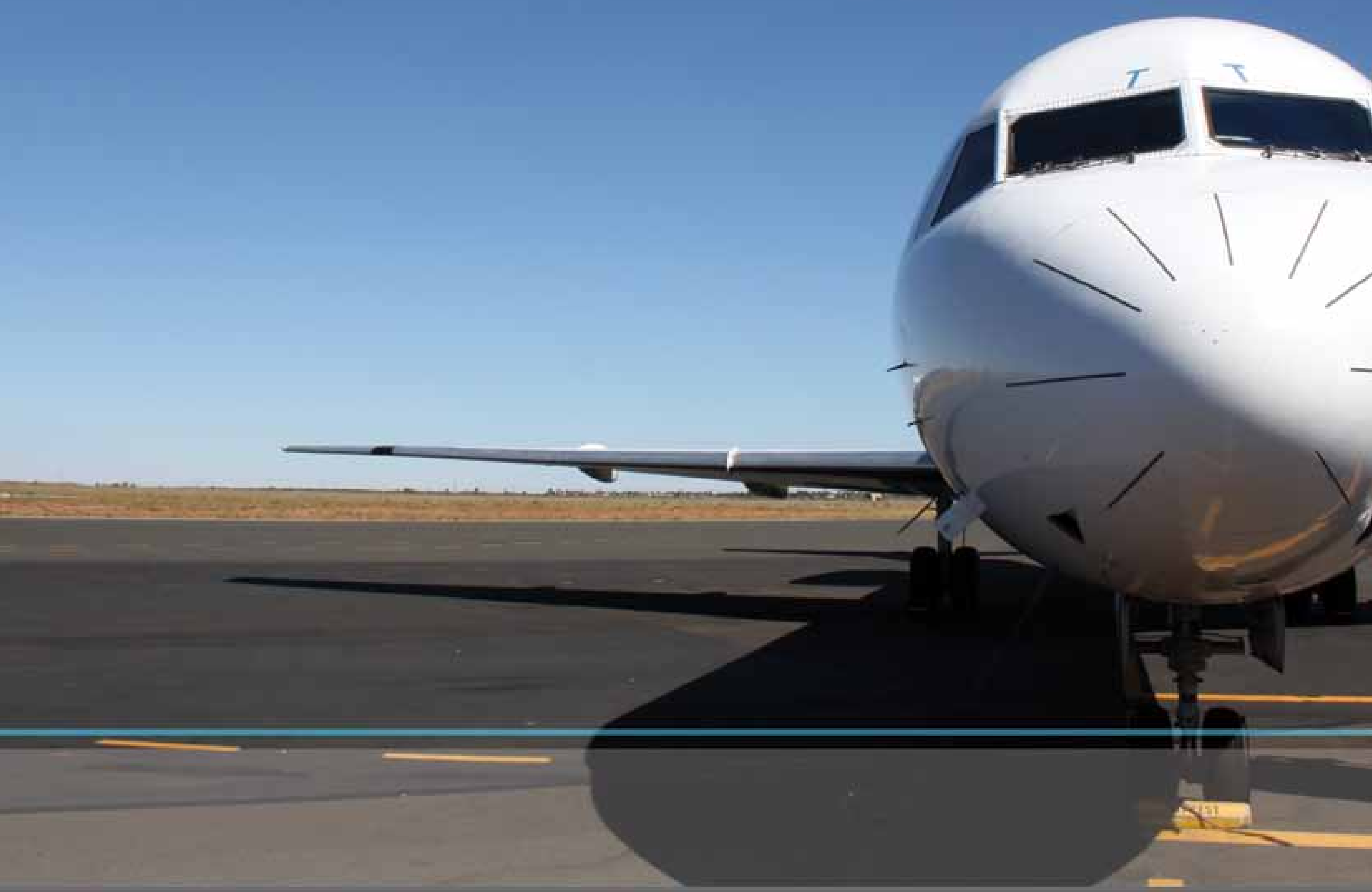
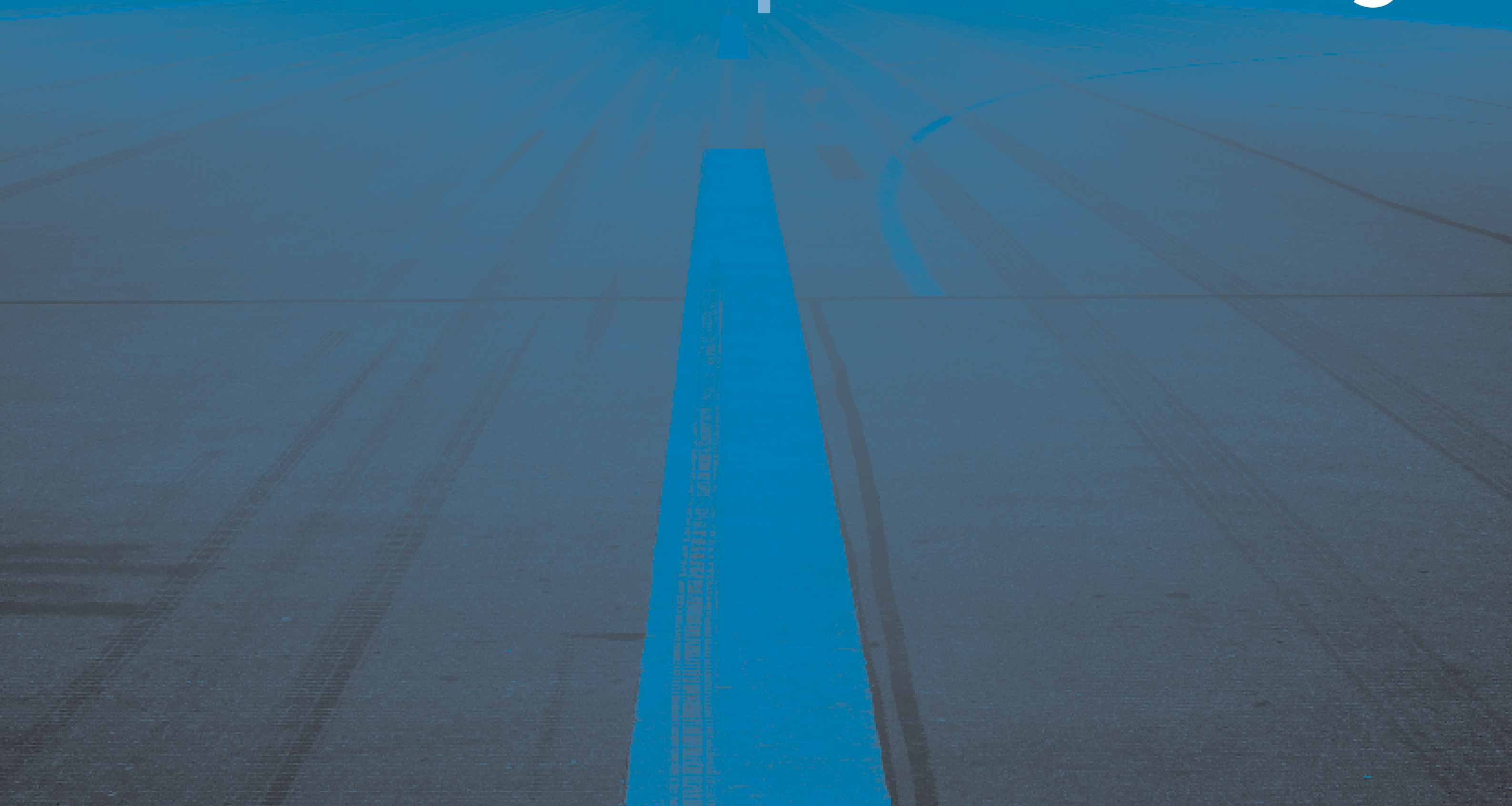
avation PLC



Annual Report 2009



Our Fleet

(AS AT NOVEMBER 2009)

