

ANNUAL REPORT



2010

OUR FLEET

(AS AT OCTOBER 2010)



Model Airbus A321-200
Details MSN 1921
Date of Acquisition 30 June 2008
Lessee Thomas Cook (OY-VKB)
Operational Area Europe, Scandinavia



Model Airbus A321-200
Details MSN 1881
Date of Acquisition 30 June 2008
Lessee Thomas Cook (OY-VKA)
Operational Area Europe, Scandinavia



Model Airbus A320-200
Details MSN 429
Date of Acquisition 2 April 2010
Lessee Skywest Airlines (VH-FNP)
Operational Area Australia



Model Airbus A320-200
Details MSN 052
Date of Acquisition 25 March 2008
Lessee US Airways Inc (N620AW)
Operational Area North America



Model Fokker 100
Details MSN 11461
Date of Acquisition 25 September 2007
Lessee Skywest Airlines (VH-FNT)
Operational Area Western Australia



Model Fokker 100
Details MSN 11391
Date of Acquisition 31 July 2008
Lessee Skywest Airlines (VH-FSW)
Operational Area Western Australia



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



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



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



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



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



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

MSN denotes Manufacturers Serial Number

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CHAIRMAN'S STATEMENT



Dear Fellow Shareholder,

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 2010 and to inform you of the progress that the Avation Group has made. A key milestone achieved, subsequent to

year end, is the successful admission to a standard listing on the Main Market of the London Stock Exchange on the 6th of October 2010. As a consequence we now present our first set of annual results as a Main Board company.

The highlights are:

- Consolidated net profit after tax: GBP 1,653,027
- Revenues of GBP 17,552,513
- Earnings per share of 6.39 pence
- Increased dividends to 0.6 pence per share.

Your Board is pleased to report that in respect of the year ending 30th June 2010, the consolidated net profit after tax was GBP 1,653,027 on revenues of GBP 17,552,513 with earnings per share of 6.39 pence.

The operating businesses had a good year with excellent cash flows being recorded across the Group. In the prior financial year the Group enjoyed a one-off foreign exchange gain of GBP 1.4m; the profits reported this year are from recurring business with no extraordinary gains. Therefore, the earnings presented at 6.39 pence per share are the underlying earnings based on the current asset base of aircraft.

The business has continued to grow and we have increased the revenue base for the Group by 7.8%. As of June 30th the asset base of the Group had increased to GBP 96,269,565. The Board of Directors now believe that they have demonstrated that the Group has a sustainable business model, which demonstrates consistent performance.

The Avation Group currently owns a fleet of 12 modern jet aircraft. The Group continues to seek further aircraft acquisitions. Your Company is now growing both in profits and recurring revenues. Customers now include large international airlines. The aircraft owned by the Group are Airbus A320 series and Fokker 100 jet aircraft.

Your Board recognises the importance of rewarding shareholders - the owners of the Company. 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 0.6 pence per share. The Company hopes to maintain a progressive dividend policy going forward. The Company's Annual General Meeting is scheduled to be held on the 2nd of December 2010. Subject to shareholder approval at that meeting, a 2010 final dividend of 0.6 pence per ordinary share will be paid on the 15th of December 2010. The Ex-Dividend Date is the 8th of December 2010 and the Associated Record Date is the 10th of December 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 based industry risks are also present and include the creditworthiness of client airlines.

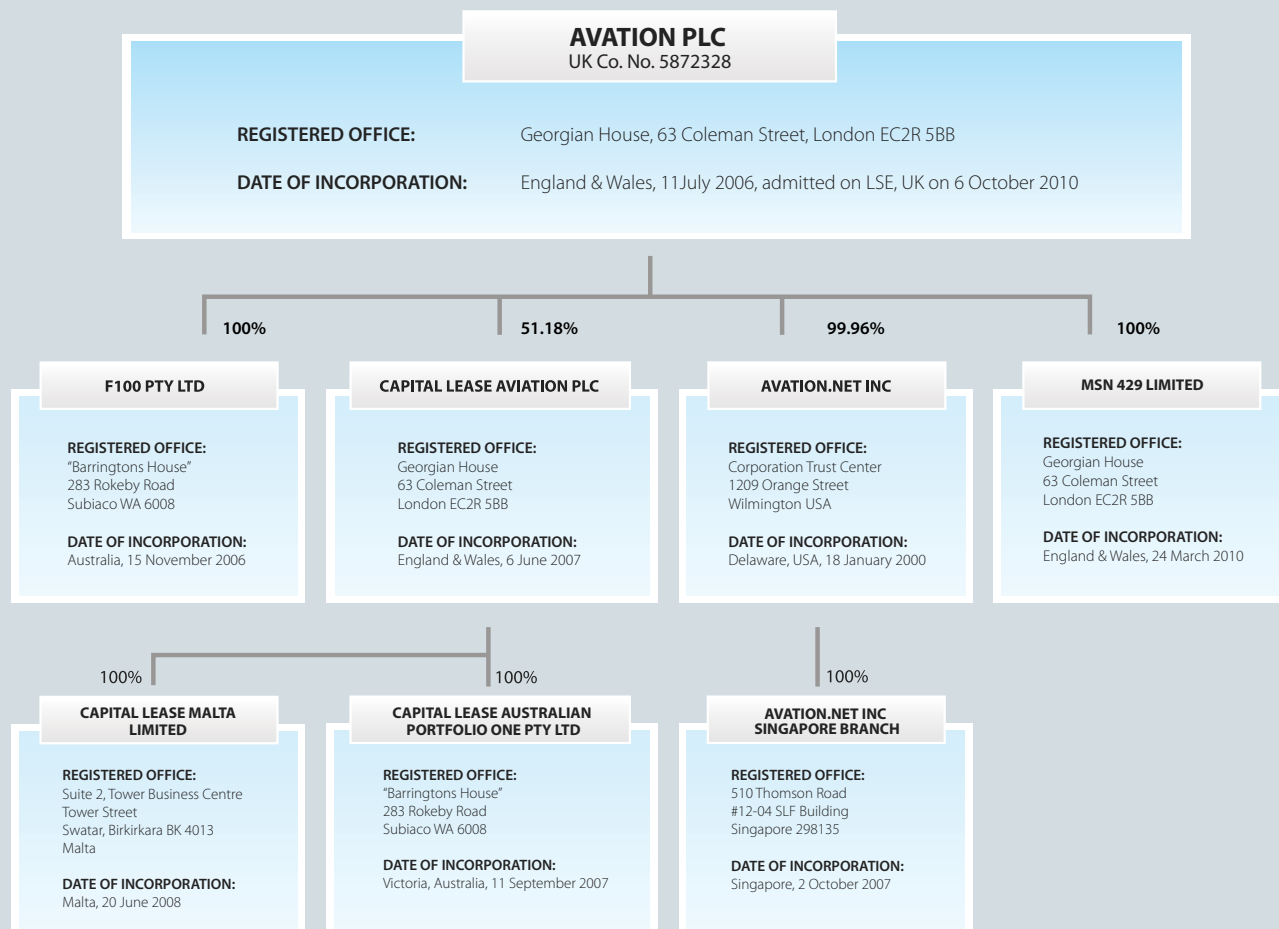
My colleagues and I are committed to continue to work tirelessly to build your Company into a respected, profitable, diversified and cash generative aircraft leasing business. The Board would like to thank you – the shareholders - for your continued support and goodwill and look forward to the future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



