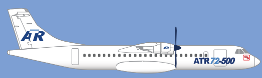
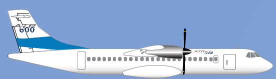
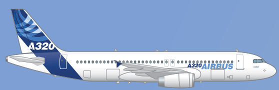
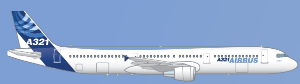
avation PLC

ANNUAL REPORT

2015

OUR FLEET

(AS AT 15 OCTOBER 2015)

Aircraft Type		In Operation	Ordered	Options
Fokker 100		5	-	-
ATR 72-500		6	-	-
ATR 72-600		14	8	22
Airbus A320-200		3	-	-
Airbus A321-200		3	2	-
Total		**31**	**10**	**22**

MODEL Fokker F100 | Airbus A320-200

MODEL Airbus A321-200 | ATR 72-500

MODEL ATR 72-600*

*Photo above and all photos page 9-23: Viktoria Dorosevits, unless noted otherwise.

COMPANY INFORMATION

DIRECTORS:	Robert Jeffries Chatfield Roderick Douglas Mahoney Stephen John Fisher
COMPANY SECRETARIES:	Duncan Gerard Stephen Scott Jason Francis Gollogly
REGISTERED OFFICE:	5th Floor Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX United Kingdom
PRINCIPAL PLACE OF BUSINESS:	65 Kampong Bahru Road Singapore 169370
AUDITORS:	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD United Kingdom
SOLICITORS:	Charles Russell Speechlys LLP 6 New Street Square London EC4A 3LX United Kingdom
REGISTRARS:	Computershare Investor Services LLC The Pavilions Bridgewater Road Bristol BS99 6ZZ United Kingdom

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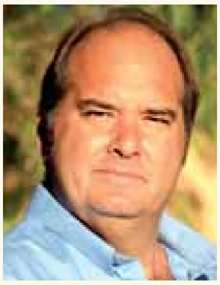
CHAIRMAN'S STATEMENT

OVERVIEW

For the year ended 30 June 2015:

- Aircraft lease revenue increased by 17 per cent to $56.9 million (2014: $48.7 million);
- The number of aircraft in the fleet increased to 29 aircraft (2014: 25 aircraft);
- Dividend increase of 49 per cent to 3.00 US cents per share (2014: 2.01 US cents per share);
- Underlying pre-tax profit from leasing business (which excludes gains or losses on the disposal of aircraft, a loss on the part-out disposal of an aircraft and the recovery of a lessee security deposit) increased to $14.8 million (2014: $13.2 million);
- Net profit for the year decreased by 7 per cent to $13.3 million (2014: $14.3 million);
- Net cash flow from operating activities increased to $43.5 million (2014: $27.6 million);
- Successful issue of first $100 million unsecured tranche and establishment of a $500 million Global Medium Term Note programme; and
- Cash and cash equivalents as at 30 June 2015 of $108.6 million (2014: $23.4 million).



BACKGROUND AND OUTCOME

Avation has enjoyed remarkable growth and is positioned for further revenue and fleet expansion in the coming year. Lease revenues have increased by 17 per cent during the year, while yield remains at an industry leading 13.1 per cent. The average age of the aircraft fleet has decreased to 5.3 years in 2015.

Avation has substantially increased lease revenue, cash operating margin, fleet assets and now has significant cash resources which can be deployed to fund additional growth.

Group profits are slightly lower in 2015 compared to 2014. This small reduction was primarily due to the variability in aircraft trading gains and losses between the respective financial periods. The one off gains from the sales of two aircraft in 2014 were not replicated in 2015. Furthermore, Avation's subsidiary, Capital Lease Aviation ("CLA"), incurred a loss of $1.2 million net of tax from the cessation of operations in North America and part out of an aircraft which was at the end of its useful life. As a result the Group generated a loss from aircraft trading and discontinued operations in 2015 compared to profit in 2014.

The issue of the first $100 million unsecured tranche of the $500 million Global Medium Term Note programme (the "GMTN") is transformative as the programme provides greater opportunities for the Group to address the key challenge of financing future aircraft acquisitions. The Group's improved access to capital markets and stronger business fundamentals allow the Directors to propose a significant increase in dividends to shareholders.

The key objectives for 2016 are to improve profitability through fleet growth, increase customer diversification and add scale to the business.

CHAIRMAN'S STATEMENT

DIVIDEND

The underlying profitability of the leasing business has improved. The Board would like to thank the shareholders for their continued support as it continues in the successful development of Avation. The Board understands the importance of recognising shareholder ownership and has approved a dividend increase of 49 per cent to 3.00 US cents per share (2014: 2.01 US cents) in respect to the period ending 30 June 2015. The Company aims to continue to maintain a progressive dividend policy.

OUTLOOK

Avation has four aircraft contracted for delivery in the six months to 31 December 2015 and a further six aircraft for delivery in the six months to 30 June 2016, with a further two contracted for delivery in the second half 2016.

Overall the 10 aircraft to be delivered in the current financial year have a purchase value of approximately $280 million. The funds raised from the issuance of unsecured notes under the GMTN support a portion of the funding of these aircraft and provide further capacity to acquire additional aircraft, beyond new aircraft orders, such as the Airbus A320 on lease to Air France announced August 2015.

Committed future revenue from unexpired leases on the current fleet of 29 aircraft totals $369.2 million. Avation has also entered into leases of eight of the aircraft due to be delivered before 30 June 2016. These leases are scheduled to generate additional committed revenue of approximately $196.2 million over the terms of the leases. The total of future lease revenue from the existing fleet and contracted deliveries is $565.4 million.

Management believes that the Company can obtain access to the required debt funding for future fleet growth. However, access to funding does remain a risk, which is common to all capital intensive business models. Specific risks, which are inherent in the aircraft leasing industry, include the creditworthiness of client airlines, residual value risk and the risk of impairment of aircraft assets. The Company is seeking to diversify its airline operator customer base to mitigate both concentration and geographic risks.

The Board of Directors is pleased to deliver a fundamentally strong set of results from a core business in which the fundamentals continued to improve, in a year in which the business was significantly transformed. We remain committed to building growth, diversification and scale to the business.

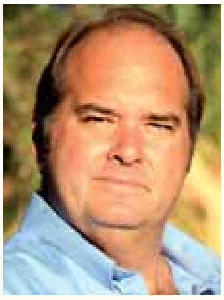
Robert Jeffries Chatfield,

Executive Chairman

Singapore

15 October 2015

BOARD OF DIRECTORS

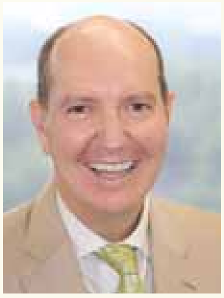


Jeff Chatfield
Chairman

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

Rod Mahoney
Executive Director

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



Stephen Fisher PhD
Non-Executive Director

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

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

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

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

STRATEGIC REPORT

The Directors present their strategic report for the year ended 30 June 2015.

BUSINESS OVERVIEW

Avation PLC and its subsidiaries ("Avation", the "Group") is a specialist commercial passenger aircraft leasing group managing a fleet of 29 aircraft as at 30 June 2015 which it leases to airlines across the world. Avation's customers include Virgin Australia, Thomas Cook, Condor, Fiji Airways, UNI Air and Air India Regional. The Company's fleet includes Airbus A320 family, Fokker 100 jet and ATR 72 twin engine turboprop aircraft.

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

Avation's management team has extensive experience in the aviation industry and has the expertise to select and acquire aircraft that will deliver value to the company, performance to its customers and generate returns to its shareholders.

Avation will continue to grow its fleet and earnings in the coming year with ATR 72-600s ordered from the manufacturer, Airbus A321-200s to be acquired under sale and leaseback transactions and additional second hand aircraft.

Avation is listed on the Standard segment of the UK official list and traded on the Main Market of the London Stock Exchange under the ticker symbol LSE: AVAP.

BUSINESS MODEL

Avation aims to generate growth in its fleet and build shareholder value by focussing on sectors being:

a) new turbo-prop regional aircraft, principally the popular fuel efficient ATR 72-600 model; and

b) new and second-hand narrow body jets, in particular the popular Airbus A320/A321 family and Boeing 737NG aircraft.

Owning different types of aircraft provides a benefit in terms of diversification of market and residual value risk.