Model	Fokker 100	Fokker 100
Details	MSN 11488	MSN 11489
Date of Acquisition	15 November 2006	15 November 2006
Lessee	Skywest Airlines (VH-FNR)	Skywest Airlines (VH-FNJ)
Operational Area	Western Australia, Northern Territory, Bali	Western Australia, Northern Territory, Bali

Model	Airbus A321-200 14/08/ 09	Fokker 100
Details	MSN 1921	MSN 11373
Date of Acquisition	30 June 2008	31 July 2007
Lessee	Thomas Cook (OY-VKB)	Skywest Airlines (VH-FNU)
Operational Area	Europe, Scandinavia	Western Australia, Northern Territory, Bali

Model	Fokker 100	Airbus A320-200
Details	MSN 11461	MSN 052
Date of Acquisition	25 September 2007	25 March 2008
Lessee	Skywest Airlines (VH-FNT)	US Airways Inc (N620AW)
Operational Area	Western Australia	North America

MSN denotes Manufacturers Serial Number

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

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

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

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

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

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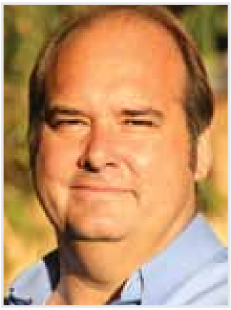
Chairman's Statement



Dear Fellow Shareholders,
On behalf of your board of directors I present to you the audited financial statements for Avation PLC and its subsidiaries for the year ended 30th June 2009 and seek to appraise you of the progress that the Avation group has made.

Your board is pleased to report that in respect of the year ending 30th June 2009 the consolidated net profit after tax was GBP 2,645,976 on revenues of GBP 16,278,212 with earnings per share of 10.4 pence.

The operating businesses had a satisfactory year with excellent and robust cash flows being recorded across the group. In the prior financial year the company enjoyed an extraordinary gain, the profits reported this year are from recurring business with no extraordinary gains.

The first half of this year found the economy in turmoil, despite this, the business has continued to grow and in fact we have increased the revenue base for the group by 224%. As at June 30th the asset base of the group has further increased to GBP 83,053,926.

The Avation group currently owns 11 modern jet aircraft. The group continues to seek further aircraft acquisitions. The Company was formed via a special dividend from Skywest Airlines Ltd with shares distributed in specie to all of the then Skywest Airlines Ltd shareholders. Avation PLC was intended to support Skywest Airlines Ltd by providing aircraft leasing facilities and continues to do so.

Your Company is now growing in profits and recurring revenues as its universe of customers now includes large international airlines and the aircraft owned by the group are either Airbus or Fokker jet aircraft.

Your Board recognises the importance of rewarding shareholders - the owners of the Company and second only in importance to our customers. Avation Plc has previously paid dividends and conducted a capital management program by buying in shares for cancellation. Despite the current economic conditions, the Company continues to prosper, and therefore your board is recommending to shareholders a final dividend payment of 0.5p per share and it hopes to maintain a progressive dividend policy going forward.

The record date for this final dividend is the 11 January 2010 and the proposed payment date, subject to shareholder approval at the Annual General Meeting, is the 25th January 2010.

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

My colleagues and I will continue to work tirelessly to build this Company into a respected, profitable, diversified, cash generative aircraft leasing business. The board would like to thank you – the shareholders and all other stakeholders - for their continued support and goodwill and look forward with confidence to another year in the development of Avation PLC.

R J (Jeff) Chatfield
Chairman

25 November 2009

Company Overview

avation PLC

GROUP STRUCTURE

AVATION PLC
UK Co. No. 5872328

REGISTERED OFFICE: Georgian House, 63 Coleman Street, London EC2R 5BB

DATE OF INCORPORATION: England & Wales, 11July 2006, entered on PLUS MARKET, UK in November 2006

100%

F100 PTY LTD

REGISTERED OFFICE:
"Barringtons House"
283 Rokeby Road
Subiaco WA 6008

DATE OF INCORPORATION:
Australia, 15 November 2006

51.22%

CAPITAL LEASE AVIATION PLC

REGISTERED OFFICE:
Georgian House
63 Coleman Street
London EC2R 5BB

DATE OF INCORPORATION:
England & Wales, 6 June 2007

99.96%

AVATION.NET INC

REGISTERED OFFICE:
Corporation Trust Center
1209 Orange Street
Wilmington USA

DATE OF INCORPORATION:
Delaware, USA, 18 January 2000

100%

CAPITAL LEASE AVIATION MALTA LTD

REGISTERED OFFICE:
"Pebbles", Triq il-Mahsel
St Thomas Bay, Marsascala
Malta MSK 3649

DATE OF INCORPORATION:
Malta, 20 June 2008

100%

CAPITAL LEASE AUSTRALIAN PORTFOLIO ONE PTY LTD

REGISTERED OFFICE:
"Barringtons House"
283 Rokeby Road
Subiaco WA 6008

DATE OF INCORPORATION:
Victoria, Australia, 11 September 2007

100%

AVATION.NET INC SINGAPORE BRANCH

REGISTERED OFFICE:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

DATE OF INCORPORATION:
Singapore, 2 October 2007

Board of Directors

JEFF CHATFIELD
Chairman

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

He was born in Perth, Australia and is a permanent resident of Singapore.

ANDREW BAUDINETTE
Non-Executive Director

Mr Baudinette has been a director of the Company since incorporation on 11 July 2006. He is an Australian citizen and a resident of the Republic of Singapore. A skilled marketer and manager, he has a 25 year history in media, having held management positions in the Australian radio, newspaper and television industries.

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

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

BRYANT JAMES MCLARTY
Non-Executive Director

Appointed as a Director of the Company in 2007, Mr McLarty has extensive experience in corporate strategy and management with a practical working knowledge of securities and equity markets. He currently is Executive Chairman of the Australian pharmaceutical company PharmAust Limited and has been the Managing Director of several ASX listed companies and is currently a director of a number of listed and unlisted companies. He is also a member of the Australian Institute of Company Directors.

Report of the Directors

The directors have pleasure in presenting their report and financial statements for the financial year ended 30 June 2009.

Principal activities and business review

The principal activities of the group are the holding of investments, involved in the owning and leasing of aircraft.

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

The full business review can be found in the Chairman's statement on page 5.

Results and dividends

The consolidated income statement for the period is set out on page 14. The directors have proposed to pay a 0.5p final dividend.

Directors and their interests

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

The Company - Avation Plc	**Ordinary shares of 1p each**	
	30 June 2009	1 July 2008
R. J. (Jeff) Chatfield (deemed interest)	3,800,000	3,489,490
A.C. Baudinette	606,501	606,501
Bryant James McLarty	7,300	7,300

(CC-BY-SA) Andy Mitchell

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

Director's name	Date granted	Warrant price	Balance at beginning of year	Granted during the year	Exercised/ expired during the year	Balance at end of year
R.J. Chatfield *	30 Oct 2006	4 p	3,200,000	-	(310,510)	2,889,490
R.J. Chatfield *	4 Dec 2007	81.925 p	200,000	-	(200,000)	-
R.J. Chatfield *	5 Dec 2008	24.5 p	-	200,000	-	200,000
A.C. Baudinette	4 Dec 2007	81.925 p	135,000	-	(135,000)	-
A.C. Baudinette**	5 Dec 2008	24.5 p	-	75,000	-	75,000
B. McLarty	5 Dec 2008	24.5 p	-	50,000	-	50,000

* R.J. Chatfield was granted the share warrants via Epsom Assets Ltd.
** A.C. Baudinette was granted the share warrants via Giant Mix Investments Limited.

The following share warrants of the Company's subsidiary, Capital Lease Aviation Plc, issued to directors of the Company existed at the year end:

Director's name	Date granted	Warrant price	Balance at beginning of year	Granted during the year	Exercised/ expired during the year	Balance at end of year
R.J. Chatfield *	20 Jul 2007	24 p	1,370,833	-	-	1,370,833
R.J. Chatfield **	7 Nov 2008	67.5p	-	1,000,000	-	1,000,000

* R.J. Chatfield was granted the share warrants via Epsom Assets Ltd.
** R.J Chatfield was granted the share warrants via Takeoff Services Pte Ltd.