Jeff Chatfield
Chairman

COMPANY OVERVIEW

avation PLC GROUP STRUCTURE



BOARD OF DIRECTORS



JEFF CHATFIELD
Chairman

Mr Chatfield is the Chairman of Avation PLC and has been instrumental in establishing and growing the Company. He is also the Group Executive Chairman of Skywest Airlines Ltd and Chairman of Skywest Airlines (Australia) Pty Ltd. Mr Chatfield has managed

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

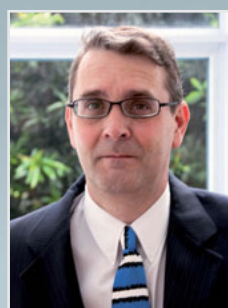
He was born in Perth, Australia and is a Permanent Resident of Singapore.



BRYANT MCLARTY
Non-Executive Director

Appointed as a Director of the Company in 2007, Mr McLarty has extensive experience in corporate strategy and management with a practical working knowledge of securities and equity markets. He currently is Executive Chairman of the Australian pharmaceutical

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



ANDREW BAUDINETTE
Non-Executive Director

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

Australian radio and newspaper industries.

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

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

REPORT OF THE DIRECTORS



The directors have pleasure in presenting their report and financial statements for the financial year ended 30 June 2010.

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.



The Company was admitted to a Standard Listing on the Main Market of the London Stock Exchange on the 6th October 2010.

Results and dividends

The consolidated statement of comprehensive income for the period is set out on page 14. The directors have proposed to pay a 0.6p final dividend.

Directors and their interests

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

The Company - Avation PLC	Ordinary shares of 1p each	
	30 June 2010	1 July 2009
Robert Jeffries Chatfield	1	1
Robert Jeffries Chatfield (deemed interest)	4,400,000	3,800,000
Andrew Baudinette	-	606,501
Andrew Baudinette (deemed interest)	620,001	-
Bryant James McLarty	57,300	7,300

REPORT OF THE DIRECTORS (CONT'D)



Skywest FokkerF100 VH-FSW - Zach Liepa

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

Director's name	Date granted	Warrant price	Balance at beginning of year	Granted during the year	Exercised/ expired during the year	Balance at end of year
Robert Jeffries Chatfield	30 Oct 2006	4 p	2,889,490	-	(600,000)	2,289,490
Robert Jeffries Chatfield *	5 Dec 2008	24.5 p	200,000	-	(200,000)	-
Robert Jeffries Chatfield *	21 Dec 2009	35.5 p	-	200,000	-	200,000
Andrew Baudinette **	5 Dec 2008	24.5 p	75,000	-	(75,000)	-
Andrew Baudinette **	21 Dec 2009	35.5 p	-	75,000	-	75,000
Bryant James McLarty	5 Dec 2008	24.5 p	50,000	-	(50,000)	-
Bryant James McLarty	21 Dec 2009	35.5 p	-	50,000	-	50,000

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

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

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
Robert Jeffries Chatfield *	20 Jul 2007	24 p	1,370,833	-	(1,370,833)	-
Robert Jeffries Chatfield **	7 Nov 2008	67.5p	-	1,000,000	(1,000,000)	-

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

** Robert Jeffries Chatfield was granted the share warrants via Takeoff Services Pte Ltd.

Directors' remuneration

	Year ended 30 June 2010 Fees and salaries	Year ended 30 June 2009 Fees and salaries
	£	£
Executive		
Robert Jeffries Chatfield	12,000	12,000
Non-executive		
Andrew Baudinette	12,000	12,000
Bryant James McLarty	10,831	10,000
	34,831	34,000

REPORT OF THE DIRECTORS (CONT'D)



Significant Shareholdings

	Ordinary Shares of 1p each	Percentage
Fitel Nominees Limited	14,994,702	57%
Hanover Nominees Ltd	2,036,756	8%
Credit Suisse Securities (Europe) Limited	1,583,244	6%
Lynchwood Nominees Ltd	1,085,084	4%
Loeb Aron & Company Ltd	920,000	4%

Equal Opportunities Policy

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

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

Directors' Insurance

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

Creditors Payment Policy

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

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

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

Statement as to disclosure of information to auditors

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

Auditors

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

On behalf of the board

Robert Jeffries Chatfield
Director

22 October 2010

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 and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether in preparation of the Company and the Group financial statements, the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the Group financial statements;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

REPORT OF THE AUDITORS

Independent Auditors' Report to the Shareholders of Avation PLC

We have audited the financial statements of Avation PLC for the year ended 30 June 2010 which comprise the Consolidated Statement of Comprehensive Income, the Company Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the Group financial statements:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2010 and of the Group's profit for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been prepared properly in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Matthew Meadows (Senior Statutory Auditor)

for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

22 October 2010

Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

REGISTERED NUMBER: 5872328 (ENGLAND & WALES)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	2010 £	2009 £
Continuing operations			
Revenue	8	17,552,513	16,278,212
Cost of sales		(983,879)	(871,494)
Gross profit		16,568,634	15,406,718
Other income	9	5,948	1,477,929
Other operating expenses	10	(8,864,955)	(7,167,655)
Expenses			
- Administrative expenses	10	(841,892)	(953,657)
- Finance expenses	11	(3,319,635)	(3,777,014)
Profit before taxation		3,548,100	4,986,321
Taxation	13	(729,517)	(754,408)
Profit from continuing operations for the year		2,818,583	4,231,913
Other comprehensive income			
Gain on dilution of interest in subsidiary		1,733	-
Currency translation differences arising on consolidation		4,076,569	1,587,207
Revaluation gains on property, plant and equipment, net of tax			2,305,841
Other comprehensive income for the year, (net of tax)		4,078,302	3,893,048
Total comprehensive income		6,896,885	8,124,961
Profit attributable to:			
Equity holders of the parent		1,653,027	2,645,976
Non-controlling interest		1,165,556	1,585,937
		2,818,583	4,231,913
Total comprehensive income attributable to:			
Equity holders of the parent		4,069,879	6,107,187
Non-controlling interest		2,827,006	2,017,774
		6,896,885	8,124,961
Earnings per share	14		
- Basic – continuing and total operations		6.39 pence	10.40 pence
- Fully Diluted – continuing and total operations		6.30 pence	9.22 pence