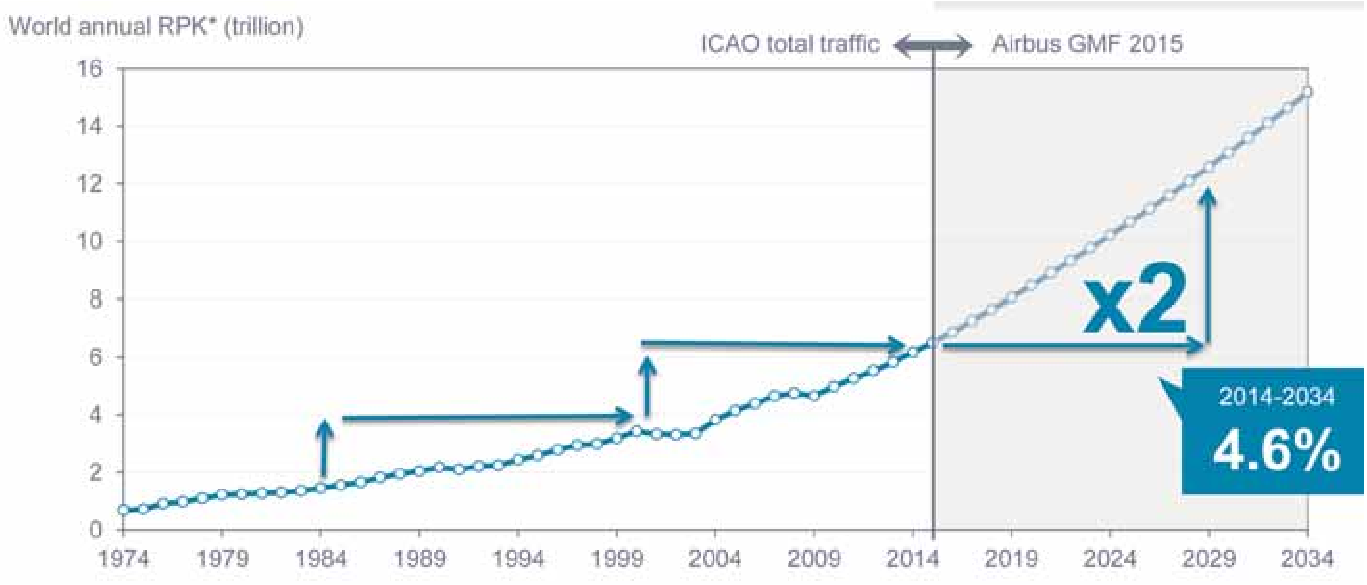
The Group finances the acquisition of new aircraft using internally generated cash flows and a mixture of senior and junior secured debt finance and unsecured notes. Debt is re-financed on older aircraft when there is an opportunity to reduce the overall cost of debt funding and also to release equity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

The Board applies prudent financial management principles to manage risk when acquiring aircraft by seeking to match the terms of leases to the tenor of the relevant financing, using mostly fixed interest rate debt and by amortising debt aggressively.

As the fleet grows the Group will also seek to diversify its customer base as part of its overall credit risk management policy.

The Avation fleet of 29 aircraft has a weighted average age of 5.3 years, which is likely to reduce as the Group adds new aircraft and disposes of old aircraft. The weighted average remaining lease term of the fleet is 6.5 years. The Group's current customer base of airlines is located in Australia, Europe and the Asia-Pacific region.

STRATEGIC REPORT



Source: ICAO, Airbus Global Market Forecast 2015

MARKETS AND TRENDS

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

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

The world fleet of commercial passenger aircraft is predicted to grow substantially with aircraft traffic expected to double every 15 years. Forecast new aircraft deliveries over the next 20 years are 32,600 aircraft; of which 36% are expected to be in Asia-Pacific, 21% in Europe, 17% in North America and of the total, 70% are expected to be single aisle. [1]

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Exposure to the airline industry

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

[1] Airbus Global Market Forecast 2015

STRATEGIC REPORT

Asset value risk

Fluctuations in the supply and demand for aircraft and aircraft travel may impact values and lease rates for the Group's aircraft. Market forces and prevailing economic conditions may change over the economic lives of the Group's aircraft and could have a positive or negative impact on valuations. Advances in aircraft technology may create obsolescence in the fleet before the end of the current estimated useful life. The Group regularly obtains independent third party valuations the fleet and may dispose of aircraft in order to reduce its exposure to certain aircraft types. Avation has a policy of investing in popular aircraft types on the basis that asset values and lease rates will be supported by continuing high demand for these aircraft. From time to time the Group may place speculative orders for new aircraft for future delivery. There is uncertainty around the Group's ability to lease those aircraft to airlines on terms which are economically favourable, or at all.

Economic, legal and political risks

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

Regulatory risks

Avation's fleet operates in many jurisdictions and complies with tax and other regulatory requirements in those jurisdictions. There is a risk that changing tax and regulatory regimes may have an impact on the business and financial results. Not all jurisdictions that the Group operates in have reliable aircraft repossession regimes and not all may be members of or signatories to the Cape Town Convention.

Lessee risks

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

Financial risks

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

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

STRATEGIC REPORT

FINANCIAL REVIEW

	2015 US$'000s	2014 US$'000s
Income	60,134	52,126
Lease revenue	56,932	48,691
Total profit	13,285	14,263
Net cash from operating activities	43,451	27,571
Total assets	586,182	415,628
Total equity	128,204	110,767
Basic earnings per share	24.12 cents	27.40 cents
Dividend per share	3.00 cents	2.01 cents

Income increased by 15 per cent to $60.1 million for the year ended 30 June 2015 (2014: $52.1 million). Lease revenue increased by 17 per cent to $56.9 million (2014: $48.7 million) as a result of continued fleet growth, whilst lease yields remain at an industry leading level of 13.1 per cent.

Other income was $3.2 million for the year ended 30 June 2015 (2014: $3.4 million). Other income was primarily made up of the recovery of a security deposit from a lessee defaulting on a lease and a one-off gain from the early retirement of various junior loans. Other income for the prior year ended 30 June 2014 included a $2.9 million write back of excess maintenance reserve accruals.

Avation's subsidiary CLA has reported a $1.2 million loss, net of a tax write-back, on the part-out disposal of a 25 year old aircraft. This loss is classified within discontinued operations as it represented the Group's only aircraft operating in North America. Avation incurred a loss on the sale of an aircraft of $0.7 million in the year ended 30 June 2015. This loss resulted from the disposal of an aircraft that was repossessed following the lessee's default on the lease. The loss was offset by the security deposit which has been recorded in other income. In 2014, the Group generated gains on sale of aircraft totalling $3.3 million, primarily from the sale of delivery positions of two new aircraft. As Avation continued to build its leasing business in 2015 the Company has preferred to add new ordered aircraft to the leasing fleet for long term returns rather than to sell aircraft for one off gains, as occurred in 2014. Excluding the effect of aircraft trading, the pre-tax profit (ex-trading) from the underlying leasing business increased 11.6 per cent to $14.8 million (2014: $13.2 million).

Depreciation on continuing activities increased by 22 per cent to $17.8 million in the year ended 30 June 2015 (2014: $14.6 million). The increase was due to adoption of a new depreciation policy and increased fleet size and value. Administrative expenses increased 3 per cent to $7.2 million for the year ended 30 June 2015 (2014: $7.0 million).

STRATEGIC REPORT

Administrative expenses as a percentage of leasing revenue decreased to 12.6 per cent in the year ended 30 June 2015 (2014: 14.3 per cent). As Avation continues to deliver economies of scale it is expected that this trend will continue.

Other expenses of $0.8 million include foreign exchange losses and a bad debt associated with a lessee's default on a lease, as noted above, that was offset by the forfeited deposit.

Finance expenses increased by 12 per cent to $18.9 million in 2015 (2014: $16.9 million). Interest expenses included within finance expenses increased by 11 per cent to $17.3 million (2014: $15.6 million). This increase compares favourably to the increase in lease revenues of 17 per cent and resulted from debt raised to finance new aircraft together with interest incurred on the GMTN issued in May 2015. The ratio of interest expense to lease revenue improved to 30.4 per cent (2014: 32.0 per cent). Finance income was $0.8 million (2014: $0.3 million).

Taxation for the 2015 year was $1.0 million (2014: $2.5 million). The majority of the Group's operations are now headquartered in Singapore, are included in the Republic of Singapore's Aircraft Leasing Scheme and benefit from a 10 per cent concessionary tax rate.

Profit for the year ended 30 June 2015 decreased by 7 per cent to $13.3 million (2014: $14.3 million) as a result of the above factors.

The Company has amended the presentation of its financial statements in the current period to provide greater clarity. Comparative amounts have been reclassified to conform to the current presentation. Certain comparative amounts have been reclassified as discontinued operations, due to North American operations ceasing during the period.

FLEET OVERVIEW

Type	1 July 2014	Additions	Disposals	30 June 2015	On order (at 31 Aug 2015)	Options
ATR 72-500	6	-	-	6	-	-
ATR 72-600	8	6	1	13	9	22
A320-200	3	-	1	2	1	-
A321-200	3	-	-	3	2	-
Fokker 100	5	-	-	5	-	-
Total	**25**	**6**	**2**	**29**	**12**	**22**

Six new aircraft were added to the fleet during the period, with one used aircraft sold and one parted out. As at 30 June 2015 the weighted average age of the fleet was 5.3 years (2014: 6.1 years) and the weighted average remaining lease term was 6.5 years (2014: 7.1 years). As at 30 June 2015, the fleet was 100 per cent utilised.