Significant Shareholdings

	Ordinary Shares of 1p each	Percentage
Fitel Nominees Limited	10,649,128	42%
Apollo Nominees Ltd	2,036,756	8%
Credit Suisse Securities (Europe) Limited	1,583,244	6%
Rock (Nominees) Limited	1,000,000	4%
Loeb Aron & Company Ltd	920,000	4%

Report of the Directors (cont'd)

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.

Creditors Payment Policy

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

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

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

Statement as to disclosure of information to auditors

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

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act 2006 it is proposed that they be re-appointed auditors for the ensuing year.

On behalf of the board

R J (Jeff) Chatfield
Director

25 November 2009

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 have elected to prepare the financial statements in accordance with International Financial Reporting Standards. 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

Independent Auditors' Report to the Shareholders of Avation plc

We have audited the financial statements of Avation plc for the year ended 30 June 2009 which comprise Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity 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 Sections 495 and 496 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 11 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 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.

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 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs 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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Matthew Meadows

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

Devonshire House
60 Goswell Road
London
EC1M 7AD

26 November 2009

avation PLC

Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

REGISTERED NUMBER: 5872328 (ENGLAND & WALES)

Consolidated Income Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 £	2008 £
Revenue	8	16,278,212	5,031,679
Cost of sales		(871,494)	(127,739)
Gross profit		15,406,718	4,903,940
Other operating income	9	1,477,929	399,942
Administrative expenses	11	(953,657)	(591,587)
Exceptional Item	10	-	5,503,165
Other operating expenses	11	(7,167,655)	(1,414,535)
Finance expenses	12	(3,777,014)	(655,713)
Profit before taxation		4,986,321	8,145,212
Taxation	14	(754,408)	(782,035)
Profit after tax		4,231,913	7,363,177
Minority interests		(1,585,937)	(397,262)
Attributable to the shareholders		2,645,976	6,965,915
Earnings per share for continuing and total operations	15		
- Basic		10.40 pence	28.75 pence
- Fully Diluted		9.22 pence	25.40 pence

Consolidated Balance Sheet

AS AT 30 JUNE 2009

	Note	2009 £	2008 £
ASSETS			
Current assets:			
Cash and cash equivalents		1,039,321	1,257,525
Trade and other receivables	16	1,575,778	362,866
Inventories	17	493	735
Total current assets		2,615,592	1,621,126
Non-current assets:			
Property, plant and equipment	19	83,053,926	67,419,726
Goodwill	20	1,324,541	1,324,541
Total non-current assets		84,378,467	68,744,267
Total assets		86,994,059	70,365,393
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	21	3,851,566	2,243,353
Provision for taxation		292,823	586,368
Loans and borrowings	22	8,521,911	6,263,715
Short-term provisions	23	1,088,555	299,336
Total current liabilities		13,754,855	9,392,772
Non-current liabilities:			
Trade and other payables	21	550,400	323,403
Loans and borrowings	22	40,253,227	37,599,720
Deferred tax liabilities	24	3,208,998	1,825,398
Total non-current liabilities		44,012,625	39,748,521
Equity attributable to shareholders:			
Share capital	25	255,555	252,700
Share premium		1,216,336	1,213,770
Asset revaluation reserve		6,760,372	4,454,006
Capital redemption reserve		7,000	-
Foreign currency translation reserve		1,148,240	(6,605)
Share option reserve		12,788	12,788
Retained earnings		9,897,773	7,386,700
		19,298,064	13,313,359
Minority Interest		9,928,515	7,910,741
		29,226,579	21,224,100
Total liabilities and equity		86,994,059	70,365,393

Approved by the board and authorised for issue on 25 November 2009

R J (Jeff) Chatfield
Director

Company Balance Sheet

AS AT 30 JUNE 2009

	Note	2009	2008
		£	£
ASSETS			
Current assets:			
Cash and cash equivalents		48,114	64,348
Trade and other receivables	16	356,526	231,428
Total current assets		404,640	295,776
Non-current asset:			
Investment in subsidiaries	18	1,440,286	1,440,286
Total non-current asset		1,440,286	1,440,286
Total assets		1,844,926	1,736,062
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	21	53,965	19,900
Provision for taxation		75,784	90,926
Total current liabilities		129,749	110,826
Capital and reserves:			
Share capital	25	255,555	252,700
Share premium		1,216,336	1,213,770
Capital redemption reserve		7,000	-
Retained earnings		236,286	158,766
Net equity		1,715,177	1,625,236
Total liabilities and equity		1,844,926	1,736,062

Approved by the board and authorised for issue on 25 November 2009

R J (Jeff) Chatfield
Director

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Share capital £	Share premium £	Asset revaluation reserve £	Capital redemption reserve £	Foreign currency translation reserve £	Share option reserve £	Retained earnings £	Total £	Minority Interest £	Total equity £
Group										
Balance at 1 July 2008	252,700	1,213,770	4,454,006	-	(6,605)	12,788	7,386,700	13,313,359	7,910,741	21,224,100
Revaluation of property, plant and equipment	-	-	3,296,823	-	-	-	-	3,296,823	-	3,296,823
Charge to asset revaluation reserve	-	-	(1,410)	-	-	-	-	(1,410)	(525)	(1,935)
Deferred tax charge to equity	-	-	(989,047)	-	-	-	-	(989,047)	-	(989,047)
Foreign currency Translation adjustment	-	-	-	-	1,154,845	-	-	1,154,845	432,362	1,587,207
Net income recognised directly in equity	-	-	2,306,366	-	1,154,845	-	-	3,461,211	431,837	3,893,048
Net profit for the financial period	-	-	-	-	-	-	2,645,976	2,645,976	1,585,937	4,231,913
Total recognised income	-	-	2,306,366	-	1,154,845	-	2,645,976	6,107,187	2,017,774	8,124,961
Dividend relating to 2008 paid	-	-	-	-	-	-	(127,903)	(127,903)	-	(127,903)
Increase in issued share capital	3,105	9,316	-	-	-	-	-	12,421	-	12,421
Share buyback	(250)	(6,750)	-	7,000	-	-	(7,000)	(7,000)	-	(7,000)
Balance at 30 June 2009	255,555	1,216,336	6,760,372	7,000	1,148,240	12,788	9,897,773	19,298,064	9,928,515	29,226,579

	Share capital £	Share premium £	Asset revaluation reserve £	Foreign currency translation reserve £	Share option reserve £	Retained earnings £	Total £	Minority Interest £	Total equity £
Group									
Balance at 1 July 2007	191,142	1,155,094	2,130,503	(24,909)	-	547,585	3,999,415	-	3,999,415
Revaluation of property, plant and equipment	-	-	2,675,496	-	-	-	2,675,496	2,547,811	5,223,307
Deferred tax charge to equity	-	-	(351,993)	-	-	-	(351,993)	(335,226)	(687,219)
Foreign currency Translation adjustment	-	-	-	18,304	-	-	18,304	550	18,854
Net income recognised directly in equity	-	-	2,323,503	18,304	-	-	2,341,807	2,213,135	4,554,942
Net profit for the financial period	-	-	-	-	-	6,965,915	6,965,915	397,262	7,363,177
Total recognised income	-	-	2,323,503	18,304	-	6,965,915	9,307,722	2,610,397	11,918,119
Share warrant scheme – value of services	-	-	-	-	12,788	-	12,788	12,179	24,967
Dividend relating to 2007 paid	-	-	-	-	-	(126,800)	(126,800)	-	(126,800)
Dilution of Subsidiary	-	-	-	-	-	-	-	5,288,165	5,288,165
Increase in issued share capital	63,500	188,000	-	-	-	-	251,500	-	251,500
Share buyback	(1,942)	(129,324)	-	-	-	-	(131,266)	-	(131,266)
Balance at 30 June 2008	252,700	1,213,770	4,454,006	(6,605)	12,788	7,386,700	13,313,359	7,910,741	21,224,100

