ANNUAL REPORT 2006

avation PLC

Incorporating Avation.Net Inc

avation PLC

ANNUAL REPORT 2006

Managing Directors Report

I am pleased to present shareholders with the inaugural Annual Report of Avation plc, the parent Company of Avation. Net Inc.

Overall our future outlook is exciting. We are continuing to grow our client base in the sale, supply and financing of broadcast equipment and interest in our patented television advertising system continues to increase. The company recorded a profit for the year of USD 19,439 from a sales revenue base of USD1,626,549

From our base in Singapore we are poised for growth as new media markets and digital television in particular continue to expand in the developing markets in which we focus.

The directors of Avation plc are currently considering making an application for the share capital of Avation plc to be admitted to trading on the United Kingdoms PLUS quoted market before the conclusion of the 2006 calendar year. PLUS, formally known as Ofex is a UK independent market focused on small and medium enterprises from the UK and around the world and is based on a market making trading system.

In addition to the listing prospect the Directors are also exploring a number of expansion and acquisition opportunities to strategically expand the scope of the business.

For the financial year ending June 30 2007 the focus will be on the expansion of the television advertising product into new markets and developing new equipment sales, leasing and financing clients, along with strategic growth through acquisition.

Our strategy is to continue to operate a profitable growing business, adding product lines and business lines as the opportunities present themselves. It is our goal to increase liquidity for our shareholders and allow them to trade easily in their stock. The board is committed to delivering and enhancing shareholder value, keeping costs low and increasing revenues and sales margins.

Currently Avation PLC has no operation or assets other than Avation.Net Inc which was acquired by the newly incorporated Avation PLC when Avation.net was spun out of Advent Air PLC. As a consequence of which shareholders of Advent Air received 1 share in Avation PLC for every 10 whole shares they held in Advent Air PLC.

Andrew Baudinette
Managing Director

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Statement by Directors FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

In the opinion of the directors,

(i) the accompanying balance sheet, profit and loss account, statement of changes in equity and cash flow statement and the notes thereto are drawn up in accordance with Singapore Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") to give a true and fair view of the state of affairs of the Company as at 30 June 2006, and of the results, changes in equity and cash flow of the Company for the financial year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE BOARD OF AVATION.NET INC

MR ROBERT JEFFRIES CHATFIELD
DIRECTOR

MR ANDREW BAUDINETTE
DIRECTOR

Singapore, September 20, 2006

JASMINE CHUA & ASSOCIATES
Certified Public Accountants, Singapore

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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF AVATION.NET INC.

We refer to your special request to audit the accompanying financial statements of Avation.net Inc set out on pages 3 to 20 for the financial year ended 30 June 2006.

The accompanying financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements on whether the financial statements presents the state of affairs of the Company as at 30 June 2006, of the result, changes in equity and cash flow of the Company for the financial year ended 30 June 2006.

This special purpose financial report has been prepared for the information and use of the Directors of the Company. We disclaim any assumption of responsibility for any reliance of this report, or on the special purpose financial report to which it relates, to any person other than the Directors, or for any purpose other than that for which it was prepared.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements give a true and fair view of (or "present fairly, in all material respects,") the financial position of the Company as at 30 June 2006, and of the results, changes in equity and cash flow for the financial year then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

The audited financial statements for the financial year ended 30 June 2005 were audited by another firm of Certified Public Accountants whose report dated 1 December 2005 expressed a unqualified opinion.