STRATEGIC REPORT

DEBT SUMMARY

	2015 US$'000s	2014 US$'000s
Loans and borrowings	428,095	281,158
Cash and cash equivalents	108,647	23,395
Net indebtedness	319,448	257,763
Loan to value ratio	73.0%	67.6%
Weighted average cost of secured debt	4.4%	5.0%
Weighted average cost of total debt	5.1%	5.2%

Net indebtedness increased due to additional debt being raised to fund fleet additions during the year.

The weighted average cost of debt reduced to 5.1 per cent, as at 30 June 2015 (2014: 5.2 per cent). This was primarily due to a significant reduction in the weighted average cost of the Group's secured debt facilities to 4.4 per cent, as at 30 June 2015 (2014: 5.0 per cent). This reduction was partially offset by interest costs associated with the GMTN established during the period.

The issuance of the first tranche of the GMTN represents a significant achievement, as it marks the introduction of global debt capital markets as a new source of funding for the Company. This will support planned fleet growth in 2016 and provides the opportunity to raise further funds in the short to medium term. Future tranches will be priced based on market conditions and Avation's credit rating. The Company's credit rating is expected to improve as increased scale and customer diversification are achieved.

As at 30 June 2015 the majority of the funds raised from the issue of unsecured notes under the GMTN were held as cash. It is intended that these funds will be combined with secured senior debt and deployed to fund aircraft acquisitions during the financial year ending 30 June 2016. At current interest rates, this may result in a decline in the weighted average cost of debt across the fleet.

The Group's loan to value ratio increased to 72.7% as a result of the issue of the $100 million unsecured notes, in May 2015. As at 30 June 2015, 88.8 per cent of total Group debt has fixed interest rates.

Environment

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

Employees

A breakdown by gender of the number of persons who were Directors of the Company, senior managers and other employees as at 30 June 2015 is set out below:

	Male	Female
Directors of the Company	3	-
Senior managers	3	-
Other employees	6	5

On behalf of the board

Robert Jeffries Chatfield
Director

DIRECTORS' REPORT

The directors present their report and financial statements for the financial year ended 30 June 2015.

Principal activities and business review

The principal activity of the Group is leasing aircraft. Details of activities carried out by subsidiary companies are set out in Note 22 to these financial statements.

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

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

Results and dividends

The consolidated statement of profit or loss and other comprehensive income for the year is set out on page 23. The directors have resolved to pay a 3.00 US cents interim dividend.

Directors and their interests

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

	Direct interest		Deemed interest	
	30 June 2015	1 July 2014	30 June 2015	1 July 2014
Ordinary shares of £0.01 each:				
Robert Jeffries Chatfield	1	1	10,215,365	10,135,365
Roderick Douglas Mahoney	240,000	240,000	-	-
Stephen John Fisher	5,000	5,000	-	-

Significant shareholdings

	Ordinary shares	Percentage
Ordinary shares of £0.01 each:		
Goldman Sachs Securities (Nominees) Limited	12,083,140	21.71%
Chase Nominees Limited	5,331,140	9.58%
Lynchwood Nominees Limited	5,189,197	9.32%
Fitel Nominees Limited	4,996,318	8.98%
HSBC Global Custody Nominee (UK) Limited	3,338,227	6.00%
HSBC Global Custody Nominee (UK) Limited	2,850,000	5.12%

DIRECTORS' REPORT

Equal Opportunities Policy

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

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

Directors' Insurance

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

Future Developments

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

Financial Instruments

See note 7 to these financial statements.

Going Concern

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

Greenhouse Gas Emissions Statement

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

Capital Structure

Details of the Company's issued share capital, together with details of the movements therein during the financial year are shown in Note 30. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

By a resolution passed at the AGM held on 24 November 2014 the Company's Directors are authorised to buy back shares not exceeding 15 per cent of the total number of shares in issue on that date. Share buy backs may be at market prices but not under £0.50 and not above £3.00 per share, including commissions and other related expenses.

DIRECTORS' REPORT

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

Details of employees share option schemes are set out in Note 31.

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

With regards to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement set out below.

Corporate Governance Statement

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

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

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

- Audit Committee - Robert Jeffries Chatfield and Stephen John Fisher; and
- Risk Committee - Roderick Douglas Mahoney, Iain Cawte (non-Board member) and Ashley Nicholas (non-Board member)

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

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

DIRECTORS' REPORT

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

Statement as to disclosure of information to auditors

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

Auditors

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

On behalf of the board

Robert Jeffries Chatfield

Director

DIRECTORS' REMUNERATION REPORT

Introduction

This report has been prepared in accordance with Schedule 8 of the Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. As required a resolution to approve the Directors' remuneration will be proposed at the forthcoming Annual General Meeting of the Company at which the financial statements will be approved. The vote will have advisory status, will be in respect of the remuneration policy and overall remuneration packages and will not be specific to the individual levels of remuneration.

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

Remuneration (audited)

The components of remuneration are:

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

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

	Salaries and fees US$'000s	**Bonuses** US$'000s	**Taxable benefits** US$'000s	**Total 2015** US$'000s	**Total 2014** US$'000s
Executive Directors:					
Robert Jeffries Chatfield	587	-	124	711	638
Roderick Douglas Mahoney	207	101	-	308	320
Non-executive Directors:					
Stephen John Fisher	30	-	-	30	3
Bryant James McLarty (resigned 6 December 2013)	-	-	-	-	19
	824	**101**	**124**	**1,049**	**980**

Taxable benefits mainly relate to housing expenses and school fees.

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

DIRECTORS' REMUNERATION REPORT

Service contracts

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

The directors' service contracts are as follows:

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

Share options and warrants (audited)

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

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

- improvement in share price;
- improvement in net profit; and
- improvement in return to shareholders.

Each share warrant converts into one ordinary share of Avation PLC on exercise. No amounts are paid or are payable by the recipient on receipt of the warrant. The warrants carry neither rights to dividends nor voting rights. There are no performance conditions that need to be met before warrants can be exercised.

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

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

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

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

DIRECTORS' REMUNERATION REPORT

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

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

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

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

The closing market price of the shares subject to option at the year-end was £1.45. The highest and lowest closing market prices during the year were £1.78 and £1.23.

Company's performance

The graph below shows the total shareholder return on a holding of shares in the Company as against the average total shareholder return of the companies comprising the FTSE100 index since the Company's shares were first publicly traded in November 2006. The FTSE 100 Index was selected because in the opinion of the Board it is the most appropriate for the Company for the purposes of a benchmark.

DIRECTORS' REMUNERATION REPORT

Remuneration of Executive Chairman

	2015 US$'000s	2014 US$'000s	2013 US$'000s	2012 US$'000s	2011 US$'000s
Executive Chairman single figure remuneration	711	638	267	250	295
Annual bonus pay-out (as % of maximum)	-	-	-	-	-
Long term incentive vesting rates against maximum opportunity %	N/A	N/A	N/A	N/A	N/A

The table above shows the prescribed remuneration data for the Director, Robert Jeffries Chatfield, Executive Chairman undertaking the role of Group Chief Executive Officer during each of the last five financial years. No bonus has been paid to the Executive Chairman.

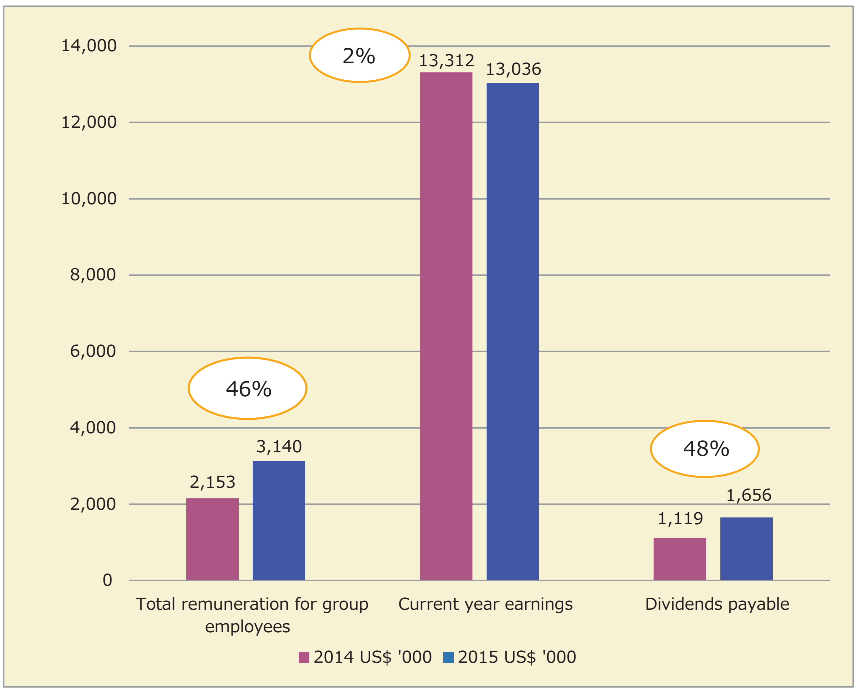
Percentage change in remuneration of Chief Executive Officer