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Share capital £	Share premium £	Asset revaluation reserve £	Capital redemption Reserve £	Share option reserve £	Retained earnings £	Total £
Company							
Balance at 1 July 2008	252,700	1,213,770	-	-	-	158,766	1,625,236
Net profit for the financial period	-	-	-	-	-	212,424	212,424
Total recognised income	-	-	-	-	-	212,424	212,424
Dividend relating to 2008 paid	-	-	-	-	-	(127,904)	(127,904)
Increase of issued share capital	3,105	9,316	-	-	-	-	12,421
Share buyback	(250)	(6,750)	-	7,000	-	(7,000)	(7,000)
Balance at 30 June 2009	255,555	1,216,336	-	7,000	-	236,286	1,715,177

	Share capital £	Share premium £	Asset revaluation reserve £	Share option reserve £	Retained earnings £	Total £
Company						
Balance at 1 July 2007	191,142	1,155,094	-	-	55,758	1,401,994
Net profit or the financial period	-	-	-	-	229,808	229,808
Total recognised income	-	-	-	-	229,808	229,808
Dividend relating to 2007 paid	-	-	-	-	(126,800)	(126,800)
Increase of issued share capital	63,500	188,000	-	-	-	251,500
Share buyback	(1,942)	(129,324)	-	-	-	(131,266)
Balance at 30 June 2008	252,700	1,213,770	-	-	158,766	1,625,236

The profit for the company for the financial year was £212,424. The company is exempt from publishing its profit and loss account pursuant to Section 230 of the Companies Act 2006.

Consolidated Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	2009 £	2008 £
Cash flows from operating activities:		
Total profit	4,231,913	7,363,177
Adjustments for:		
Income tax	754,408	782,035
Depreciation expense	4,455,650	1,115,198
Claim on maintenance reserve	2,712,005	299,336
Gain on dilution	-	(5,503,165)
Foreign currency exchange adjustment gain	(1,420,401)	-
Share option expense	-	24,968
Interest expense	3,548,968	655,713
Interest income	(13,254)	(346,828)
Operating profit before working capital changes	14,269,289	4,390,434
Trade and other receivables	(1,212,912)	6,947
Inventories	242	(38)
Trade and other payables	1,652,747	2,011,172
Short-term provisions	(453,809)	-
Cash from operations	14,255,557	6,408,515
Interest paid	(3,366,505)	(655,713)
Interest received	13,254	346,828
Corporation tax paid	(1,066,989)	(201,384)
Net cash from operating activities	9,835,317	5,898,246
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,967,069)	(53,735,874)
Net cash used in investing activities	(3,967,069)	(53,735,874)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	12,421	251,500
Share buyback	(7,000)	(131,266)
Net proceeds from issuance of subsidiary's shares to minority	-	10,791,329
Dividends paid	(127,903)	(126,800)
Proceeds from borrowings	3,210,035	39,332,659
Repayment of borrowings	(8,974,547)	(1,774,691)
Net cash (used in) from financing activities	(5,886,994)	48,342,731
Effects of exchange rates on cash & cash equivalents	(199,458)	(75,923)
Net (decrease) increase in cash	(218,204)	429,180
Cash and cash equivalent at beginning of financial year	1,257,525	828,345
Cash and cash equivalent at end of financial year	1,039,321	1,257,525

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

	2009 £	2008 £
Pounds Sterling	70,199	165,916
United States Dollars	930,898	1,030,331
Australian Dollars	6,625	17,801
Euro	1,664	1,593
Singapore Dollars	29,935	41,884
	1,039,321	1,257,525
Interest earning balances	1,009,386	1,215,641

The rate of interest for the cash on interest earning accounts is at 1% to 6.5% (2008:4.5% to 6%) per annum. These approximate the weighted effective interest rate.

Company Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	2009 £	2008 £
Cash flows from operating activities:		
Total profit	212,424	229,808
Adjustments for:		
Income tax	-	92,015
Operating profit before working capital changes	212,424	321,823
Trade and other receivables	(125,098)	(184,428)
Trade and other payables	34,065	(96,374)
Cash from operations	121,391	41,021
Corporation tax paid	(15,142)	(1,089)
Net cash from operating activities	106,249	39,932
Cash flows used in financing activities:		
Net proceeds from issuance of ordinary shares	12,421	251,500
Share buyback	(7,000)	(131,266)
Dividends paid	(127,904)	(126,800)
Net cash used in financing activities	(122,483)	(6,566)
Net (decrease) increase in cash	(16,234)	33,366
Cash and cash equivalent at beginning of financial year	64,348	30,982
Cash and cash equivalent at end of financial year	48,114	64,348

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

	2009 £	2008 £
Pounds Sterling	48,114	64,348

1 GENERAL

Avation plc is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328). The address of the registered office is given on page 51.

As disclosed in the Report of the Directors, the principal activities of the Company are the holding of investments involved in owning and leasing of aircraft.

2 STATEMENT OF COMPLIANCE

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

b) BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from those of the Group entities. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the income statement.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

c) BUSINESS COMBINATIONS - The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

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

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the income statement on disposal.

e) INVENTORIES – Inventories of consumable spare parts are stated at the lower of cost or market value determined on a portfolio basis.

f) PROPERTY, PLANT AND EQUIPMENT – Aircraft held for use in the supply of rental service, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such aircraft is credited to the assets revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in income statement, in which case the increase is credited to income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such aircraft is charged to the income statement 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 the income statement. On the subsequent sale or retirement of a revalued aircraft, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

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

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

Aircraft	-	20 to 25 years
Furniture and equipment	-	3 years

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

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

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

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

h) PROVISIONS - Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. In respect of maintenance rent, a corresponding provision is made in accordance with the expected maintenance costs that will be drawn in accordance with the lease conditions and lease term.

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

j) 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 income statement on a straight-line basis over the lease term.

k) REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Aircraft rental income is recognised in the income statement 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.

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(iii) Sales of goods are recognised when goods are delivered and title has passed.

(iv) Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

(v) Licence fees received are recognised over the life of the licence agreement. Ongoing royalties/commissions pursuant to the licence agreement are recognised as earned.

l) BORROWING COSTS - Borrowing costs directly attributable to the acquisition of property, plant and equipment are added to the cost of the assets and amortised over the life of the assets.

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

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, 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.

n) FOREIGN CURRENCIES - 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). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Pounds Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

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

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

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

o) FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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

ii) Cash and cash equivalents - Cash and cash equivalents comprise cash on hand and call deposits which are subject to an insignificant risk of changes in value.

iii) Financial liabilities and equity - Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

iv) Borrowings - Interest-bearing loans from banks and financial institutions are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

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

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

vi) Trade receivables - Trade receivables are stated at their original value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Interest on overdue trade receivables is recognised as it accrues.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(ii) Maintenance reserve claim

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

(iii) Income taxes

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

5 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:
The group intends to apply these standards and interpretations when they become effective.

International Accounting Standards (IAS/IFRS)	**Effective Date**
IFRS 2 Amendments to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3 Business Combinations (revised January 2008)	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009
IAS 27 Consolidated and Separate Financial Statement (Revised January 2008)	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)	
IFRC 18 Transfers of Assets from customers	1 July 2009

6 FINANCIAL RISK MANAGEMENT

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

i) Airline Industry Risks

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

ii) Credit risk

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

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

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

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

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

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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

	Group	
	2009	2008
	£	£
Australia	726,445	273,209
Singapore	15	1,309
Nigeria	-	22,490
Libya	1,919	1,789
	728,379	298,797

1) Financial assets that are neither past due nor impaired

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

The Group's trade receivable not past due include receivables amounting to £330,000 (2008 : £274,518).