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2010 £	2009 £
Profit for the year	262,668	212,424
Other comprehensive income	-	-
Total comprehensive income for the year	262,668	212,424

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2010

	Note	2010 £	2009 £
ASSETS			
Current assets:			
Cash and cash equivalents		1,227,881	1,039,321
Trade and other receivables	15	1,195,859	1,575,778
Inventories	16	707	493
Total current assets		2,424,447	2,615,592
Non-current assets			
Property, plant and equipment	18	92,520,577	83,053,926
Goodwill	19	1,324,541	1,324,541
Total non-current assets		93,845,118	84,378,467
Total assets		96,269,565	86,994,059
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	20	3,818,692	3,851,566
Provision for taxation		18,368	292,823
Loans and borrowings	21	9,602,462	8,521,911
Short-term provisions	22	2,047,185	1,088,555
Total current liabilities		15,486,707	13,754,855
Non-current liabilities:			
Trade and other payables	20	1,379,641	550,400
Loans and borrowings	21	39,123,267	40,253,227
Deferred tax liabilities	23	4,248,024	3,208,998
Total non-current liabilities		44,750,932	44,012,625
Equity attributable to shareholders:			
Share capital	24	262,190	255,555
Share premium		1,249,258	1,216,336
Asset revaluation reserve		6,760,372	6,760,372
Capital redemption reserve		7,000	7,000
Foreign currency translation reserve		3,563,359	1,148,240
Share option reserve		-	12,788
Retained earnings		11,434,226	9,897,773
		23,276,405	19,298,064
Non-controlling interest		12,755,521	9,928,515
		36,031,926	29,226,579
Total liabilities and equity		96,269,565	86,994,059

Approved by the board and authorised for issue on 22 October 2010



Robert Jeffries Chatfield
Director

COMPANY BALANCE SHEET

AS AT 30 JUNE 2010

	Note	2010 £	2009 £
ASSETS			
Current assets:			
Cash and cash equivalents		214,497	48,114
Trade and other receivables	15	348,492	356,526
Total current assets		562,989	404,640
Non-current asset:			
Investment in subsidiaries	17	1,440,287	1,440,286
Property, plant and equipment	18	4,952,825	-
Total non-current asset		6,393,112	1,440,286
Total assets		6,956,101	1,844,926
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	20	642,679	53,965
Loans and borrowings	21	1,163,482	-
Provision for taxation		72	75,784
Total current liabilities		1,806,233	129,749
Non-current liabilities:			
Loan and borrowings	21	3,070,295	-
Deferred tax liabilities	23	193,266	-
		3,263,561	-
Capital and reserves:			
Share capital	24	262,190	255,555
Share premium		1,249,258	1,216,336
Capital redemption reserve		7,000	7,000
Retained earnings		367,859	236,286
Net equity		1,886,307	1,715,177
Total liabilities and equity		6,956,101	1,844,926

Approved by the board and authorised for issue on 22 October 2010.



 Robert Jeffries Chatfield
 Director

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Share capital	Share premium	Asset revaluation reserve	Capital Redemption reserve	Foreign currency translation reserve	Share option reserve	Retained earnings	Total	Non-Controlling Interest	Total Equity
	£	£	£	£	£	£	£	£	£	£
Group										
Balance at 1 July 2009	255,555	1,216,336	6,760,372	7,000	1,148,240	12,788	9,897,773	19,298,064	9,928,515	29,226,579
Profit for the year	-	-	-	-	-	-	1,653,027	1,653,027	1,165,556	2,818,583
Other comprehensive income	-	-	-	-	2,415,119	-	1,733	2,416,852	1,661,450	4,078,302
Total comprehensive income	-	-	-	-	2,415,119	-	1,654,760	4,069,879	2,827,006	6,896,885
Transfer between reserve	-	-	-	-	-	(12,788)	12,788	-	-	-
Dividend related to 2009 paid	-	-	-	-	-	-	(131,095)	(131,095)	-	(131,095)
Increase in issued share capital	6,635	32,922	-	-	-	-	-	39,557	-	39,557
Balance at 30 June 2010	262,190	1,249,258	6,760,372	7,000	3,563,359	-	11,434,226	23,276,405	12,755,521	36,031,926
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
Profit for the year	-	-	-	-	-	-	2,645,976	2,645,976	1,585,937	4,231,913
Other comprehensive income	-	-	2,306,366	-	1,154,845	-	-	3,461,211	431,837	3,893,048
Total comprehensive income	-	-	2,306,366	-	1,154,845	-	2,645,976	6,107,187	2,017,774	8,124,961
Dividend related 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

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

The 2009 dividend paid during the year was for 0.5p per share.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Share capital £	Share premium £	Capital redemption Reserve £	Retained earnings £	Total £
Company					
Balance at 1 July 2009	255,555	1,216,336	7,000	236,286	1,715,177
Profit for the year	-	-	-	262,668	262,668
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	262,668	262,668
Dividend relating to 2009 paid	-	-	-	(131,095)	(131,095)
Increase of issued share capital	6,635	32,922	-	-	39,557
Balance at 30 June 2010	262,190	1,249,258	7,000	367,859	1,886,307
Balance at 1 July 2008	252,700	1,213,770	-	158,766	1,625,236
Profit for the year	-	-	-	212,424	212,424
Other comprehensive income	-	-	-	-	-
Total comprehensive 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

The Company is exempt from publishing its income statement pursuant to Section 480 of the Companies Act 2006.

