Executive Chairman ("Chief Operating Decision Maker" or "CODM") that are used to make strategic decisions.

The CODM considers the business from a business segment perspective. Management manages and monitors the business in 2 primary business areas: aircraft leasing and business procurement.

(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.

Business segments are 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 while information for geographical segments is based on the geographical areas where 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 are mostly comprised 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.

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

(b) Business segments

During the year ended 30 June 2016, the Group was organised into two main business segments which are aircraft leasing and business procurement.

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

The business procurement segment does not meet the quantitative thresholds and is not separately disclosed.

37 SEGMENT INFORMATION (continued)

(c) Geographical analysis

2016	**Europe** US$'000s	**Asia Pacific** US$'000s	**Total** US$'000s
Lease income from continuing activities	22,030	49,160	71,190
Capital expenditure and valuation movements	293,912	79,225	373,137
Net book value - aircraft	341,765	383,035	724,800
Total assets	370,708	461,077	831,785

2015	**Europe** US$'000s	**Asia Pacific** US$'000s	**Total** US$'000s
Lease income from continuing activities	11,682	45,250	56,932
Capital expenditure and valuation movements	18,371	91,802	110,173
Net book value - aircraft	74,764	359,046	433,810
Total assets	127,040	459,142	586,182

During the year, certain customers accounted for more than 10% of the Group's total revenues. There is one customer based in the Asia Pacific geographical area that accounts for US$37.7 million (2015: US$38.3 million), 53% (2015: 67%) of the Group's total revenues from continuing operations.

38 CONTINGENT LIABILITIES

(a) Lease-end/re-delivery adjustment compensation

The Company's subsidiary MSN 1607 Pte Ltd owns an aircraft where there is a contingent liability to pay amounts to the lessee dependent upon the return condition of the aircraft at the end of the lease term. A liability would only become payable in the event that the aircraft is returned at the end of the lease in April 2018 in a condition which exceeds certain criteria agreed at the inception of the lease. Given that the lease continues until April 2018, the directors are of the opinion that it is impossible to accurately estimate the return condition of the aircraft given the number of variables such as aircraft usage and timing of future maintenance events. The directors have assessed several different outcomes and consider that the likely outcome would result in a cash inflow from the lessee. On this basis, the directors have not recognised a contingent asset or liability in this set of financial statements.

(b) Guarantees

	Group	
	2016	**2015**
	US$'000s	US$'000s
Guarantees	615,724	426,095

The maximum estimated amount that the Group could become liable for under guarantees is as shown above.

39 DIVIDEND

	2016	**2015**
	US$'000s	US$'000s
Declared/paid during the financial year:		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for 2015: Nil US cents (2014: 2.01 US cents) per share	-	1,119
- Interim exempt (one-tier) dividend for 2016: 3.00 US cents per share	1,656	-

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

40 ULTIMATE HOLDING COMPANY

No party controls the Company.

41 SUBSEQUENT EVENTS

On 29 July 2016 the Group announced the successful purchase and delivery of a new Airbus A321-200 aircraft which is leased to Vietjet, a leading domestic and international Vietnamese airline.

On 22 August 2016, the Group announced the successful purchase and delivery of a second new Airbus A321-200 aircraft leased to Vietjet.

On 2 September 2016, the Group entered into two agreements to purchase and lease two additional new Aircraft A321-200 aircraft to Vietjet.

On 8 September 2016, the directors of the Company declared a 3.25 US cents interim dividend for the financial year ending 30 June 2017.

On 8 September 2016, the Group announced the sale of the first of two 2003 built Airbus A321 aircraft which are leased to Thomas Cook Airlines.

On 13 September 2016, the Group announced the sale of the second of two 2003 built Airbus A321 which are leased to Thomas Cook Airlines.

42 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2016 were authorised for issue by the Board of Directors on 30 September 2016.

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avation PLC

Annual Report 2016

ATR 72-600 aircraft at production facility

ANNUAL REPORT **2016**

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