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

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

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

	Group	
	2009	2008
	£	£
Past due < 3 months	156,522	24,279
Past due 3 to 6 months	234,376	-
Past due over 6 months	7,481	-
	398,379	24,279

iii) Interest rate risk

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

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

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

iv) Foreign currency risk

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

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

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

Group 2009	Pound Sterling £	United States Dollar £	Total £
Cash and cash equivalents	70,199	930,898	1,001,097
Trade and other receivables	10,597	1,564,574	1,575,171
Loans and borrowings	-	(48,775,138)	(48,775,138)
Other financial liabilities	(293,844)	(3,809,456)	(4,103,300)
Currency exposure	(213,048)	(50,089,122)	(50,302,170)
2008			
Cash and cash equivalents	165,916	1,030,331	1,196,247
Trade and other receivables	2,498	336,758	339,256
Loans and borrowings	-	(43,863,435)	(43,863,435)
Other financial liabilities	(127,863)	(1,745,209)	(1,873,072)
Currency exposure	40,551	(44,241,555)	(44,201,004)

Company 2009	Pound Sterling £	United States Dollar £	Total £
Cash and cash equivalents	48,114	-	48,114
Trade and other receivables	5,640	235,903	241,543
Other financial liabilities	(37,350)	(8,374)	(45,724)
Currency exposure	16,404	227,529	243,933
2008			
Cash and cash equivalents	64,348	-	64,348
Trade and other receivables	-	231,428	231,428
Other financial liabilities	(19,191)	(18)	(19,209)
Currency exposure	45,157	231,410	276,567

If the United States dollar (USD) changes against the Pound Sterling by 10% (2008: 10%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Increase/(Decrease)		Increase/(Decrease)	
Group	2009 Profit after tax £	2009 Equity £	2008 Profit after tax £	2008 Equity £
USD against £				
- strengthen	(5,008,912)	(5,008,912)	(4,424,156)	(4,424,156)
- weakened	5,008,912	5,008,912	4,424,156	4,424,156

Company	2009 Profit after tax £	2009 Equity £	2008 Profit after tax £	2008 Equity £
USD against £				
- strengthen	23,590	23,590	23,141	23,141
- weakened	(23,590)	(23,590)	(23,141)	(23,141)

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

(v) Liquidity risk

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

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

Group 2009	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £
Trade and other payables	3,000,301	-	-	-
Loans and borrowings	11,067,603	10,062,657	22,686,675	14,454,123
	14,067,904	10,062,657	22,686,675	14,454,123
2008				
Trade and other payables	1,963,386	-	-	-
Loans and borrowings	8,264,323	8,558,184	21,933,210	15,238,602
	10,227,709	8,558,184	21,933,210	15,238,602
Company				
2009				
Trade and other payables	53,965	-	-	-
Loans and borrowings	-	-	-	-
	53,965	-	-	-
2008				
Trade and other payables	19,900	-	-	-
Loans and borrowings	-	-	-	-
	19,900	-	-	-

(vi) Capital risk

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

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

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Net debt	52,137,783	45,172,666	5,851	(44,448)
Total equity	29,226,579	21,224,100	1,715,177	1,625,236
Total capital	81,364,362	66,396,766	1,721,028	1,580,788
Gearing ratio	64%	68%	0%	(3%)

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2009 and 30 June 2008.

(vi) Fair value of financial assets and financial liabilities

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

7 RELATED PARTY TRANSACTIONS

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

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

(a) Compensation of directors and key management personnel

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

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Key management of the Group				
- Directors' fee paid to directors of the company	34,000	27,000	34,000	27,000
- Directors' fee paid to directors of subsidiaries	295,585	234,574	-	-
- Superannuation paid for a director of a subsidiary	7,964	-	-	-
- Salary paid to a director of the company	72,458	39,900	-	-

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

	Group	
	2009	2008
	£	£
Aggregate emoluments	72,458	39,900

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

(b) Significant related party transactions:

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Sales of goods to a related party [1]	158,542	143,529	-	-
Service fee paid to Loeb Aron & Company Ltd [2]	16,239	5,287	6,239	5,287
Guarantee and commitment fee paid to a related party [3]	228,046	-	-	-
Maintenance rent received from a related party [4]	2,712,006	1,432,665	-	-
Rental income received from a related party [5]	5,466,054	3,128,561	-	-

1 - Sales of goods to Skywest Airlines Pty Ltd in which a director of the company is also a director of Skywest Airlines Pty Ltd.
2 - Paid to Loeb Aron & Company Ltd in which a director of a subsidiary is a director of Loeb Aron & Company Ltd.
3.- Paid to CaptiveVision Capital Ltd in which a director of the company is a director of CaptiveVision Capital Ltd.
4 - Received from Skywest Airlines Pty Ltd in which a director of the company is also a director of Skywest Airlines Pty Ltd.
5 - Received from Skywest Airlines Pty Ltd in which a director of the company is also a director of Skywest Airlines Pty Ltd.

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FOR THE YEAR ENDED 30 JUNE 2009

8 REVENUE

	Group	
	2009 £	2008 £
Rental income	12,516,170	3,422,596
Maintenance rent revenue	2,712,006	1,432,664
Management and service income	290,951	860
Sales of finished goods	759,085	175,559
	16,278,212	5,031,679

9 OTHER OPERATING INCOME

	Group	
	2009 £	2008 £
Incentive income	-	37,046
Maintenance reimbursement	44,274	-
Interest income	13,254	346,828
Foreign currency exchange adjustment gain	1,420,401	16,068
	1,477,929	399,942

10 EXCEPTIONAL ITEM

	Group	
	2009 £	2008 £
Gain on dilution of interest in subsidiary	-	5,503,165

During the 2008 financial year, the Group diluted the interest in its subsidiary, Capital Lease Aviation Plc from 100% to 51.22% shareholding through the issue of 47,708,339 new ordinary shares of £0.001 each at a premium of £0.239 per ordinary share.

11 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Group	
	2009 £	2008 £
Claim on maintenance reserve expense charged directly to income statement	764,948	-
Claim on maintenance reserve expense	1,947,057	299,336
Depreciation of property, plant and equipment	4,455,650	1,115,198
Auditors' remuneration for audit services	32,000	59,652
Auditors' remuneration for non-audit services		
- Corporate finance	-	19,000
- Corporate taxation	24,378	13,178

12 FINANCE EXPENSES

	Group	
	2009 £	2008 £
Interest expense on secured borrowings	3,548,968	655,713
Guarantee and commitment fee	228,046	-
	3,777,014	655,713

13 STAFF COSTS

There were no staff costs during the financial year ended 30 June 2009 and 30 June 2008 except for fees paid to directors. See Note 7 for details.

14 TAXATION

	Group	
	2009	**2008**
	£	**£**
Current tax expense		
- United Kingdom	-	100,132
- Overseas	659,089	482,742
Deferred tax expense – United Kingdom	126,533	196,521
Deferred tax expense - overseas	(31,214)	2,640
	754,408	782,035

The standard rate of current tax for the period based on the UK standard rate of corporation tax is 28% (2008: 30%). The current tax expense for the period is less than 28% (2008: 30%) for the reasons set out in the following reconciliation:

	Group	
	2009	**2008**
	£	**£**
Profit before income tax	4,986,321	8,145,212
Tax calculated at tax rate of 28%	1,396,169	2,443,564
Effects of:		
Deferred tax benefits not recorded	-	61,347
Non-taxable item	(863,268)	(1,927,876)
Different tax rates of other countries	126,207	4,750
Adjustment to tax charge in respect of previous periods	(19)	1,089
Total income tax expense	659,089	582,874

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

15 EARNINGS PER SHARE

a) Basic earnings per share ("EPS")

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

	Group	
	2009	2008
	£	£
Net profit attributable to equity holders of the company	2,645,976	6,965,915
Weighted average number of ordinary shares	25,431,815	24,229,660
Basic earnings per share	10.40 pence	28.75 pence

	Group	
	2009	2008
	£	£
Net profit attributable to equity holders of the company excluding exceptional item	2,645,976	1,462,750
Weighted average number of ordinary shares	25,431,815	24,229,660
Basic earnings per share excluding exceptional item	10.40 pence	6.04 pence

b) Diluted earnings per share

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

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

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

	Group	
	2009	2008
	£	£
Net profit attributable to equity holders of the Company	2,645,976	6,965,915
Weighted average number of ordinary shares	25,431,815	24,229,660
Adjustment for:		
- Warrants	3,270,034	3,200,000
	28,701,849	27,429,660
Diluted earnings per share	9.22 pence	25.40 pence

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Subsidiaries (Note 18)	-	-	350,268	231,428
Non-trade receivables - related parties (Note 7)	-	53,806	-	-
Trade receivables – related party [1]	725,924	272,342	-	-
Trade receivables	2,455	26,455	-	-
Other receivables	58,925	4,747	4,776	-
Prepayments	1,482	-	1,482	-
Deposits	-	5,014	-	-
Advances	-	502	-	-
Accrued income [1]	786,992	-	-	-
	1,575,778	362,866	356,526	231,428

1. - Trade receivables & accrued income due from Skywest Airlines Pty Ltd in which a director of the company is also a director of Skywest Airlines Pty Ltd.