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

	Change in remuneration from 2014 to 2015		
	% change in base salary	**% change in annual bonus**	**% change in taxable benefits**
Executive Chairman	6%	-	43%
All employees	60%	75%	134%

Relative importance of spend on pay

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



DIRECTORS' REMUNERATION REPORT

Directors' remuneration policy

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

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

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

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

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

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

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

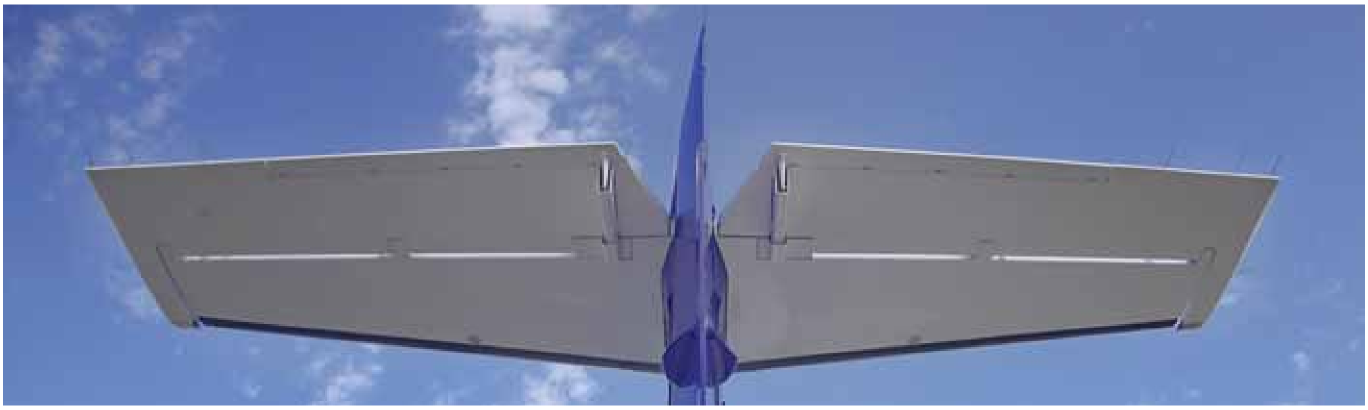
The Board as a whole considers the remuneration of the Directors and has not engaged external advisers. The remuneration report for the year ended 30 June 2014 was approved at the Annual General Meeting held on 24 November 2014.

On behalf of the Board

Robert Jeffries Chatfield

Director

DIRECTORS' RESPONSIBILITIES



Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

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

select suitable accounting policies and then apply them consistently;

make judgements and accounting estimates that are reasonable and prudent;

prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

present information, including accounting policies, in a manner that provides relevant reliable, comparable and understandable information.

provide additional disclosures when compliance with specific IFRSs are insufficient to enable the users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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.

We confirm that to the best of our knowledge:

i. the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and of the Group; and

ii. the strategic report includes a fair review of the development and performance of the business and the position of the Company and of the Group, together with a description of the principal risks and uncertainties that they face.

By order of the Board
Robert Jeffries Chatfield
Director
15 October 2015

REPORT OF THE AUDITORS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVATION PLC

We have audited the financial statements of Avation PLC for the year ended 30 June 2015 which comprise the Consolidated Statement of Profit or Loss and other Comprehensive Income, the Company Statement of Profit or Loss and other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 24 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we became aware of any apparent material misstatements or inconsistencies we consider the implications in our report.

Opinion on the financial statements

In our opinion:

the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2015 and of the Group's profit for the year then ended;

the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

the parent company financial statements have been prepared properly in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;

the information given in the Corporate Governance Statement included in the Directors' report with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements; and

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

Matters on which we are required to report by exception

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

adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

the Parent Company financial statements are not in agreement with the accounting records and returns; or

certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit; and

a Corporate Governance Statement has not been prepared by the Company.

Mark Twum-Ampofo (Senior Statutory Auditor)
For and on behalf of Kingston Smith LLP, Statutory Auditor
Devonshire House
60 Goswell Road
London
EC1M 7AD
15 October 2015

AVATION PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015 US$'000s	2014 US$'000s (Restated)
Continuing operations			
Lease revenue		56,932	48,691
Other income	9	3,202	3,435
		60,134	52,126
Depreciation	23	(17,775)	(14,615)
(Loss)/gain on disposal of aircraft		(729)	3,322
Administrative expenses	10	(7,199)	(6,958)
Other expenses	11	(823)	-
Operating profit		33,608	33,875
Finance income	12	807	296
Finance expenses	13	(18,895)	(16,906)
Profit before taxation	15	15,520	17,265
Taxation	16	(1,039)	(2,504)
Profit from continuing operations		**14,481**	**14,761**
Discontinued operations			
Loss from discontinued operations	17	(1,196)	(498)
Total profit		**13,285**	**14,263**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		(23)	2
Fair value loss on derivative financial instruments		(229)	-
Other comprehensive income, net of tax		(252)	2
Total comprehensive income for the year		**13,033**	**14,265**
Profit attributable to:			
Equity holders of the Company		13,036	13,312
Non-controlling interests		249	951
		13,285	**14,263**
Total comprehensive income attributable to:			
Equity holders of the Company		12,786	13,313
Non-controlling interests		247	952
		13,033	**14,265**

AVATION PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

		2015 US$'000s	2014 US$'000s (Restated)
Earnings per share for profit from continuing and discontinued operations attributable to equity holders of the Company			
Basic earnings per share:			
From continuing operations	18	26.29 cents	28.36 cents
From total operations		24.12 cents	27.40 cents
Diluted earnings per share:			
From continuing operations	18	26.13 cents	28.36 cents
From total operations		23.97 cents	27.40 cents

The Company has taken advantage of the exemption of section 408 of the Companies Act 2006 not to present the Company statement of profit or loss and other comprehensive income. The Company's profit for the year was US$12.42 million (2014: US$1.12 million).

AVATION PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		US$'000s	US$'000s
ASSETS:			
Current assets:			
Cash and cash equivalents	19	108,647	23,395
Trade and other receivables	20	3,284	2,804
Loan receivable	21	19,600	-
Prepaid loan premium		1,078	2,156
Assets held for sale		30	-
Total current assets		132,639	28,355
Non-current assets:			
Trade and other receivables	20	10,794	11,269
Prepaid loan premium		6,286	6,295
Property, plant and equipment	23	434,079	367,325
Goodwill	24	2,384	2,384
Total non-current assets		453,543	387,273
Total assets		**586,182**	**415,628**
LIABILITIES AND EQUITY:			
Current liabilities:			
Trade and other payables	25	10,280	6,414
Provision for taxation		431	1,099
Loans and borrowings	26	51,584	62,173
Maintenance reserves	27	825	-
Total current liabilities		63,120	69,686
Non-current liabilities:			
Trade and other payables	25	11,271	9,768
Loans and borrowings	26	376,511	218,985
Derivative financial instruments	28	229	-
Deferred tax liabilities	29	6,847	6,422
Total non-current liabilities		394,858	235,175
Equity attributable to shareholders:			
Share capital	30	991	891
Treasury shares	30	(682)	(682)
Share premium		38,692	31,424
Merger reserve		6,715	-
Asset revaluation reserve		10,159	10,159
Capital reserve		8,459	3,856
Other reserves	32	50	12
Retained earnings		62,363	50,446
		126,747	96,106
Non-controlling interest	33	1,457	14,661
Total equity		128,204	110,767
Total liabilities and equity		**586,182**	**415,628**

Approved by the board and authorised for issue on 15 October 2015

Robert Jeffries Chatfield
Director

AVATION PLC

COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		US$'000s	US$'000s
ASSETS:			
Current assets:			
Cash and cash equivalents	19	1,490	1,975
Trade and other receivables	20	48,647	31,578
Total current assets		50,137	33,553
Non-current assets:			
Trade and other receivables	20	9,053	11,269
Investment in subsidiaries	22	15,353	6,969
Property, plant and equipment	23	17,436	19,131
Total non-current assets		41,842	37,369
Total assets		**91,979**	**70,922**
LIABILITIES AND EQUITY:			
Current liabilities:			
Trade and other payables	25	13,355	16,492
Loans and borrowings	26	3,546	3,416
Total current liabilities		16,901	19,908
Non-current liabilities:			
Trade and other payables	25	1,163	958
Loans and borrowings	26	8,954	10,639
Deferred tax liabilities	29	493	624
Total non-current liabilities		10,610	12,221
Equity attributable to shareholders:			
Share capital	30	991	891
Treasury shares	30	(682)	(682)
Share premium		38,692	31,424
Merger reserve		6,715	-
Asset revaluation reserve		2,873	2,873
Other reserves	32	300	12
Retained earnings		15,579	4,275
Total equity		64,468	38,793
Total liabilities and equity		**91,979**	**70,922**

Approved by the board and authorised for issue on 15 October 2015

Robert Jeffries Chatfield

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

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

During the year the Company increased its shareholding in its subsidiary Capital Lease Aviation PLC from 68.85% to 96.71%. Total consideration paid for the acquisition of the additional shareholding included US$0.84 million cash and the allotment of 3,059,088 of the Company's ordinary shares.