Jasmine Chua & Associates

JASMINE CHUA & ASSOCIATES
Certified Public Accountants

Singapore, September 20, 2006

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 US$	2005 US$
ASSETS			
Non-Current assets			
Fixed assets	4	4,313	-
Current assets			
Inventories	5	10,542	-
Trade receivables	6	152,650	236,608
Other receivables	7	21,072	127,785
Cash and bank balances	8	198	122,590
		184,462	486,983
TOTAL ASSETS		188,775	486,983
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	9	712,279	2,431
Share premium		-	635,618
Retained earnings		(591,221)	(610,660)
		121,058	27,389
Current liabilities			
Trade payables	10	51,376	194,851
Other payables	11	16,341	240,228
Income tax payable		-	24,515
		67,717	459,594
TOTAL EQUITY & LIABILITIES		188,775	486,983

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Note	12 months 30/6/06 US$	15 months 30/6/05 US$
Revenue	12	1,626,549	1,975,501
Cost of sales	13	(1,364,776)	(1,675,459)
Gross profit		261,773	300,042
Other income	14	-	36,350
Administrative expenses		(232,105)	(205,545)
Other operating expenses		(34,744)	(34,905)
(Loss)/profit before income tax	15	(5,076)	95,942
Income tax expenses	16	24,515	(24,515)
Profit after income tax for the year		19,439	71,427
Attributable to:			
Equity holders of the Company		19,439	71,427

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Share capital US$	Share premium US$	Retained earnings US$	Total US$
Balance at 31 March 2004	32	4,367,148	(6,813,085)	(2,445,905)
Issue of shares	2,399	2,399,468	-	2,401,867
Capital reduction	-	(6,130,998)	6,130,998	-
Net (loss) for the financial year	-	-	71,427	71,427
Balance at 30 June 2005	2,431	635,618	(610,660)	27,389
Issue of shares	74	74,156	-	74,230
Transfer of share premium reserve to share capital account	709,774	(709,774)	-	-
Profit for the year	-	-	19,439	19,439
Balance at 30 June 2006	712,279	-	(591,221)	121,058

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Note	2006 US$	2005 US$
Operating activities			
(Loss)/profit before income tax		(5,076)	95,942
Adjustment for:			
Depreciation of fixed assets	4	1,402	-
Fixed assets written off		-	87
Doubtful debts written off		-	1,222
Operating (loss)/profit before working capital changes		(3,674)	97,251
Inventories		(10,542)	-
Trade receivables		83,958	(236,608)
Other receivables		106,713	(127,785)
Trade payables		(143,242)	169,214
Other payables		(223,887)	(2,183,640)
Net cash used in operating activities		(190,674)	(2,281,568)
Investing activities			
Acquisition of fixed assets		(5,715)	-
Net cash used in investing activities		(5,715)	-
Financing activities			
Proceeds from share issued		74,230	2,401,867
Net cash from financing activities		74,230	2,401,867
Net (decrease)/increase in cash and cash equivalents		(122,159)	120,299
Cash and cash equivalents at beginning of year		122,590	2,291
Cash and cash equivalents at end of year	8	431	122,590

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. CORPORATE INFORMATION

The Company is a Delaware Corporation incorporated in the United States of America and domiciled in Singapore with its registered and business address at 510, Thomson Road, SLF Building, #12-04, Singapore 298135.

The principal activities of the Company are those relating to trading of broadcasting equipment and procurement business.

There have been no significant changes in the nature of these activities during the financial year.

Holding and ultimate holding company

The Company ceased to be the subsidiary of Advent Air Ltd. as at the balance sheet date when it became a subsidiary of Avation PLC a company incorporated in England and Wales in a share exchange transaction between Advent Air PLC and Avation PLC. In the last financial year, Advent Air Ltd., a Company incorporated in Singapore was the immediate and ultimate holding company of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention which have been consistently applied by the Company and are consistent with those used in the previous financial year except for derivative financial instruments, available-for-sale and held-to-maturity financial assets that have been measured at their fair values which is mandatory for annual financial periods beginning on or after 1 January 2005.

The financial statements are expressed in United States Dollars (US$), which is the functional currency of the Company and presentation currency for the financial statements.