In respect of the company, the amounts due from subsidiaries are unsecured, interest-free, without fixed repayment terms and payable on demand.

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

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

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Pounds Sterling	10,597	2,498	5,640	-
United States Dollars	1,564,574	336,758	235,903	231,428
Australian Dollars	592	21,720	114,983	-
Singapore Dollars	15	1,890	-	-
	1,575,778	362,866	356,526	231,428

17 INVENTORIES

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Finished goods, at cost	493	735	-	-

The cost of inventories recognised as an expense and included in the cost of sales amounts to £870,121 (2008: £175,560).

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FOR THE YEAR ENDED 30 JUNE 2009

18 INVESTMENT IN SUBSIDIARIES

	Company 2009 £	Company 2008 £
Unquoted equity shares, at cost	1,390,186	1,390,186
Quoted equity shares, at cost	50,100	50,100
	1,440,286	1,440,286
Quoted equity shares, at market value	24,480,000	41,833,500

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

Details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation/ operations	Company's cost of investment 2009 £	Company's cost of investment 2008 £	Group's effective equity interest 2009 %	Group's effective equity interest 2008 %
The subsidiaries held directly by the company:						
Avation.net Inc (a)	Procurement	United States of America	1,390,181	1,390,181	99.96	99.96
Capital Lease Aviation Plc (b)	Leasing of aircraft	United Kingdom	50,100	50,100	51.22	51.22
F100 Pty Ltd (c)	Leasing of aircraft	Australia	5	5	100.00	100.00
The subsidiaries held by Capital Lease Aviation Plc :						
Capital Lease Australian Portfolio One Pty Ltd (c)	Leasing of aircraft	Australia	-	-	51.22	51.22
Capital Lease Malta Ltd (d)	Leasing of aircraft	Malta	-	-	51.22	51.22

(a) Audited by Jasmine Chua and Associates, Singapore
(b) Audited by Kingston Smith LLP, London, UK
(c) Audited by Moore Stephens, Perth, Australia
(d) Audited by Brian Tonna & Co, Malta

Significant transactions with subsidiaries are as follows:

	Company 2009 £	Company 2008 £
Management and service fee income	102,448	458,200
Dividend income	211,817	-

19 PROPERTY, PLANT AND EQUIPMENT

Group

2009	Furniture and equipment £	Aircraft £	Total £
Cost or valuation:			
At beginning of year	3,600	68,696,476	68,700,076
Additions	-	3,967,069	3,967,069
Revaluation surplus on acquisition	-	3,296,823	3,296,823
Currency realignment	767	12,922,724	12,923,491
At end of year	4,367	88,883,092	88,887,459
Representing:			
Cost	4,367	-	4,367
Valuation	-	88,883,092	88,883,092
	4,367	88,883,092	88,887,459
Accumulated depreciation:			
At beginning of year	2,911	1,277,439	1,280,350
Depreciation for the year	628	4,455,022	4,455,650
Currency realignment	601	96,932	97,533
At end of year	4,140	5,829,393	5,833,533
Net book value:			
At beginning of year	689	67,419,037	67,419,726
At end of year	227	83,053,699	83.053.926

2008	Furniture and equipment £	Aircraft £	Total £
Cost or valuation:			
At beginning of year	3,600	9,627,963	9,631,563
Additions	-	53,735,874	53,735,874
Revaluation surplus on acquisition	-	5,223,307	5,223,307
Currency realignment	-	109,332	109,332
At end of year	3,600	68,696,476	68,700,076
Representing:			
Cost	3,600	2,762,000	2,765,600
Valuation	-	65,934,476	65,934,476
	3,600	68,696,476	68,700,076
Accumulated depreciation:			
At beginning of year	1,712	156,305	158,017
Depreciation for the year	1,199	1,113,999	1,115,198
Currency realignment	-	7,135	7,135
At end of year	2,911	1,277,439	1,280,350
Net book value:			
At beginning of year	1,888	9,471,658	9,473,546
At end of year	689	67,419,037	67,419,726

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

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FOR THE YEAR ENDED 30 JUNE 2009

US airline.

The Group's property, plant and equipment include borrowing costs from bank loans specifically used for purchase of aircraft. During the financial year, the borrowing costs capitalised as cost of property, plant and equipment amount to £15,138 (2008 : £754,720).

The Group's aircraft were revalued in September 2009 by independent valuers, on the basis of open market value as of 30 June 2009. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders equity.

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

	Group	
	2009	2008
	£	£
Cost	75,677,685	60,429,593
Accumulated depreciation	(4,214,500)	(1,003,678)
Net carrying value	71,463,185	59,425,915

20 GOODWILL ON CONSOLIDATION

	Group	
	2009	2008
	£	£
Cost:		
Balance at beginning and at end of year	1,324,541	1,324,541

In the opinion of the management, the carrying amount approximates its fair value.

21 TRADE AND OTHER PAYABLES

	Group		Company	
Current	2009	2008	2009	2008
	£	£	£	£
Subsidiaries (Note 18)	-	-	7,230	18
Related parties (Note 7)	159,929	23,400	8,869	691
Trade payables	2,478,775	1,418,532	12,955	-
Deferred income	851,265	279,968	-	-
Other payables	49,597	60,266	-	-
Accrued expenses	312,000	461,187	24,911	19,191
	3,851,566	2,243,353	53,965	19,900

	Group		Company	
Non-current	2009	2008	2009	2008
	£	£	£	£
Other payables	550,400	323,403	-	-
	550,400	323,403	-	-

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

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

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

	Group		Company	
Current	2009	2008	2009	2008
	£	£	£	£
Pound Sterling	293,844	127,863	37,350	19,191
United States Dollar	3,259,056	2,025,176	8,374	18
Australian Dollar	276,949	54,158	-	-
Euro	3,853	2,485	-	-
Singapore Dollar	17,864	33,671	8,241	691
	3,851,566	2,243,353	53,965	19,900

	Group		Company	
Non-current	2009	2008	2009	2008
	£	£	£	£
United States Dollar	550,400	323,403	-	-
	550,400	323,403	-	-

22 LOAN AND BORROWINGS

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Secured borrowing I	3,599,725	3,692,874	-	-
Secured borrowing II	1,609,506	1,679,203	-	-
Secured borrowing III	1,610,436	1,607,446	-	-
Secured borrowing IV	4,298,769	4,261,900	-	-
Secured borrowing V	13,952,664	12,660,350	-	-
Secured borrowing VI	14,541,461	13,161,750	-	-
Unsecured borrowing VII	731,517	1,002,800	-	-
Secured borrowings VIII	3,364,725	3,471,620	-	-
Secured borrowings IX	2,414,187	2,325,492	-	-
Secured borrowings X	2,652,148	-	-	-
Total	48,775,138	43,863,435	-	-
Less: current portion of loan borrowings	(8,521,911)	(6,263,715)	-	-
	40,253,227	37,599,720	-	-

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

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

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

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

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

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

Unsecured borrowing VII is for a 2 year period to July 2010, repayable monthly. The loan is unsecured and it was taken by its subsidiary and the Group has issued a corporate guarantee in favour for the amount.