During the year the Company paid a dividend of 2.01 US cents (2014: 1.78 US cents) per share.

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

The merger reserve arose on acquisition of the additional shareholding of its subsidiary Capital Lease Aviation PLC through the allotment of the Company's ordinary shares during the year. The merger reserve represents the difference between the fair value and the nominal value of the share capital issued by the Company.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		Attributable to shareholders of the parent										
	Note	**Share capital**	**Treasury shares**	**Share premium**	**Merger reserve**	**Asset revaluation reserve**	**Capital reserve**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
		US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Balance at 1 July 2013		878	(214)	29,809	-	10,159	2,530	115	37,949	81,226	17,011	98,237
Profit for the year		-	-	-	-	-	-	-	13,312	13,312	951	14,263
Other comprehensive income		-	-	-	-	-	-	1	-	1	1	2
Total comprehensive income		-	-	-	-	-	-	1	13,312	13,313	952	14,265
Dividend paid	38	-	-	-	-	-	-	-	(867)	(867)	-	(867)
Purchase of treasury shares	30	-	(468)	-	-	-	-	-	-	(468)	-	(468)
Treasury shares of a subsidiary		-	-	-	-	-	168	-	-	168	79	247
Increase in issued share capital	30	13	-	1,626	-	-	-	(52)	-	1,587	-	1,587
Share issue expenses		-	-	(11)	-	-	-	-	-	(11)	-	(11)
Warrants expired		-	-	-	-	-	-	(52)	52	-	-	-
Change in ownership interest in a subsidiary		-	-	-	-	-	1,158	-	-	1,158	(3,381)	(2,223)
Balance at 30 June 2014		**891**	**(682)**	**31,424**	-	**10,159**	**3,856**	**12**	**50,446**	**96,106**	**14,661**	**110,767**

AVATION PLC

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

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

During the year the Company paid a dividend of 2.01 US cents (2014: 1.78 US cents) per share.

AVATION PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Share capital	Treasury shares	Share premium	Merger reserve	Asset revaluation reserve	Other reserves	Retained earnings	Total
		US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Balance at 1 July 2013		878	(214)	29,809	-	2,873	116	3,969	37,431
Profit for the year		-	-	-	-	-	-	1,121	1,121
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	1,121	1,121
Dividend paid	38	-	-	-	-	-	-	(867)	(867)
Purchase of treasury shares	30	-	(468)	-	-	-	-	-	(468)
Increase in issued share capital	30	13	-	1,626	-	-	(52)	-	1,587
Share issue expenses		-	-	(11)	-	-	-	-	(11)
Warrants expired		-	-	-	-	-	(52)	52	-
Balance at 30 June 2014		**891**	**(682)**	**31,424**	**-**	**2,873**	**12**	**4,275**	**38,793**

AVATION PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		US$'000s	US$'000s
Cash flows from operating activities:			
Profit before taxation from continuing operations		15,520	17,265
Loss before taxation from discontinued operations		(1,625)	(707)
Profit before income tax		13,895	16,558
Adjustments for:			
Depreciation expense		17,925	15,259
Warrants expense	14	288	-
Claim on maintenance reserves	9	-	(115)
Discount on early settlement of loans	9	(1,160)	-
Impairment loss on aircraft		3,850	713
Impairment loss on trade receivables	11	145	-
Amortisation of loan premium	13	1,078	1,078
Amortisation of interest expense on non-current deposits	13	317	258
Loss/(gain) on disposal of aircraft		729	(3,322)
Loss on disposal of assets held for sale		1,600	-
Finance income from discounting non-current deposits to fair value	12	(309)	(273)
Interest income	12	(498)	(23)
Interest expense	13	17,295	15,570
Operating cash flows before working capital changes		55,155	45,703
Movement in working capital:			
Trade and other receivables and prepaid loan premium		(141)	1,573
Trade and other payables		4,194	(255)
Maintenance reserves		825	(3,642)
Cash from operations		60,033	43,379
Interest received		498	23
Interest paid		(16,228)	(14,882)
Income tax paid		(852)	(949)
Net cash from operating activities		**43,451**	**27,571**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(110,173)	(71,775)
Proceeds from disposal of aircraft		18,074	39,001
Proceeds from disposal of assets held for sale		1,210	-
Investment in loans receivable		(19,600)	-
Purchase of additional shares in a subsidiary		(843)	(881)
Repurchase of a subsidiary's treasury shares		(413)	(248)
Net cash used in investing activities		**(111,745)**	**(33,903)**
Cash flows from financing activities:			
Net proceeds from issuance of ordinary shares		6,591	728
Dividends paid		(1,119)	(867)
Repurchase of treasury shares		-	(468)
Proceeds from loans and borrowings, net of transactions costs		212,410	85,141
Repayment of loans and borrowings		(64,313)	(27,581)
Capital element of finance lease repayments		-	(46,851)
Net cash from financing activities		**153,569**	**10,102**
Effects of exchange rates on cash and cash equivalents		(23)	2
Net increase in cash and cash equivalents		**85,252**	**3,772**
Cash and cash equivalents at beginning of financial year		23,395	19,623
Cash and cash equivalents at end of financial year		**108,647**	**23,395**

AVATION PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	2015 US$'000s	2014 US$'000s
Cash flows from operating activities:		
Profit before taxation	12,292	1,378
Adjustments for:		
Dividend income	(12,915)	(1,500)
Depreciation expense	1,072	1,045
Interest income	(803)	(611)
Interest expense	1,090	826
Gain on disposal of aircraft	(42)	-
Warrant expense	288	-
Operating cash flows before working capital changes	982	1,138
Movement in working capital:		
Trade and other receivables and prepayments	(12,622)	(13,478)
Trade and other payables	(3,128)	14,599
Cash (used in) from operations	(14,768)	2,259
Interest received	488	12
Interest paid	(894)	(795)
Net cash (used in) from operating activities	**(15,174)**	**1,476**
Cash flows from investing activities:		
Dividend received	11,000	-
Purchase of property, plant and equipment	(158)	(4)
Proceeds from sale of property, plant and equipment	823	-
Investment in subsidiaries	(893)	(881)
Net cash from (used in) investing activities	**10,772**	**(885)**
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	6,591	728
Dividends paid	(1,119)	(867)
Repurchase of treasury shares	-	(468)
Proceeds from loans and borrowings	2,500	12,888
Repayment of loans and borrowings	(4,055)	(833)
Capital element of finance lease repayments	-	(13,470)
Net cash from (used in) financing activities	**3,917**	**(2,022)**
Net increase in cash and cash equivalents	**(485)**	**(1,431)**
Cash and cash equivalents at beginning of financial year	1,975	3,406
Cash and cash equivalents at end of financial year	**1,490**	**1,975**

1 GENERAL

Avation PLC is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registration Number 05872328) and is listed as a Standard Listing on the London Stock Exchange. The address of the registered office is given on page 1.

As disclosed in the Directors' Report, the Group's principal activity is aircraft leasing. Details of the activities of subsidiary companies are set out in Note 22 to these financial statements.

2 STATEMENT OF COMPLIANCE

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **BASIS OF PREPARATION** – The financial statements have been prepared in accordance with IFRS including standards and interpretations issued by the International Accounting Standards Board ("IASB").

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

The financial statements are presented in United States Dollars and all values are rounded to the nearest thousand (US$'000s). The year-end exchange rate for Pounds Sterling to United States Dollars is 1.572.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) **BASIS OF CONSOLIDATION** - The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2015. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **BUSINESS COMBINATIONS** - Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts held by the acquiree.

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) FAIR VALUE MEASUREMENT (continued)

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

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

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

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

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

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

Subsequent to recognition, aircraft are stated in the statement of financial position at their fair value. All items of property plant and equipment other than aircraft are measured at cost less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. However, these aircraft have been reviewed for impairment.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

Changes in accounting estimates of useful lives of aircraft

The Group revised the estimated useful lives of its aircraft from 30 years to 25 years with effect from 1 July 2014. The effect of this change is an increase in depreciation expense of US$0.35 million for the financial year ended 30 June 2015 and a decrease in the net book value of the aircraft as of 30 June 2015 of the same amount. It is not practical to estimate the impact on future periods.

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(k) **PROVISIONS** - Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors’ best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

There has been a change in accounting policy with regards to the treatment of maintenance contributions and reserves whereby in prior years maintenance rental income recognised in the profit or loss is based on the number of flight hours and cycles the aircraft are operated during the term of the lease. The Group in prior years considered that the lessee acts as agent for the Group in performing the repair and therefore that it was appropriate to recognise income from maintenance rent as revenue and the cost of performing those repairs in expense.