The 2009 dividend paid during the year was for 0.5p per share.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	2010 £	2009 £
Cash flows from operating activities:		
Profit before taxation	3,548,100	4,986,321
Adjustments for:		
Depreciation expense	4,704,804	4,455,650
Claim on maintenance reserve	4,102,127	2,712,005
Foreign currency exchange adjustment gain	-	(1,420,401)
Interest expense	3,156,229	3,548,968
Interest income	(5,948)	(13,254)
Operating profit before working capital changes	15,505,312	14,269,289
Movement in working capital:		
Trade and other receivables	379,919	(1,212,912)
Inventories	(214)	242
Trade and other payables	796,367	1,652,747
Short-term provisions	(3,143,497)	(453,809)
Cash from operations	13,537,887	14,255,557
Interest paid	(3,156,229)	(3,366,505)
Interest received	5,948	13,254
Corporation tax paid	(204,574)	(1,066,989)
Net cash from operating activities	10,183,032	9,835,317
Cash flows from investing activities:		
Purchase of property, plant and equipment	(1,237)	(3,967,069)
Net cash used in investing activities	(1,237)	(3,967,069)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	39,557	12,421
Share buyback	-	(7,000)
Net proceeds from issuance of subsidiary's shares to minority	22,972	-
Dividends paid	(131,095)	(127,903)
Proceeds from borrowings	-	3,210,035
Repayment of borrowings	(4,283,186)	(8,974,547)
Capital element of finance lease repayments	(781,036)	-
Net cash used in financing activities	(5,132,788)	(5,886,994)
Effects of exchange rates on cash & cash equivalents	(4,860,447)	(199,458)
Net increase/(decrease) in cash and cash equivalents	188,560	(218,204)
Cash and cash equivalents at beginning of financial year	1,039,321	1,257,525
Cash and cash equivalents at end of financial year	1,227,881	1,039,321

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

	2010 £	2009 £
Pounds Sterling	120,956	70,199
United States Dollars	1,011,459	930,898
Australian Dollars	49,119	6,625
Euro	441	1,664
Singapore Dollars	45,906	29,935
	1,227,881	1,039,321
Interest earning balances	1,181,975	1,009,386

The rate of interest for the cash on interest earning accounts is at 1.0% to 4.5% (2009:1.0% to 6.5%) per annum. These approximate the weighted effective interest rate.

COMPANY STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	2010 £	2009 £
Cash flows from operating activities:		
Profit before taxation	474,695	212,424
Adjustments for:		
Depreciation	61,989	-
Interest expense	88,413	-
Operating profit before working capital changes	625,097	212,424
Movement in working capital:		
Trade and other receivables	8,034	(125,098)
Trade and other payables	588,714	34,065
Cash from operations	1,221,845	121,391
Interest paid	(88,413)	-
Corporation tax paid	(94,474)	(15,142)
Net cash from operating activities	1,038,958	106,249
Cash flows from investing activities:		
Investment in subsidiary	(1)	-
Net cash used in investing activities	(1)	-
Cash flows used in financing activities:		
Net proceeds from issuance of ordinary shares	39,557	12,421
Share buyback	-	(7,000)
Dividends paid	(131,095)	(127,904)
Capital element of finance lease repayments	(781,036)	-
Net cash used in financing activities	(872,574)	(122,483)
Net increase/(decrease) in cash and cash equivalents	166,383	(16,234)
Cash and cash equivalents at beginning of financial year	48,114	64,348
Cash and cash equivalents at end of financial year	214,497	48,114

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

	2010 £	2009 £
Pounds Sterling	60,390	48,114
United States Dollars	154,107	-
	214,497	48,114

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 and its subsidiaries 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 profit or loss 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.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from those of the Group entities. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the non-controlling 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 that has been recognised in the profit or loss.

- 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

- 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 profit or loss.

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

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

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

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

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

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

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

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 profit or loss.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

- 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 profit or loss. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at date of grant. The assumption underlying the number of warrants expected to vest are subsequently adjusted for the effects of non market-based vesting conditions prevailing at the balance sheet date. Fair value is measured by the use of the Binomial option pricing model and is based on a reasonable expectation of the extent to which performance criteria will be met.
- 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 profit or loss on a straight-line basis over the lease term.

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

- 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 profit or loss on a straight line basis over the terms of the lease. Lease incentives granted are recognised as an integral part of the total rental income.
- (ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- (iii) Sales of goods are recognised when goods are delivered and title has passed.
- (iv) Dividend income from investments is recognised when the shareholders' right to receive payment have been established.
- (v) Licence fees received are recognised over the life of the licence agreement. Ongoing royalties/commissions pursuant to the licence agreement are recognised as earned.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

- 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, which is the life of the assets.

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

- 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 profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

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

- n) **FOREIGN CURRENCIES** - The Group's consolidated financial statements and Company financial statements are presented in Pound Sterling, which is the presentational currency. The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency) and United States Dollars is the functional currency of the each of the Group entity, including the parent company.

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in 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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

(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 profit or loss.

(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
IAS 24 – Revised definition of related parties	1 January 2011
IFRS 9 – Financial Instruments: Classification and Measurement	1 January 2013

6 FINANCIAL RISK MANAGEMENT

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

i) Airline Industry Risks

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

ii) Credit risk

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

	Group	
	2010	2009
	£	£
Australia	723,582	726,445
Singapore	-	15
Nigeria	2,103	-
Libya	-	1,919
	725,685	728,379

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 £560,150 (2009 : £330,000).

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	
	2010	2009
	£	£
Past due < 3 months	163,415	156,522
Past due 3 to 6 months	2,120	234,376
Past due over 6 months	-	7,481
	165,535	398,379

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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

<u>Group</u>	Pound	United States	Total
	Sterling	Dollar	
	£	£	£
2010			
Cash and cash equivalents	120,956	1,011,459	1,132,415
Trade and other receivables	44,122	921,866	965,988
Loans and borrowings	-	(48,725,729)	(48,725,729)
Other financial liabilities	(68,591)	(5,013,464)	(5,082,055)
Currency exposure	96,487	(51,805,868)	(51,709,381)
2009			
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)
<u>Company</u>	Pound	United States	Total
	Sterling	Dollar	
	£	£	£
2010			
Cash and cash equivalents	60,390	154,107	214,497
Trade and other receivables	49,638	298,664	348,302
Loans and borrowings	-	(4,233,777)	(4,233,777)
Other financial liabilities	(34,778)	(576,046)	(610,824)
Currency exposure	75,250	(4,357,052)	(4,281,802)
2009			
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

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:

<u>Group</u>	Increase/(Decrease)		Increase/(Decrease)	
	2010	2010	2009	2009
	Profit after tax	Equity	Profit after tax	Equity
	£	£	£	£
USD against £				
- strengthen	(5,180,587)	(5,180,587)	(5,008,912)	(5,008,912)
- weakened	5,180,587	5,180,587	5,008,912	5,008,912
<u>Company</u>	2010	2010	2009	2009
	Profit after tax	Equity	Profit after tax	Equity
	£	£	£	£
USD against £				
- strengthen	(435,705)	(435,705)	23,590	23,590
- weakened	435,705	435,705	(23,590)	(23,590)

v) Liquidity risk

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

<u>Group</u>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£	£	£	£
2010				
Trade and other payables	3,818,692	2,274	1,377,367	-
Loans and borrowings	7,897,818	7,638,925	28,165,653	-
	11,716,510	7,641,199	29,543,020	-
2009				
Trade and other payables	3,851,566	-	550,400	-
Loans and borrowings	11,067,603	10,062,657	22,686,675	14,454,123
	14,919,169	10,062,657	23,237,075	14,454,123
<u>Company</u>				
2010				
Trade and other payables	642,679	-	-	-
Loans and borrowings	1,460,137	3,351,680	-	-
	2,102,816	3,351,680	-	-
2009				
Trade and other payables	53,965	-	-	-
Loans and borrowings	-	-	-	-
	53,965	-	-	-

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.

	<u>Group</u>		<u>Company</u>	
	2010 £	2009 £	2010 £	2009 £
Net debt	52,696,181	52,137,783	4,661,959	5,851
Total equity	36,031,926	29,226,579	1,886,307	1,715,177
Total capital	88,728,107	81,364,362	6,548,266	1,721,028
Gearing ratio	59%	64%	71%	0%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2010 and 30 June 2009.

vii) Fair value of financial assets and financial liabilities

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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	
	2010 £	2009 £	2010 £	2009 £
Key management of the Group				
- Directors' fee paid to directors of the Company	34,831	34,000	34,831	34,000
- Directors' fee paid to directors of subsidiaries	304,127	295,585	-	-
- Superannuation paid for a director of subsidiaries	20,780	7,964	-	-
- Salary paid to a director of the Company	70,022	72,458	-	-

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

	Group	
	2010 £	2009 £
Aggregate emoluments	131,725	132,000

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

(b) Significant related party transactions:

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Sales of goods to a related party ¹	303,137	158,542	-	-
Service rendered to a related party ²	661,103	-	-	-
Service fee paid to Loeb Aron & Company Ltd ³	5,000	16,239	-	6,239
Guarantee and commitment fee paid to a related party ⁴	163,406	228,046	-	-
Maintenance rent received from a related party ⁵	3,320,157	2,712,006	-	-
Rental income received from a related party ⁶	5,975,334	5,466,054	-	-
Interest expense paid to a related party ⁷	498	-	-	-

1 - Sales of goods to Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.

2 - Services rendered to Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.

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

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

5 - Received from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.

6 - Received from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is also a director of Skywest Airlines (Australia) Pty Ltd.

7 - Interest expense paid to Australian Historical Investments Pty Ltd in which a director of the Company is also a director of Australian Historical Investments Pty Ltd.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

8 REVENUE

	Group	
	2010	2009
	£	£
Rental income	13,082,643	12,516,170
Maintenance rent revenue	3,320,157	2,712,006
Management and service income	483,343	290,951
Sales of finished goods	666,370	759,085
	17,552,513	16,278,212

9 OTHER INCOME

	Group	
	2010	2009
	£	£
Maintenance reimbursement	-	44,274
Interest income	5,948	13,254
Foreign currency exchange adjustment gain	-	1,420,401
	5,948	1,477,929

10 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Group	
	2010	2009
	£	£
Claim on maintenance reserve expense charged directly to profit or loss	1,241,148	764,948
Claim on maintenance reserve expense	2,860,979	1,947,057
Depreciation of property, plant and equipment	4,704,804	4,455,650
Foreign currency exchange adjustment loss	58,024	-
Auditors' remuneration for audit services	37,500	32,000
Auditors' remuneration for non-audit services		
- Corporate taxation	4,250	24,378

11 FINANCE EXPENSES

	Group	
	2010	2009
	£	£
Interest expense on secured borrowings	3,156,229	3,548,968
Guarantee and commitment fee	163,406	228,046
	3,319,635	3,777,014

12 STAFF COSTS

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

13 TAXATION

	Group	
	2010	2009
	£	£
Current tax expense		
- United Kingdom (in relation to prior years)	18,761	-
- Overseas	19,722	659,089
Deferred tax expense – United Kingdom	308,870	126,533
Deferred tax expense - overseas	324,560	(31,214)
Other tax- overseas - current	19,779	-
Other tax- overseas – prior years	37,825	-
	729,517	754,408

The standard rate of current tax for the period based on the UK standard rate of corporation tax is 28% (2009: 28%). The current tax expense for the period is less than 28% (2009: 28%) for the reasons set out in the following reconciliation:

	Group	
	2010	2009
	£	£
Profit before income tax	3,548,100	4,986,321
Tax calculated at tax rate of 28%	993,468	1,396,169
Effects of:		
Non-taxable items	(411,016)	(743,908)
Capital allowances and other temporary differences	(553,908)	(119,897)
Different tax rates of other countries	9,378	126,207
Adjustment to tax charge in respect of previous periods	561	(19)
	38,483	659,089

14 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	
	2010	2009
	£	£
Net profit attributable to equity holders of the Company	1,653,027	2,645,976
Weighted average number of ordinary shares	25,878,072	25,431,815
Basic earnings per share	6.39 pence	10.40 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

	Group	
	2010 £	2009 £
Net profit attributable to equity holders of the Company	1,653,027	2,645,976
Weighted average number of ordinary shares	25,878,072	25,431,815
Adjustment for:		
- Warrants	346,452	3,270,034
	26,224,524	28,701,849
Diluted earnings per share	6.30 pence	9.22 pence

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Subsidiaries (a, b, c)	-	-	322,854	350,268
Non-trade receivables – related parties (d, g, h)	8,327	-	8,225	-
Trade receivables – related party (e)	716,988	725,924	-	-
Trade receivables	8,697	2,455	-	-
Other receivables	23,237	58,925	7,250	4,776
Prepayments	27,780	1,482	10,163	1,482
Tax recoverable	218,952	-	-	-
Advances	5,099	-	-	-
Accrued income – related party (f)	186,779	786,992	-	-
	1,195,859	1,575,778	348,492	356,526

In respect of the Company, the current amount due from subsidiaries/ related parties include the following:

- a) £297,160 (2009: £350,268) from F100 Pty Ltd. Management and service income of £312,232 (2009: £54,747) and dividend income of £76,900 (2009: £147,342) were from F100 Pty Ltd.
- b) £25,504 (2009: Nil) from MSN 429 Limited. Management and service income of £24,000 (2009: Nil) and rental income of £372,654 (2009: Nil) were from MSN 429 Limited.
- c) £190 (2009: Nil) from Capital Lease Australian Portfolio One Pty Ltd.
- d) £8,225 (2009: Nil) from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is a director of Skywest Airlines (Australia) Pty Ltd. Expenses of £8,225 (2009: Nil) were paid by the Company on behalf of Skywest Airlines (Australia) Pty Ltd.