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

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

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

The Group has a mezzanine finance facility of US$2,000,000 from a related party, CaptiveVision Capital Ltd which has a revised expiry of June 2010. CaptiveVision Capital Ltd granted a lender of the secured borrowings of the Group a charge over its assets for US$2,000,000. CaptiveVision Capital Ltd charged the Group interest at 14% per annum based on the committed asset amount of A$2,089,967.

At 30 June 2009, the Group has a facility from its ultimate holding company, Avation Plc and its subsidiary F100 Pty Ltd for US$300,000 at an interest rate of 14% per annum. This facility has a revised expiry in June 2010.

The average interest rates for the outside party borrowings range from 6% to 11% per annum.

All the loans are denominated in United States Dollars.

The carrying amounts of the borrowings approximate their fair values.

23 SHORT TERM PROVISIONS

	Group 2009 £	Group 2008 £
Maintenance reserve claim	1,088,555	299,336

	Group 2009 £	Group 2008 £
Movement in provision for maintenance reserve claim is as follows:		
Balance at beginning of year	299,336	-
Provisions made during the period	1,947,057	299,336
Provisions used during the period	(1,194,217)	-
Currency realignment	36,379	-
Balance at end of year	1,088,555	299,336

A provision of £1,947,076 (2008: £299,336) was made during the year ended 30 June 2009. This provision is based on maintaining a sufficient balance to match expected drawdowns of reserves over the lease period of the aircraft.

There were drawdowns totalling £1,194,217 (2008: £ nil) on the reserves for the year ended 30 June 2009.

24 DEFERRED TAX LIABILITIES

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

Group	Assets 2009 £	Liabilities 2009 £	Net 2009 £
Property, plant and equipment	(73,928)	3,461,459	3,387,531
Other items	(330,980)	152,447	(178,533)
Tax (assets) / liabilities	(404,908)	3,613,906	3,208,998
Set off tax	330,911	(330,911)	-
Net tax assets	(73,997)	3,282,995	3,208,998

Group	Assets 2008 £	Liabilities 2008 £	Net 2008 £
Property, plant and equipment	-	1,921,497	1,921,497
Other items	(143,409)	47,310	(96,099)
Tax (assets) / liabilities	(143,409)	1,968,807	1,825,398
Set off tax	-	-	-
Net tax assets	(143,409)	1,968,807	1,825,398

Movement in temporary differences during the financial year:

Group	Balance 2008 £	Recognised in profit and loss £	Recognised in equity £	Currency Realignment £	Balance 2009 £
Property, plant and equipment	1,921,460	310,664	989,047	311,852	3,533,023
Other items	(96,062)	(215,344)	-	(12,619)	(324,025)
	1,825,398	95,320	989,047	299,233	3,208,998

Movement in temporary differences during the last financial year:

Group	Balance 2007 £	Recognised in profit and loss £	Recognised in equity £	Currency Realignment £	Balance 2008 £
Property, plant and equipment	945,842	288,399	687,219	-	1,921,460
Other items	(6,824)	(89,238)	-	-	(96,062)
	939,018	199,161	687,219	-	1,825,398

25 SHARE CAPITAL

	Company 2009 £	Company 2008 £
Authorised:		
100,000,000 ordinary shares of 1 penny each	1,000,000	1,000,000
Allotted, called up and fully paid:		
25,555,510 (2008: 25,270,000) ordinary shares of 1 penny each	255,555	252,700

On 11 December 2008, the Company issued 310,510 ordinary shares of 1 penny each following the exercise of warrants by warrant holders.

On 16 February 2009, the Company purchased 25,000 ordinary shares on market through PLUS Markets at 28 pence per ordinary share for cancellation.

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26 SHARE-BASED PAYMENTS

a) Share options and warrants

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

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

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

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

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

Warrant series signed on	Balance at beginning of year	Granted during the year	Exercised during the year	Expired/ Cancelled	Balance at end of year	Expiry date	Exercise price	Fair value at grant date
(1) 30 Oct 2006	3,200,000	-	(310,510)	-	2,889,490	29 Oct 2010	4.0 p	0.3 p
(2) 4 Dec 2007	485,000	-	-	(485,000)	-	3 Dec 2008	81.925 p	1.49 p
(3) 5 Dec 2008	-	425,000	-	-	425,000	4 Dec 2009	24.5 p	24.5 p

The value of the warrants granted during the year was nil.

The weighted average fair value of the warrants granted during the financial year is 24.5 pence. Warrants were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past four months.

Inputs into the model	Warrant series signed on 5 Dec 2008
Grant date share price	24.5 pence
Exercise price	24.5 pence
Expected volatility	5%
Warrant life	1 year
Dividend yield	3%
Risk free interest rate	0.29%

The company issued a total of 425,000 warrants during the financial year at 24.5 pence when the then market price was 24.5 pence.

26 SHARE-BASED PAYMENTS (cont'd)

b) Share options and warrants issued by Capital Lease Aviation plc

A subsidiary of the Company, Capital Lease Aviation plc, has an ownership-based compensation scheme for directors and senior management of the Group.

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

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

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

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

Warrant series signed on	Balance at beginning of year	Granted during the year	Exercised during the year	Expired/ Cancelled	Balance at end of year	Expiry date	Exercise price	Fair value at grant date
(1) 20 Jul 2007	3,150,000	-	-	-	3,150,000	13 Dec 2009	24 p	24p
(2) 2 Aug 2007	2,000,000	-	-	(2,000,000)	-	13 Oct 2008	82.5 p	24p
(3) 27 Nov 2007	97,916	-	-	-	97,916	13 Dec 2009	24 p	25.5p
(4) 7 Nov 2008	-	2,200,000	-	-	2,200,000	6 Nov 2009	67.5p	67.5p

The value of the warrants granted during the year was £9,460 which has not been expensed in these accounts as it is not material. In 2008, the company recognised immediately and charged as an expense to the profit and loss account of £24,968 in respect of the warrants in the period.

The weighted average fair value of the warrants granted during the financial year is 0.43 pence. Warrants were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past four months.

	Warrant Series			
Inputs into the model	Series 1	Series 2	Series 3	Series 4
Grant date share price	24 pence	24 pence	75 pence	67.5 pence
Exercise price	24 pence	82.5 pence	24 pence	67.5 pence
Expected volatility	15%	15%	15%	5%
Warrant life	2.4 years	2.2 years	2 years	1 year
Dividend yield	0%	0%	0%	3%

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FOR THE YEAR ENDED 30 JUNE 2009

27 OPERATING LEASES

a) Leases as Lessor

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

	Group	
	2009	2008
	£	£
Within one year	12,069,432	9,370,823
In the second to fifth years inclusive	45,204,209	40,247,879
More than five years	-	5,277,235

b) Contingencies

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

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

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

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

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

As at 30 June 2009, Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd had received £2,712,006 (2008: £1,839,994) in maintenance rent.

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

28 SEGMENT INFORMATION

a) Segment reporting policy

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

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

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

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

b) Primary reporting segment – business segments

During the year ended 30 June 2009, the Group was organised into two main business segments which are aircraft leasing and business procurement.