There is no impact to the profit or loss or balance sheet due to this change of the accounting policy as there were no maintenance reserves in existence at 30 June 2014.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(n) **LEASES** – The Group leases aircraft to airlines under operating leases. Leases of aircraft where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the profit or loss on a straight-line basis over the lease term.

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

(o) **PREPAID LOAN PREMIUM** – Prepaid loan premiums represent loan insurance premiums securing amounts due to third parties and are amortised over 10 years.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Aircraft lease revenue is recognised in the profit or loss on a straight line basis over the terms of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

The Company is Singapore resident for tax purposes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) **FOREIGN CURRENCIES** - The Group's consolidated financial statements and Company financial statements are presented in United States dollars. The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency) and United States Dollars is the functional currency of most Group entities, including the parent company.

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

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

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

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

(u) **FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(i) **Trade and other receivables** – Trade and other receivables are measured at fair value upon initial recognition, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) FINANCIAL INSTRUMENTS (continued)

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

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

(iv) **Borrowings** - Interest-bearing loans from banks and financial institutions are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above). Insurance premiums paid to export credit agencies independent of the lending bank or financial institution are not considered to constitute transaction costs and are accounted for separately.

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

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

(v) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (continued)

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

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

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

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

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

(c) Impairment of loans and receivables

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

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

(d) Income taxes

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

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

5 NEW STANDARDS AND INTERPRETATIONS NOT APPLIED AND STANDARDS IN EFFECT IN 2015

(a) **New standards and interpretations not applied**

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements.

The Group intends to apply these standards and interpretations when they become effective.

International Accounting Standards (IAS/IFRS)	**Effective Date** (accounting periods commencing after)
Amendments to IFRS 11 Joint arrangements	1 January 2016
Amendments to IAS 16 Property plant and equipment	1 January 2016
Amendments to IAS 38 Intangible assets	1 January 2016
Amendments to IFRS 10 and IAS 28	1 January 2016
Amendments to IAS 27 Separate financial statements	1 January 2016
IFRS 14 Regulatory deferral accounts	1 January 2016
Annual improvements 2014	1 July 2016
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018

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

(b) **Standards in effect in 2015**

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

6 FAIR VALUE MEASUREMENT

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

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

Non-financial assets measured at fair value:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Fair value measurement using significant unobservable inputs:				
Aircraft	433,810	367,265	17,305	19,127

Aircraft were valued at 30 June 2015 and 30 June 2014. Refer to Note 23 for the details on the valuation technique and significant inputs used in the valuation.

Classification of financial instruments:

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Loans and receivables:				
Cash and cash equivalents	108,647	23,395	1,490	1,975
Trade and other receivables	13,133	13,128	57,594	42,784
Loan receivables	19,600	-	-	-
	141,380	**36,523**	**59,084**	**44,759**
Financial liabilities measured at amortised cost:				
Trade and other payables	15,282	10,800	14,419	17,337
Loans and borrowings	428,095	281,158	12,500	14,055
Maintenance reserves	825	-	-	-
	444,202	**291,958**	**26,919**	**31,392**
Fair value through profit or loss:				
Derivative financial instruments	**229**	**-**	**-**	**-**

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Airline Industry Risks

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

(b) Credit risk

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

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

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

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

	Group	
	2015	**2014**
	US$'000s	US$'000s
Australia	1,552	1,311
India	1,024	-
Others	311	223
	2,887	**1,534**

The Group's concentration of customers is disclosed in Note 36.

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

Financial assets that are neither past due nor impaired are comprised of bank deposits and trade receivables. Bank deposits that are neither past due or impaired are mainly deposits with banks with strong credit–ratings from international credit-rating agencies. Trade receivables that are neither past due nor impaired amounting to US$1.75 million (2014: US$1.32 million) are substantially due from companies with a good payment track record.

(ii) Financial assets that are past due and/or impaired

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

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

	Group	
	2015	**2014**
	US$'000s	US$'000s
Past due less than 3 months	927	-
Past due 3 to 6 months	-	43
Past due over 6 months	59	170
	986	**213**

(c) **Interest rate risk**

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

The Group seeks to reduce its exposure to interest rate risk by fixing interest rates on the majority of its loans and borrowings. As at 30 June 2015 89% (2014: 100%) of the Group's loans and borrowings are at fixed rates.

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

(d) **Foreign currency risk**

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

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

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk (continued)

The Group's foreign currency exposure is as follows:

Group	Cash and cash equivalents US$'000s	Trade and other receivables US$'000s	Other financial liabilities US$'000s	Net currency exposure US$'000s
2015:				
Pound sterling	160	-	(130)	30
Australian dollar	12	-	(13)	(1)
Euro	20	2	(14)	8
Singapore dollar	307	3	(504)	(194)
	499	**5**	**(661)**	**(157)**
2014:				
Pound sterling	361	-	(136)	225
Australian dollar	6	1	(6)	1
Euro	14	7	(81)	(60)
Singapore dollar	251	37	(92)	196
	632	**45**	**(315)**	**362**

Company	Cash and cash equivalents US$'000s	Trade and other receivables US$'000s	Other financial liabilities US$'000s	Net currency exposure US$'000s
2015:				
Pound sterling	13	-	(102)	(89)
Australian dollar	-	-	(13)	(13)
Euro	-	-	-	-
Singapore dollar	152	-	(136)	16
	165	-	(251)	(86)
2014:				
Pound sterling	262	-	(91)	171
Australian dollar	-	-	(6)	(6)
Euro	-	5	(76)	(71)
Singapore dollar	147	-	(16)	131
	409	**5**	**(189)**	**225**

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk (continued)

The table below illustrates the effect on total profit and total equity that would result from a strengthening of foreign currencies against the United States Dollar by 10% (2014: 10%) with all other variables including tax rate being held constant:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Foreign currency:				
Pound sterling	3	23	(9)	17
Australian dollar	-	-	(1)	-
Euro	-	(6)	-	(7)
Singapore dollar	(20)	20	2	13

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

(e) Liquidity risk

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

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

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Group	One year or less US$'000s	One to five years US$'000s	Over five years US$'000s	Total US$'000s
2015:				
Financial assets:				
Cash and cash equivalents	108,647	-	-	108,647
Trade and other receivables	2,955	9,053	5,597	17,605
Loan receivable	19,600	-	-	19,600
Total undiscounted financial assets	131,202	9,053	5,597	145,852
Financial liabilities:				
Trade and other payables	5,507	2,833	8,804	17,144
Loans and borrowings	68,556	328,249	116,322	513,127
Maintenance reserves	825	-	-	825
Total undiscounted financial liabilities	74,888	331,082	125,126	531,096
Total net undiscounted financial liabilities	**56,314**	**(322,029)**	**(119,529)**	**(385,244)**
2014:				
Financial assets:				
Cash and cash equivalents	23,395	-	-	23,395
Trade and other receivables	1,859	11,269	-	13,128
Total undiscounted financial assets	25,254	11,269	-	36,523
Financial liabilities:				
Trade and other payables	2,611	1,548	8,549	12,708
Loans and borrowings	74,744	148,199	113,113	336,056
Total undiscounted financial liabilities	77,355	149,747	121,662	348,764
Total net undiscounted financial liabilities	**(52,101)**	**(138,478)**	**(121,662)**	**(312,241)**

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Liquidity risk (continued)

Company	**One year or less** US$'000s	**One to five years** US$'000s	**Over five years** US$'000s	**Total** US$'000s
2015:				
Financial assets:				
Cash and cash equivalents	1,490	-	-	1,490
Trade and other receivables	48,541	9,053	-	57,594
Total undiscounted financial assets	50,031	9,053	-	59,084
Financial liabilities:				
Trade and other payables	13,256	1,163	-	14,419
Loans and borrowings	4,073	9,653	-	13,726
Total undiscounted financial liabilities	17,329	10,816	-	28,145
Total net undiscounted financial assets / (liabilities)	**32,702**	**(1,763)**	**-**	**30,939**
2014:				
Financial assets:				
Cash and cash equivalents	1,975	-	-	1,975
Trade and other receivables	31,515	11,269	-	42,784
Total undiscounted financial assets	33,490	11,269	-	44,759
Financial liabilities:				
Trade and other payables	16,379	978	-	17,357
Loans and borrowings	3,993	11,646	-	15,639
Total undiscounted financial liabilities	20,372	12,624	-	32,996
Total net undiscounted financial assets / (liabilities)	**13,118**	**(1,355)**	**-**	**11,763**

7 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Capital risk

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

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Current:				
Net debt	340,999	273,945	25,528	29,530
Total equity	128,204	110,767	64,468	38,793
Total capital	**469,203**	**384,712**	**89,996**	**68,323**
Gearing ratio:	73%	71%	28%	43%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 30 June 2015 and 30 June 2014.