The amounts due from subsidiaries are unsecured, interest-free, without fixed repayment terms and payable on demand.

In respect of the Group, the current amount due from related parties include the following:

- e) Trade receivables of £716,988 (2009: £725,924) from Skywest Airlines (Australia) Pty Ltd, in which a director of the Company is a director. Rental income of £5,975,334 (£5,466,054), maintenance rent revenue of £3,320,157 (£2,712,006), sales of finished goods of £303,137 (2009: £158,542) and management and service income of 661,103 (2009: Nil) were from Skywest Airlines (Australia) Pty Ltd.
- f) Accrued income of £186,779 (2009: £786,992) from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is a director.
- g) £8,225 (2009: Nil) from Skywest Airlines (Australia) Pty Ltd in which a director of the Company is a director.
- h) £102 (2009: Nil) from CaptiveVision Capital Ltd in which a director is a director of the Company is a director.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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	
	2010	2009	2010	2009
	£	£	£	£
Euro	299	-	-	-
Pounds Sterling	44,122	10,597	49,638	5,640
United States Dollars	921,865	1,564,574	298,664	235,903
Australian Dollars	218,952	592	-	114,983
Singapore Dollars	10,621	15	190	-
	1,195,859	1,575,778	348,492	356,526

16 INVENTORIES

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Finished goods, at cost	707	493	-	-

The cost of inventories recognised as an expense and included in the cost of sales amounts to £983,879 (2009: £870,121).

17 INVESTMENT IN SUBSIDIARIES

	Company	
	2010	2009
	£	£
Unquoted equity shares, at cost	1,390,187	1,390,186
Quoted equity shares, at cost	50,100	50,100
	1,440,287	1,440,286
Quoted equity shares, at market value	7,765,500	24,480,000

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Details of the subsidiaries are as follows:

Name of Company	Principal activities	Country of incorporation/ operations	Company's cost of investment		Group's effective equity interest	
			2010	2009	2010	2009
			£	£	%	%
The subsidiaries held directly by the Company:						
Avation.net Inc (a)	Procurement	United States of America	1,390,181	1,390,181	99.96	99.96
Capital Lease Aviation PLC (b)	Leasing of aircraft	United Kingdom	50,100	50,100	51.18	51.22
F100 Pty Ltd (c)	Leasing of aircraft	Australia	5	5	100.00	100.00
MSN 429 Ltd (b)	Leasing of aircraft	United Kingdom	1	-	100.00	100.00

The subsidiaries held by Capital Lease Aviation PLC :

Capital Lease Australian Portfolio One Pty Ltd (c)	Leasing of aircraft	Australia	-	-	51.18	51.22
Capital Lease Malta Ltd (d)	Leasing of aircraft	Malta	-	-	51.18	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 Nexia BT, Malta

Significant transactions with subsidiaries are as follows:

	Company	
	2010	2009
	£	£
Rental income	372,654	-
Management and service fee income	360,232	102,448
Dividend income	76,900	211,817
Service fee expense	66,820	-

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

18 PROPERTY, PLANT AND EQUIPMENT

Group

2010

Cost or valuation:

At beginning of year

Additions

Disposal/written off

Currency realignment

At end of year

Representing:

Cost

Valuation

Accumulated depreciation:

At beginning of year

Depreciation for the year

Disposal/written off

Currency realignment

At end of year

Net book value:

At beginning of year

At end of year

2009

Cost or valuation:

At beginning of year

Additions

Revaluation surplus on acquisition

Currency realignment

At end of year

Representing:

Cost

Valuation

Accumulated depreciation:

At beginning of year

Depreciation for the year

Currency realignment

At end of year

Net book value:

At beginning of year

At end of year

	Furniture and equipment £	Aircraft £	Total £
At beginning of year	4,367	88,883,092	88,887,459
Additions	-	5,016,050	5,016,050
Disposal/written off	(3,620)	-	(3,620)
Currency realignment	248	10,042,862	10,043,110
At end of year	995	103,942,004	103,942,999
Representing:			
Cost	995	5,014,813	5,015,808
Valuation	-	98,927,191	98,927,191
	995	103,942,004	103,942,999
Accumulated depreciation:			
At beginning of year	4,140	5,829,393	5,833,533
Depreciation for the year	238	4,704,566	4,704,804
Disposal/written off	(3,620)	-	(3,620)
Currency realignment	237	887,468	887,705
At end of year	995	11,421,427	11,422,422
Net book value:			
At beginning of year	227	83,053,699	83,053,926
At end of year	-	92,520,577	92,520,577
	Furniture and equipment £	Aircraft £	Total £
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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

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

The Group's property, plant and equipment include borrowing costs from bank loans specifically used for purchase of aircraft. During the financial year, the borrowing costs capitalised as cost of property, plant and equipment amount to £ Nil (2009 : £15,138).

The carrying value of the Group and Company's property, plant and equipment held under finance lease at 30 June 2010 was £4,952,825 (2009 : Nil). The lease asset is pledged as security for the related finance lease.

Depreciation relating to property plant and equipment held under finance lease at 30 June 2010 was £61,989 (2009: £nil).

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	
	2010	2009
	£	£
Cost	84,360,409	75,677,685
Accumulated depreciation	(8,080,345)	(4,214,500)
Net carrying value	76,280,064	71,463,185

19 GOODWILL ON CONSOLIDATION

	Group	
	2010	2009
	£	£
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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

20 TRADE AND OTHER PAYABLES

<u>Current</u>	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Subsidiaries (a, b, c, g)	-	-	448,979	7,230
Related parties (d, e)	390,818	159,929	25,290	8,869
Trade payables	1,826,774	2,478,775	9,112	12,955
Deferred income (f)	1,059,199	851,265	127,067	-
Other payables	-	49,597	-	-
Accrued expenses	541,901	312,000	32,231	24,911
	3,818,692	3,851,566	642,679	53,965

Non-current	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Related parties	1,379,641	550,400	-	-

In respect of the Company, the current amount due from subsidiaries/ related parties include the following:

- £54,266 (2009: £7,230) due to F100 Pty Ltd.
- £730 (2009: Nil) due to Capital Lease Aviation PLC.
- £15,674 (2009: Nil) due to Avation.net Inc.
- £7,853 (2009: £6,152) due to Skywest Airlines Ltd in which a director of the Company is also a director.
- £17,437 (2009: £2,717) due to Skywest Airlines (S) Pte Ltd in which a director of the Company is also a director.
- Deferred income of £127,067 (2009: Nil) from MSN 429 Limited.
- £378,309 (2009: Nil) due to MSN 429 Limited.