The preparation of financial statements in conformity with FRS 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 year. Although these estimates are based on management's best knowledge of current events and actions, and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

For the financial under review, the Company has adopted all the new/revised FRSs which are relevant to its operations and the adoption of these new/revised FRSs did not result in substantial changes to the Company's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

1.2 Fixed assets and depreciation

Fixed assets are stated at cost, net of depreciation and any provision for impairment loss.

The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use. Expenditure for additions and improvements are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statement and any gain or loss resulting from the disposal is included in the profit and loss account.

Depreciation is calculated using the straight-line method to write down the cost of the assets to their residual value over the estimated useful lives of three years.

The useful lives and residual values, if not insignificant, are reassessed annually.

Fully depreciated assets are retained in the books of accounts until they are no longer in use.

2.3 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in-first-out basis and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the stocks to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.4 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.5 Employee benefits

Defined contribution plans

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Such state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

2.6 Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(a) Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement 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.

(b) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

2.6 Financial instruments – cont'd

(b) Investments – cont'd

Investments other than held-to-maturity investments are classified as either investments held for trading or as availablefor-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For purpose of cash flow statement, cash and cash equivalents are presented net of bank overdraft that form an integral part of the Company's cash management.

(d) Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company 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.

(e) Bank borrowings

Interest-bearing bank loans and overdrafts 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.

(f) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(g) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

7.7 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit and loss account on a straight-line basis over the lease term.

When an operating lease is terminated before the expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.8 Related parties

For the purposes of these financial statements, parties are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2.3 Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date or at contracted rates (for effective hedges) where they are covered by forward exchange contracts. Exchange differences arising are taken to the profit and loss account.

2.4 Provision for other liabilities and charges

Provisions are recognised when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the Company expects a provision to be reimbursed and is recognised as a separate asset but only when the reimbursement is virtually certain.

2.5 Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders.

2.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for sale of goods and services net of goods and services tax, rebates and discounts.

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers, which generally coincides with delivery and acceptance of the goods sold.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd

12.12 Revenue recognition – cont'd

Revenue from services rendered is recognised upon the performance of services to the customers, which generally coincides with their acceptance.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment have been established.

Revenue from technical consultancy and management fee is recognised when services are rendered.

12.13 Income tax

Income tax on the profit and loss for the financial year comprises current and deferred tax. Income tax is recognised in the profit and loss account except where it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the financial year, using the tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary difference between the carrying amounts of assets and liabilities in the financial statements and the tax bases of assets and liabilities. The initial recognition of assets or liabilities that affect neither accounting nor taxable profit is not provided for. The amount of deferred tax provided in based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Critical judgements made in applying accounting policies

In the process of applying the Company accounting policies, management has made certain judgements apart from those involving estimations which have significant effect on amounts recognised in the financial statements.

Impairment of investments and financial assets

The Company follows the guidance of FRS 39 on determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement by the Company which evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost, and the financial health of and near term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – cont'd

Impairment of fixed assets

The carrying amounts of fixed assets will be reviewed at each balance sheet date to determine whether there is any indication that those asset have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Depreciation and amortisation

The Company depreciates the fixed assets over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Company intends to derive future economic benefits from the use of the Company's fixed assets. The residual values reflect the directors' estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Inventory valuation method

Inventory is valued at the lower of the actual cost of market price. Cost is determined using the first-in-first-out method. Market price is generally the merchandise selling price quoted from the market of similar items. The Company reviews its inventory levels in order to identify slow-moving and obsolete merchandise, where the Company identified items of inventory have a market price is lower than its carrying amount, the Company estimates the amount of inventory loss as allowance on inventory.

Allowance for trade and other receivables

The provision policy for doubtful debts of the Company is based on the ongoing evaluation of collectability and ageing analysis of the outstanding receivables and on managements' judgement. A considerable amount of judgement is required in assigning the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of customer of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(b) Key sources of estimation uncertainty

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

Income taxes

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

The carrying amount of the Company's tax liabilities at 30 June 2006 was US$Nil (2005: US$24,515).)