(g) Fair value of financial assets and financial liabilities

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

8 RELATED PARTY TRANSACTIONS

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

(a) **Remuneration of key management personnel**

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Key management:				
Short-term employee benefits	1,633	1,127	361	333

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

	Group	
	2015	**2014**
	US$'000s	US$'000s
Aggregate emoluments	711	638

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

8 RELATED PARTY TRANSACTIONS (continued)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Entities controlled by key management personnel (including directors):				
Interest income	3	9	3	9
Rental expenses paid	(111)	-	(55)	-
Consulting fee paid	(202)	(178)	(202)	(178)
Service fee paid	(10)	(11)	(10)	(11)
Interest expense paid	(615)	(811)	(399)	(200)
Ex-director of a subsidiary:				
Interest expense paid	-	(20)	-	-

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

	Company	
	2015	**2014**
	US$'000s	US$'000s
Commission income	589	1,036
Dividend income	12,915	1,500
Interest income	638	599
Management and service fee income	199	-
Rental income	2,088	2,088
Interest expense	(216)	-

9 OTHER INCOME

	Group	
	2015	**2014**
	US$'000s	US$'000s
Reversal of maintenance reserve expense	-	115
Foreign currency exchange gain	-	202
Discount on early settlement of loans	1,160	-
Reversal of excess maintenance reserve accruals	-	2,914
Fees for cancellation of aircraft	300	-
Other	1,742	204
	3,202	**3,435**

10 ADMINISTRATIVE EXPENSES

	Group	
	2015	**2014**
	US$'000s	US$'000s
Staff costs (note 14)	3,140	2,153
Other administrative expenses	4,059	4,805
	7,199	**6,958**

11 OTHER EXPENSES

	Group	
	2015	**2014**
	US$'000s	US$'000s
Foreign currency exchange loss	535	-
Impairment of trade receivables	145	-
Other	143	-
	823	**-**

12 FINANCE INCOME

	Group	
	2015	**2014**
	US$'000s	US$'000s
Interest income	498	23
Finance income from discounting non-current deposits to fair value	309	273
	807	**296**

13 FINANCE EXPENSES

	Group	
	2015	**2014**
	US$'000s	US$'000s
Interest expense on borrowings	17,295	15,570
Amortisation of loan insurance premium	1,078	1,078
Notional interest on deposit collected	317	258
Other	205	-
	18,895	**16,906**

14 STAFF COSTS

	Group	
	2015	**2014**
	US$'000s	US$'000s
Wages and salaries	2,852	2,153
Warrant expense	288	-
	3,140	**2,153**

The average number of directors of the Company for the financial year is 3 (2014: 3). The average number of other employees for the financial year is 15 (2014: 11).

15 PROFIT BEFORE TAXATION

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

	Group	
	2015	**2014**
	US$'000s	US$'000s
Reversal of maintenance reserve expense	-	(115)
Depreciation of property, plant and equipment	17,775	14,615
Foreign currency exchange loss/(gain)	535	(202)
Audit fees:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	37	32
Fees payable to the Company's auditor and their associates for audits of the Company's subsidiaries' annual accounts	51	53
Total audit fees	**88**	**85**
Auditors' remuneration for non-audit services:		
- Tax compliance services	7	7
- Tax advisory services	-	3
- Other services	41	5
	48	**15**

16 TAXATION

	Group	
	2015	**2014**
	US$'000s	US$'000s
From continuing operations		
Current tax expense:		
- Singapore	313	256
- Overseas	35	1,028
(Over)/under provision in prior years:		
- Singapore	(32)	6
- Overseas	(144)	(229)
Deferred tax expense:		
- Singapore	737	1,260
- Overseas	117	183
Withholding tax - Singapore	13	-
	1,039	2,504
From discontinued operations		
Deferred tax expense:		
- Overseas	(429)	(209)
	610	**2,295**
Tax expense attributable to:		
- continuing operations	1,039	2,504
- discontinued operations (Note 17)	(429)	(209)
	610	**2,295**

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

	Group	
	2015	**2014**
	US$'000s	US$'000s
Profit before income tax		
- continuing operations	15,520	17,265
- discontinued operations (Note 17)	(1,625)	(707)
	13,895	16,558
Tax calculated at 17% (2014: 17%)	2,362	2,815
Effects of:		
(Over)/under provision in prior years:		
- Singapore	(32)	6
- Overseas	(144)	(229)
Non-deductible items	1,625	1,413
Income not subject to tax	(1,411)	(387)
Different tax rates of other countries	(245)	3
Effect of concessionary tax rate at 10%	(1,516)	(1,267)
Singapore statutory stepped tax exemption	(23)	(58)
Withholding tax - Singapore	13	-
Others	(19)	(1)
	610	**2,295**

17 DISCONTINUED OPERATIONS

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

Comparative amounts for the Group's North America operations have been reclassified as discontinued operations to conform to the current presentation as required by IFRS5.

(a) Results of discontinued operations

	Group	
	2015	**2014**
	US$'000s	US$'000s
Revenue	3,997	650
Expenses	(5,622)	(1,357)
Loss before tax from discontinued operations	(1,625)	(707)
Taxation	429	209
Loss after tax from discontinued operations	**(1,196)**	**(498)**

(b) Cash flows from discontinued operations

	Group	
	2015	**2014**
	US$'000s	US$'000s
Operating cash inflows	3,975	650
Investing cash inflows	1,210	-
Total cash inflows	**5,185**	**650**

(c) Earnings per share from discontinued operations

	Group	
	2015	**2014**
	US$'000s	US$'000s
Loss per share from discontinued operation attributable to equity owners of the Company (cents per share)		
Basic	(2.17) cents	(0.96) cents
Diluted	(2.16) cents	(0.96) cents

18 EARNINGS PER SHARE

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

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

	Company	
	2015	**2014**
	US$'000s	US$'000s
Total profit attributable to equity holders of the company		
- Continuing operations	14,210	13,777
- Discontinued operations	(1,174)	(465)
	13,036	13,312
Weighted average number of ordinary shares ('000s)	54,050	48,583
Basic earnings per share:		
- Continuing operations	26.29 cents	28.36 cents
- Discontinued operations	(2.17) cents	(0.96) cents
	24.12 cents	27.40 cents

(b) **Diluted earnings per share**

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

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

18 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share (continued)

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

	Company	
	2015	**2014**
	US$'000s	US$'000s
Total profit attributable to equity holders of the company		
- Continuing operations	14,210	13,777
- Discontinued operations	(1,174)	(465)
- Total operations	13,036	13,312
Weighted average number of ordinary shares ('000s)	54,050	48,583
Adjustment for Warrants ('000s)	335	-
Weighted average number of ordinary shares ('000s)	54,385	48,583
Diluted earnings per share:		
- Continuing operations	26.13 cents	28.36 cents
- Discontinued operations	(2.16) cents	(0.96) cents
- Total operations	23.97 cents	27.40 cents

19 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Cash at bank and on hand	108,647	19,627	1,490	1,975
Short term bank deposits	-	3,768	-	-
	108,647	**23,395**	**1,490**	**1,975**

The rate of interest for cash on interest earning accounts is approximately 0.01% to 0.10% (2014: 0.14% to 2.50%) per annum.

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Pounds sterling	160	361	13	262
Australian dollar	12	6	-	-
Euro	20	14	-	-
Singapore dollar	307	251	152	147

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Current:				
Trade receivables	2,742	1,535	6	592
Other receivables:				
– subsidiaries (a)	-	-	45,229	30,693
– related parties (b)	-	124	-	124
– third parties	155	121	46	44
Accrued interest	-	43	322	62
Deposits	58	36	24	-
Prepaid expenses	329	945	106	63
Dividend receivable	-	-	2,914	-
	3,284	**2,804**	**48,647**	**31,578**
Non-current:				
Deposits for aircraft	10,178	11,269	9,053	11,269
Prepaid expenses	616	-	-	-
	10,794	**11,269**	**9,053**	**11,269**

(a) Other receivables from subsidiaries includes interest bearing receivables of US$6.89 million (2014: US$0.42 million). The receivables are unsecured and repayable upon demand. Interest is charged at 5.5% to 6.0% (2014: 1.0% to 5.5%) per annum.

(b) Interest bearing receivable of US$NIL (2014: US$0.12 million) is due from an entity controlled by a director. The receivable is unsecured and repayable upon demand. Interest is charged at 5.0% (2014: 5.0%) per annum. The receivable was fully repaid during the financial year.

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

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Pound sterling	-	-	-	-
Australian dollar	-	1	-	-
Euro	2	7	-	5
Singapore dollar	3	37	-	-

21 LOAN RECEIVABLE

	Group 2015 US$'000s	Group 2014 US$'000s
Loan receivable	19,600	-

The Group has granted a loan facility of up to US$24 million to a third party for the purpose of financing the acquisition of two new aircraft.