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

Group Financial year ended 30 June 2009	Aircraft leasing £	Business procurement £	Total £
Revenue & other operating income			
- External sales	15,228,176	759,085	15,987,261
- Other income			2,125,663
Total of all segments			18,112,924
Less: elimination			(356,783)
Consolidated revenue			17,756,141

Group Financial year ended 30 June 2009	Aircraft leasing £	Business procurement £	Total £
Results			
Segment results	8,609,267	14,609	8,623,876
Finance income			13,254
Finance expense			(3,548,968)
Unallocated corporate expenses			(101,841)
Profit before taxation			4,986,321
Taxation			(754,408)
Profit after taxation			4,231,913
Other segment items			
Capital expenditure & valuation movement			
- property, plant and equipment	7,263,892	-	7,263,892
Depreciation	4,455,022	628	4,455,650

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

28 SEGMENT INFORMATION (cont'd)

b) Primary reporting segment – business segments (cont'd)

Group Financial year ended 30 June 2009	Aircraft leasing £	Business procurement £	Total £
Segment assets	85,586,400	35,004	85,621,404
Unallocated assets			48,114
Consolidated total assets			85,669,518
Segment liabilities			
Provisions of taxation	217,040	-	217,040
Short term provisions	1,088,555	-	1,088,555
Loans and borrowings	48,775,138	-	48,775,138
Deferred tax liabilities	3,208,998	-	3,208,998
Unallocated liabilities			4,477,749
Consolidated total liabilities			57,767,480

Group Financial year ended 30 June 2008	Aircraft leasing £	Business procurement £	Total £
Revenue & other operating income			
- External sales	4,855,260	176,419	5,031,679
- Other income			53,114
Total of all segments			5,084,793

Group Financial year ended 30 June 2008	Aircraft leasing £	Business procurement £	Total £
Results			
Segment results	4,855,260	48,680	4,903,940
Finance income			346,828
Finance expense			(655,713)
Gain on dilution			5,503,165
Unallocated corporate expenses			(1,953,008)
Profit before taxation			8,145,212
Taxation			(782,035)
Profit after taxation			7,363,177
Other segment items			
Capital expenditure			
- property, plant and equipment	59,068,513	-	59,068,513
Depreciation	1,113,999	1,199	1,115,198

28 SEGMENT INFORMATION (cont'd)

b) Primary reporting segment – business segments (cont'd)

Group Financial year ended 30 June 2008	Aircraft leasing £	Business procurement £	Total £
Segment assets	68,871,824	104,680	68,976,504
Unallocated assets			64,348
Consolidated total assets			69,040,852
Segment liabilities			
Provisions of taxation	586,368	-	586,368
Loans and borrowings			43,863,435
Unallocated liabilities			4,691,490
Consolidated total liabilities			49,141,293

c) Second reporting segment – geographical segments

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

Group Financial year ended 30 June 2009	Revenue £	Capital expenditure and valuation movements £	Total assets £
Australia	8,338,653	7,263,892	34,994,938
United States	1,386,594	-	6,093,330
Denmark	5,663,523	-	45,093,718
Nigeria	888,903	-	155,099
United Kingdom	-	-	630,578
Other	539	-	26,396
	16,278,212	7,263,892	86,994,059

Group Financial year ended 30 June 2008	Revenue £	Capital expenditure and valuation movements £	Total assets £
Australia	4,737,644	13,714,516	23,448,780
United States	281,480	6,456,968	6,626,861
Denmark	12,555	38,897,029	38,897,263
Other	-	-	67,948
	5,031,679	59,068,513	69,040,852

Group Financial year ended 30 June 2009	Net Book Value Aircraft £
Australia	31,866,651
United States	6,093,330
Denmark	45,093,718
	83,053,699

Group Financial year ended 30 June 2008	Net Book Value Aircraft £
Australia	22,103,425
United States	6,418,583
Denmark	38,897,029
	67,419,037

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

29 CONTINGENT LIABILITIES

	Group	
	2009	2008
	£	£
Guarantees	41,955,471	36,883,912

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

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

30 RECLASSIFICATION AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current years' financial statements. The reclassifications included the following:

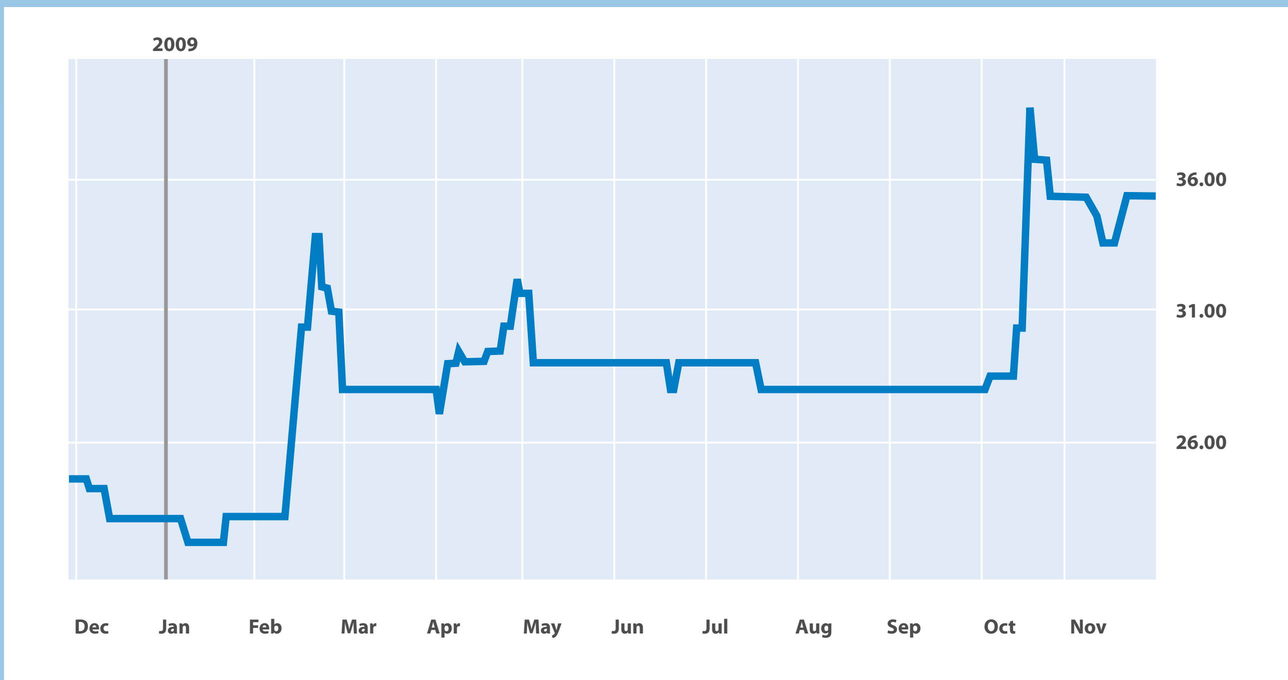
Group	After Reclassification £	Before Reclassification £	Difference £
Trade and other payables	279,968	-	279,968
Deferred income	-	279,968	(279,968)
Other operating expenses	299,336	-	299,336
Administrative expenses	-	299,336	(299,336)
Other operating income	346,828	-	346,828
Finance income and expense	-	346,828	(346,828)

31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company and the consolidated financial statements of the Group for the financial period ended 30 June 2009 were authorised for issue by the Board of Directors on 24 November 2009.

Share Price Performance

As at 1 December 2009



Register of Top 20 Shareholders

(as at 30 June 2009)

Name of Shareholder	Holding (Number of shares)
FITEL NOMINEES LIMITED	3,490,000
FITEL NOMINEES LIMITED	2,815,000
FITEL NOMINEES LIMITED	2,809,128
APOLLO NOMINEES LTD	2,036,756
CREDIT SUISSE SECURITIES (EUROPE) LIMITED	1,583,244
ROCK (NOMINEES) LIMITED	1,000,000
LOEB ARON & COMPANY LTD	920,000
FITEL NOMINEES LIMITED	800,000
FITEL NOMINEES LIMITED	735,000
PERSHING NOMINEES LIMITED	730,076
HARGREAVE HALE NOMINEES LIMITED	606,500
THE CORPORATION OF LLOYDS	360,000
HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED	360,000
W B NOMINEES LIMITED	297,551
FITEL NOMINEES LIMITED	293,456
J M FINN NOMINEES LIMITED	274,000
FITEL NOMINEES LIMITED	271,373
FITEL NOMINEES LIMITED	250,000
TD WATERHOUSE NOMINEES (EUROPE) LIMITED	248,594
L R NOMINEES LIMITED	238,349

Corporate Directory

DIRECTORS:
RJ (Jeff) Chatfield
Andrew Baudinette
Bryant James McLarty

COMPANY SECRETARIES:
Siobhan Cool
Loh Chuen Thim (Appointed on 4 July 2007 and resigned on 27 August 2008)

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