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:

<u>Current</u>	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Pound Sterling	68,591	293,844	34,778	37,350
United States Dollar	3,636,096	3,259,056	576,046	8,374
Australian Dollar	4,028	276,949	-	-
Euro	5,022	3,853	-	-
Singapore Dollar	104,955	17,864	31,855	8,241
	3,818,692	3,851,566	642,679	53,965

<u>Non-current</u>	Group		Company	
	2010 £	2009 £	2010 £	2009 £
United States Dollar	1,377,367	550,400	-	-
Australian Dollar	2,274	-	-	-
	1,379,641	550,400	-	-

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

21 LOAN AND BORROWINGS

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Secured borrowing I	2,937,994	3,599,725	-	-
Secured borrowing II	1,274,693	1,609,506	-	-
Secured borrowing III	1,377,163	1,610,436	-	-
Secured borrowing IV	3,698,619	4,298,769	-	-
Secured borrowing V	13,695,982	13,952,664	-	-
Secured borrowing VI	14,321,402	14,541,461	-	-
Unsecured borrowing VII	-	731,517	-	-
Secured borrowings VIII	2,719,338	3,364,725	-	-
Secured borrowings IX	2,185,895	2,414,187	-	-
Secured borrowings X	2,280,866	2,652,148	-	-
Obligations under finance lease	4,233,777	-	4,233,777	-
Total	48,725,729	48,775,138	4,233,777	-
Less: current portion of loan borrowings	(9,602,462)	(8,521,911)	(1,163,482)	-
	39,123,267	40,253,227	3,070,295	-

Obligations under finance lease

	Group & Company	
	2010 £	2009 £
Future minimum payments due:		
Within one year	1,460,137	-
After more than one year but within 5 years	3,352,277	-
	4,812,414	
Less: Finance charges	(578,637)	-
Present value of minimum lease payments	4,233,777	-
The present value of minimum lease payments is analysed as follows:		
Within one year	1,163,482	
After more than one year but within 5 years	3,070,295	
Balance at end of year	4,233,777	-

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 expired on 30 June 2010 and has been extended on a month to month basis. 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.

The average interest rates for the outside party borrowings range from 6% to 11% per annum (2009 : 6% to 11% per annum).

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

22 SHORT-TERM PROVISIONS

	Group	
	2010 £	2009 £
Maintenance reserve claim	2,047,185	1,088,555

	Group	
	2010 £	2009 £
Movement in provision for maintenance provisions claim is as follows:		
Balance at beginning of year	1,088,555	299,336
Provisions made during the period	2,860,979	1,947,057
Provisions used during the period	(2,045,903)	(1,194,217)
Currency realignment	143,554	36,379
Balance at end of year	2,047,185	1,088,555

A provision of £2,860,979 (2009: £1,947,076) was made during the year ended 30 June 2010. 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 £2,045,903 (2009: £1,194,217) on the reserves for the year ended 30 June 2010.

23 DEFERRED TAX LIABILITIES

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

<u>Group</u>	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

Movement in temporary differences during the financial year:

<u>Group</u>	Balance 2009 £	Recognised in profit and loss £	Recognised in in equity £	Currency realignment £	Balance 2010 £
Property, plant and equipment	3,533,023	419,873	-	426,544	4,379,440
Other items	(324,025)	395,714	-	(12,248)	59,441
Taxes carried forward	-	(182,157)	-	(8,700)	(190,857)
	3,208,998	633,4306	-	405,596	4,248,024

Movement in temporary differences during the last financial year:

<u>Group</u>	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

<u>Company</u>	Assets 2010 £	Liabilities 2010 £	Net 2010 £
Property, plant and equipment	-	193,266	193,266
Other items	-	-	-
Tax (assets) / liabilities	-	193,266	193,266
Set off tax	-	-	-
Net tax assets	-	193,266	193,266

Movement in temporary differences during the financial year:

<u>Company</u>	Balance 2009 £	Recognised in profit and loss £	Balance 2010 £
Property, plant and equipment	-	193,266	193,266
Other items	-	-	-
Taxes carried forward	-	-	-
	-	193,266	193,266

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

24 SHARE CAPITAL

	Company	
	2010 £	2009 £
Authorised:		
100,000,000 ordinary shares of 1 penny each	1,000,000	1,000,000
Allotted, called up and fully paid:		
26,219,010 (2009: 25,555,510) ordinary shares of 1 penny each	262,190	255,555

- a) On 3 December 2009, the Company issued 63,500 ordinary shares of 1 penny each following the exercise of warrants by the warrant holders for £15,558.
- b) On 8 January 2010, the Company issued 600,000 ordinary shares of 1 penny each following the exercise of the warrant holder for £24,000.

25 SHARE-BASED PAYMENTS

- a) Share options and warrants

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

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

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

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

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

Warrant series signed on	Balance at beginning of year	Granted during the year	Exercised during the year	Expired/Cancelled	Balance at end of year	Expiry date	Exercise price	Fair value at grant date
(1) 30 Oct 2006	2,889,490	-	(600,000)	-	2,289,490	29 Oct 2010	4.0 p	0.3 p
(2) 5 Dec 2008	425,000	-	(63,500)	(361,500)	-	4 Dec 2009	24.5 p	24.5 p
(3) 21 Dec 2009	-	425,000	-	-	425,000	21 Dec 2011	35.5 p	3.88 p

The weighted average fair value of the warrants granted during the financial year is 3.88 pence. The value of the warrants granted during the year is £16,490 which has not been expensed in these accounts as it is not material.

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

Warrant series signed on 21 December 2009

Inputs into the model	
Grant date share price	35.5 pence
Exercise price	35.5 pence
Expected volatility	30%
Warrant life	2 years
Dividend yield	1.42%
Risk free interest rate	0.50%

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

The Company issued a total of 425,000 warrants during the financial year at 35.5 pence when the then market price was 35.5 pence.