Current financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) which are stated at cost, are assumed to approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

4. FIXED ASSETS

	Furniture & fittings US$	Leasehold improvements US$	Total US$
2006			
Cost			
Additions	4,730	985	5,715
Balance at end of year	4,730	985	5,715
Accumulated depreciation			
Charge for the year	1,183	219	1,402
Balance at end of year	1,183	219	1,402
Carrying value			
Balance at end of year	3,547	766	4,313

	Broadcast equipment US$	Total US$
2005		
Cost		
Balance at beginning of year	122,963	122,963
Disposal/write off	(122,963)	(122,963)
Balance at end of year	-	-
Accumulated depreciation		
Balance at beginning of year	122,876	122,876
Disposal/write off	(122,876)	(122,876)
Balance at end of year	-	-
Carrying value		
Balance at end of year	-	-

5. INVENTORIES

	2006 US$	2005 US$
Trading merchandise	10,542	-

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

6. TRADE RECEIVABLES

	2006 US$	2005 US$
A related party	1,871	-
Outside parties	150,779	236,608
	152,650	236,608

Trade receivables are denominated in the following currencies

	2006 US$	2005 US$
Australian Dollars	1,871	6,258
Singapore Dollars	27,719	40,165
United States Dollars	123,060	190,185
	152,650	236,608

7. OTHER RECEIVABLES

	2006 US$	2005 US$
Advance to employee	97	39
Non-trade receivable from a related party	309	-
Prepaid operating expenses	20,666	127,746
	21,072	127,785

The non-trade balance due from staff and a related party is unsecured and payable on demand.

Other receivables are denominated in the following currencies.

	2006 US$	2005 US$
Singapore Dollars	97	39
United States Dollars	20,975	127,746
	21,072	127,785

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2006 US$	2005 US$
Cash in hand	-	17
Bank balances	198	122,573
	198	122,590

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

8. CASH AND CASH EQUIVALENTS – cont'd

Cash and cash equivalents are denominated in the following currencies

	2006 US$	2005 US$
Australian Dollars	92	2,227
Singapore Dollars	65	16,971
United States Dollars	41	103,392
	198	122,590

9. SHARE CAPITAL

	2006 US$	2005 US$
Issued & fully paid:		
2,505,066 (2005: 2,430,910) Ordinary shares	712,279	2,431

During the financial year under review, the Company issued 74,156 Ordinary shares of US$0.001 each for cash for the purpose of working capital.

In the last financial year, the Company issued 2,399,468 ordinary shares of US$1.001 each for cash for the purpose of working capital.

10. TRADE PAYABLES

	2006 US$	2005 US$
Outside parties	51,376	194,851

Trade payables are denominated in the following currencies	2006 US$	2005 US$
Australian Dollars	69	7,180
Euro Dollars	169	-
Singapore Dollars	21,297	76,054
United States Dollars	29,841	111,617
	51,376	194,851

11. OTHER PAYABLES

	2006 US$	2005 US$
Holding company	-	31,864
A related party	1,674	-
Outside parties & accrued operating expenses	14,667	208,364
	16,341	240,228

The above are denominated in the Singapore Dollars.

The amount due to holding company is non-trade related, unsecured and repayable on demand (2005: interest free without fixed repayment terms unless other wise stated).

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

12. REVENUE

	2006	2005
	US$	US$
Sales of equipment	1,607,109	1,934,413
Services income	19,440	-
License fee & royalties	-	9,657
Other related	-	31,431
	1,626,549	1,975,501

13. COST OF SALES

	2006	2005
	US$	US$
Purchases of equipment	1,287,432	1,646,996
Other related	77,344	28,463
	1,364,776	1,675,459

14. OTHER INCOME

	2006	2005
	US$	US$
Miscellaneous income	-	36,350

15. (LOSS)/PROFIT BEFORE INCOME TAX

Operating (loss) for the financial year was arrived at after charging:

	2006	2005
	US$	US$
Included in administrative expenses		
Defined contribution plan	-	252
Depreciation of fixed assets	1,402	-
Interest expenses	-	42
Operating lease of office	17,729	21,303
Staff costs	100,588	123,709
Included in other expenses		
Bad debts written off (trade)	-	1,222
Exchange difference	34,744	33,683

16. TAXATION

Tax expense

	2006	2005
	US$	US$
Provision for the year	-	24,515
Overprovision written back	(24,515)	-
Income tax expenses	-	24,515

No provision for taxation is required as the Company is not taxable in Singapore.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

16. TAXATION – cont'd

Tax expense – cont'd

The reconciliation between the tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rate for the year ended 31 January were as follows:

	2006 US$	2005 US$
(Loss)/profit before income tax	(5,076)	95,942
Statutory tax rate of 20%	(1,015)	19,188
Tax effect of:		
expenses not deductible for tax purposes	280	11,552
overprovision in prior year write back	(24,515)	-
tax exemption	25,250	(6,225)
Income tax expenses	-	24,515

17. RELATED PARTY TRANSACTIONS

(a) Related parties transactions

Some of the Company's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties are reflected in the financial statement were as follows:

	2006 US$	2005 US$
Management fee paid to holding company	-	7,750
Sales to a related party	65,460	-

(b) Key management personnel cost

	2006 US$	2005 US$
Director's salary, commission & bonus	98,266	119,842
Other related expenses	2,322	2,049
	100,588	121,891

There are no key management personnel apart from the Company's directors.

NOTES TO THE FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED 30 JUNE 2006

18. FINANCIAL RISK MANAGEMENT

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

Credit risk - Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company.

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

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

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

Surplus cash is placed with reputable banks.

Interest rate risk - The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company does not have significant interest-bearing borrowings at the end of the financial year.

Liquidity risk - The Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations.

Foreign exchange risk - The Company transacts business in various foreign currencies, including US Dollar, Australian Dollar, European Euro and Singapore Dollars and therefore is exposed to foreign exchange risk. These exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies. The Company does not engage in trading of or speculation in foreign currencies.

Fair value - The carrying amounts of financial assets and financial liabilities reported in the balance sheet approximate their fair value.

19. COMPARATIVE FIGURES

The audited financial statements for the financial year ended 30 June 2006 covers the financial period from 1 July 2005 to 30 June 2006 whereas the audited financial statements for the financial year ended 30 June 2005 covered the financial period from 1 April 2004 to 30 June 2005 and were audited by another firm of Certified Public Accountants.

20. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Company for the financial year ended 30 June 2006 were authorised for issue by the Board of Directors on 20 September 2006.

Register of Top 20 Ordinary Shareholders	Holding
HARGREAVE HALE NOMINEES LIMITED	2,560,000
CREDIT SUISSE CLIENT NOMINEES (UK) LIMITED	2,160,000
MELLON NOMINEES (UK) LIMITED	1,526,929
APOLLO NOMINEES LTD	1,131,756
W B NOMINEES LIMITED	1,073,872
JANCO INTERNATIONAL PTE LTD	911,003
CREDIT SUISSE SECURITIES (EUROPE) LIMITED	818,244
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	727,272
VIDACOS NOMINEES LIMITED	633,711
ROY NOMINEES LIMITED	413,636
CHASE NOMINEES LIMITED	303,030
THE BANK OF NEW YORK (NOMINEES) LIMITED	252,424
MORSTAN NOMINEES LIMITED	240,530
RAVEN NOMINEES LIMITED	209,100
HARGREAVE HALE NOMINEES LIMITED	204,490
MIBAGO (S) PTE LTD	185,693
FITEL NOMINEES LIMITED	180,000
FITEL NOMINEES LIMITED	149,117
NINE NETWORK AUSTRALIA PTY LIMITED	140,000
ROY NOMINEES LIMITED	127,678

There are currently no options in issue in Avation PLC avation PLC

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