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	-	(70,000)	(3,080,000)	-	13 Dec 2009	24 p	24p
(3) 27 Nov 2007	97,916	-	(20,833)	(77,083)	-	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 last year was £9,460 which was not been expensed in these accounts as it is not material.

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

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

At the end of the financial year, there are no warrants outstanding and hence the value of warrants in warrant reserve of £12,788 has been transferred to retained earnings.

26 OPERATING LEASES

a) Leases as Lessor

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

	Group	2009
	2010	£
Within one year	14,742,768	12,069,432
In the second to fifth years inclusive	38,841,715	45,204,209
More than five years	-	-

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 2010, Capital Lease Australian Portfolio One Pty Ltd and F100 Pty Ltd had received £3,320,157 (2009: £2,712,006) 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.

27 SEGMENT INFORMATION

a) Segment reporting policy

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

b) Primary reporting segment – business segments

During the year ended 30 June 2010, 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	Aircraft leasing	Business procurement	Total
Financial year ended 30 June 2010	£	£	£
Revenue & other operating income			
- External sales	17,275,930	1,149,713	18,425,643
- Other income			63,649
Total of all segments			18,489,292
Less: elimination			(929,098)
Consolidated revenue			17,560,194
Group	Aircraft leasing	Business procurement	Total
Financial year ended 30 June 2010	£	£	£
Results			
Segment results	6,854,574	7,213	6,861,787
Finance income			5,948
Finance expense			(3,319,635)
Unallocated corporate expenses			-
Profit before taxation			3,548,100
Taxation			(729,517)
Profit after taxation			2,818,583
Other segment items			
Capital expenditure & valuation movement			
- property, plant and equipment	5,016,050	-	5,016,050
Depreciation	4,704,566	238	4,704,804
Group	Aircraft leasing	Business procurement	Total
Financial year ended 30 June 2010	£	£	£
Segment assets	96,009,739	259,826	96,269,565
Unallocated assets			-
Consolidated total assets			96,269,565
Segment liabilities			
Trade and other payables	4,902,278	296,055	5,198,333
Provisions of taxation	14,532	3,836	18,368
Short term provisions	2,047,185	-	2,047,185
Loans and borrowings	48,725,729	-	48,725,729
Deferred tax liabilities	4,248,024	-	4,248,024
Unallocated liabilities			-
Consolidated total liabilities			60,237,639

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Group
Financial year ended 30 June 2009
Revenue & other operating income

- External sales

- Other income

Total of all segments

Less: elimination

Consolidated revenue

Aircraft leasing £	Business procurement £	Total £
15,228,176	759,085	15,987,261
		2,125,663
		18,112,924
		(356,783)
		17,756,141

Group
Financial year ended 30 June 2009
Results

Segment results

Finance income

Finance expense

Unallocated corporate expenses

Profit before taxation

Taxation

Profit after taxation

Other segment items

Capital expenditure & valuation movement

- property, plant and equipment

Depreciation

Aircraft leasing £	Business procurement £	Total £
8,609,267	14,609	8,623,876
		13,254
		(3,548,968)
		(101,841)
		4,986,321
		(754,408)
		4,231,913
7,263,892	-	7,263,892
4,455,022	628	4,455,650

Group
Financial year ended 30 June 2009
Segment assets

Unallocated assets

Consolidated total assets

Segment liabilities

Provisions of taxation

Short term provisions

Loans and borrowings

Deferred tax liabilities

Unallocated liabilities

Consolidated total liabilities

Aircraft leasing £	Business procurement £	Total £
84,836,980	35,004	84,871,984
		48,114
		84,920,098
217,040	-	217,040
1,088,555	-	1,088,555
48,775,138	-	48,775,138
3,208,998	-	3,208,998
		4,477,749
		57,767,480

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

c) Second reporting segment – geographical segments

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

Group	Revenue	Capital expenditure and valuation movements	Total assets
	£	£	£
Financial year ended 30 June 2010			
Australia	9,418,881	5,016,050	40,119,752
United States	2,200,000	-	7,649,047
Denmark	5,764,395	-	47,368,403
Nigeria	89,294	-	-
Malta	-	-	534,235
United Kingdom	-	-	338,302
Other	79,943	-	259,826
	17,552,513	5,016,050	96,269,565

Group	Revenue	Capital expenditure and valuation movements	Total assets
	£	£	£
Financial year ended 30 June 2009			
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	Net Book Value Aircraft
	£
Financial year ended 30 June 2010	
Australia	37,503,127
United States	7,649,047
Denmark	47,368,403
	92,520,577

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

28 CONTINGENT LIABILITIES

	Group	
	2010	2009
	£	£
Guarantees	48,725,729	41,955,471

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

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

29 ULTIMATE HOLDING COMPANY

No party controls the Company.

30 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 2010 were authorised for issue by the Board of Directors on 22 October 2010.

SHARE PRICE PERFORMANCE

AS AT 6 OCTOBER 2010



REGISTER OF TOP 20 SHAREHOLDERS

(as at 30 June 2010)



Name of Shareholder	Holding (Number of shares)
FITEL NOMINEES LIMITED	4,090,000
FITEL NOMINEES LIMITED	2,809,128
FITEL NOMINEES LIMITED	2,770,000
HANOVER NOMINEES LIMITED	2,036,756
CREDIT SUISSE SECURITIES (EUROPE) LIMITED	1,583,244
LYNCHWOOD NOMINEES LIMITED	1,085,084
LOEB ARON & COMPANY LTD	920,000
FITEL NOMINEES LIMITED	750,000
FITEL NOMINEES LIMITED	750,000
JIM NOMINEES LIMITED	665,097
HARGREAVE HALE NOMINEES LIMITED	620,000
THE CORPORATION OF LLOYDS	360,000
HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED	360,000
FITEL NOMINEES LIMITED	300,000
TD WATERHOUSE NOMINEES (EUROPE) LIMITED	279,434
L R NOMINEES LIMITED	272,065
FITEL NOMINEES LIMITED	271,373
FITEL NOMINEES LIMITED	250,000
BARCLAYSHARE NOMINEES LIMITED	219,690
J M FINN NOMINEES LIMITED	219,000

CORPORATE DIRECTORY

**DIRECTORS:**

Robert Jeffries Chatfield
Andrew Baudinette
Bryant James McLarty

COMPANY SECRETARIES:

Siobhan Mary Macgroarty Cool
Carissa Gina Tan Mui Hia (Appointed on 30 June 2010)

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CORPORATE ADVISER:

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avation PLC



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