The third party is obliged to sell these aircraft to the Group in the next financial year, and the Group will in turn will lease these aircraft back to the third party under operating leases.

As of 30 June 2015, the third party has drawn down US$19.6 million. The loan receivable is repayable within 12 month and interest is charged at LIBOR + 3.95% per annum.

22 INVESTMENT IN SUBSIDIARIES

	Company 2015 US$'000s	Company 2014 US$'000s
Unquoted equity shares, at cost	2,556	2,506
Quoted equity shares, at cost	12,797	4,463
Balance at beginning and end of the year	15,353	6,969
Quoted equity shares, at market value	25,660	18,600

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

Details of subsidiaries are as follows:

Name of entity		Country of incorporation	Principal activities	Ownership interest 2015 %	Ownership interest 2014 %
Held directly by the Company:					
Avation.net Inc	(a)	United States	Procurement	99.96	99.96
Avation Capital S.A.	(g)	Luxembourg	Financing	100.00	-
Capital Lease Aviation PLC	(b)	United Kingdom	Aircraft leasing	96.71	68.85
Avation Eastern Fleet Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Avation Airframe Holding Pte. Ltd.	(e)	Singapore	Aircraft leasing	-	-
Avation Eastern Fleet (IV) Pte. Ltd.	(e)	Singapore	Aircraft leasing	-	100.00
MSN1922 Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
MSN429 Leaseco Limited	(b)	United Kingdom	Aircraft leasing	100.00	100.00
F100 Fleet Pte. Ltd.	(e)	Singapore	Aircraft leasing	-	100.00
AVAP Aircraft Trading Pte. Ltd.	(e)	Singapore	Procurement	100.00	100.00
Avation Group (S) Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
F100 Pty Ltd.	(c)	Australia	Aircraft leasing	100.00	100.00
AVAP Leasing (Europe) Limited	(f)	Ireland	Aircraft leasing	100.00	-
AVAP Leasing (Asia) Limited	(f)	Ireland	Aircraft leasing	100.00	-

22 INVESTMENT IN SUBSIDIARIES (continued)

Name of entity		Country of incorporation	Principal activities	Ownership interest 2015 %	Ownership interest 2014 %
Held by Capital Lease Aviation PLC:					
Capital Lease Malta Ltd.	(d)	Malta	Aircraft leasing	96.71	68.85
Capital Lease Aviation (S) Pte. Ltd.	(a)	Singapore	Aircraft leasing	96.71	68.85
MSN 1607 Pte. Ltd.	(e)	Singapore	Aircraft leasing	96.71	68.85
Held by Avation Eastern Fleet Pte. Ltd.:					
Airframe Leasing (S) Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Held by Avation Eastern Fleet II Pte. Ltd.:					
Airframe Leasing (S) II Pte. Ltd.	(a)	Singapore	Aircraft leasing	100.00	100.00
Held by Avation Eastern Fleet III Pte. Ltd.:					
Airframe Leasing (S) III Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Held by Avation Eastern Fleet IV Pte. Ltd.:					
Airframe Leasing (S) IV Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Held by MSN 429 Leaseco Limited:					
MSN 429 Limited	(b)	United Kingdom	Aircraft leasing	100.00	100.00
Held by F100 Fleet Pte. Ltd.:					
F100 Leasing Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Held by Avation Group (S) Pte. Ltd.:					
Avation Eastern Fleet II Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Avation Eastern Fleet III Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Avation Eastern Fleet IV Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
Avation Pacific Leasing Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	100.00
Avation Taiwan Leasing Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
AVAP Leasing (Europe) II Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
AVAP Leasing (Europe) III Pte. Ltd.	(g)	Singapore	Aircraft leasing	100.00	-
MSN 429 (S) Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-
F100 Fleet Pte. Ltd.	(e)	Singapore	Aircraft leasing	100.00	-

(a) Audited by Jasmine Chua and Associates, Singapore
(b) Audited by Kingston Smith LLP, London, United Kingdom
(c) Audited by Moore Stephens, Perth, Australia
(d) Audited by Nexia BT, Malta
(e) Audited by Ernst & Young LLP, Singapore
(f) Audited by KSi Faulkner Orr, Dublin, Ireland
(g) Audited by Kingston Smith LLP, London, United Kingdom for consolidation purposes.

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

23 PROPERTY, PLANT AND EQUIPMENT

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

23 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Furniture and equipment US$'000s	Jets US$'000s	Turbo-props US$'000s	Total US$'000s
2014:				
Cost or valuation:				
At beginning of year	20	177,596	217,016	394,632
Additions	113	-	71,663	71,776
Disposals	-	-	(35,679)	(35,679)
At end of the year	**133**	**177,596**	**253,000**	**430,729**
Representing:				
At cost	133	-	-	133
At valuation	-	177,596	253,000	430,596
	133	**177,596**	**253,000**	**430,729**
Accumulated depreciation and impairment:				
At beginning of year	12	39,647	7,773	47,432
Depreciation expense				
- Continuing operations	61	7,125	7,429	14,615
- Discontinued operations	-	644	-	644
	61	7,769	7,429	15,259
Impairment loss – discontinued operations	-	713	-	713
At end of the year	**73**	**48,129**	**15,202**	**63,404**
Net book value:				
At beginning of the year	**8**	**137,949**	**209,243**	**347,200**
At end of the year	**60**	**129,467**	**237,798**	**367,325**

23 PROPERTY, PLANT AND EQUIPMENT (continued)

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

23 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and equipment US$'000s	Jets US$'000s	Total US$'000s
2014:			
Cost or valuation:			
At beginning of year	4	20,452	20,456
Additions	4	-	4
At end of the year	**8**	**20,452**	**20,460**
Representing:			
At cost	8	-	8
At valuation	-	20,452	20,452
	8	**20,452**	**20,460**
Accumulated depreciation and impairment:			
At beginning of year	1	283	284
Depreciation expense	3	1,042	1,045
At end of the year	**4**	**1,325**	**1,329**
Net book value:			
At beginning of the year	**3**	**20,169**	**20,172**
At end of the year	**4**	**19,127**	**19,131**

23 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets pledged as security

The Group's aircraft with carrying values of US$433.81 million (2014: US$359.58 million) are mortgaged to secure the Group's borrowings (Note 26).

Valuation

The Group's aircraft were valued in June 2015 by independent valuers on lease-encumbered basis ("LEV'). LEV takes into account the current lease arrangements for the aircraft and estimated residual values at the end of the lease. These amounts have been discounted to present value using discount rates of 6.5% and 8.5% per annum. Different discount rates are considered appropriate for different aircraft based on their respective risk profiles. Management estimates that a change of 1% in the discount rate used would increase/decrease the total LEV of the fleet by US$1.16 million.

An impairment loss of US$3.85 million (2014: US$0.71 million) has been made during the year to write down the aircraft to its fair value less costs to sell prior to the aircraft being reclassified to asset for sale. This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar aircraft parts, and is therefore within Level 2 of the fair value hierarchy.

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

	2015		2014	
Group	**Jets**	**Turbo-props**	**Jets**	**Turbo-props**
	US$'000s	US$'000s	US$'000s	US$'000s
Cost	144,058	344,366	157,190	253,000
Accumulated depreciation and impairment	(38,878)	(25,846)	(35,215)	(15,202)
Net book value	**105,180**	**318,520**	**121,975**	**237,798**

	2015		2014	
Company	**Jets**	**Turbo-props**	**Jets**	**Turbo-props**
	US$'000s	US$'000s	US$'000s	US$'000s
Cost	16,561	-	17,639	-
Accumulated depreciation and impairment	(1,905)	-	(1,152)	-
Net book value	**14,656**	**-**	**16,487**	**-**

24 GOODWILL

	Group	
	2015	**2014**
	US$'000s	US$'000s
Cost:		
Balance at beginning and end of the year	2,384	2,384

Impairment test of goodwill

Goodwill is allocated to the cash generating unit ("CGU") Avation.net Inc. which is in the procurement business.

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

Key assumptions used for value-in-use calculations:

	2015	**2014**
	%	%
Average cash flow growth rate	2.0	2.0
Terminal growth rate	2.0	2.0
Discount rate	6.5	6.5

Management determined cash flow growth based on past performance and its expectations of market development. The terminal growth rate of 2% that was used to extrapolate cash flows beyond the budget period did not exceed the long term average growth rate for the business in which the CGU operates. Management has estimated that the recoverable amount of CGU is US$3.27 million (2014: US$2.76million).

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGU to materially exceed its recoverable amount.

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Current:				
Trade payables	2,001	1,268	615	1,213
Other payables:				
- subsidiaries	-	-	11,510	15,030
- third parties	99	110	-	-
Accrued interest	7	28	7	10
Deferred income	4,773	3,803	99	113
Deposits collected	1,000	-	1,000	-
Accrued expenses	2,400	1,205	124	126
	10,280	**6,414**	**13,355**	**16,492**
Non-current:				
Deposits collected	9,775	8,189	1,163	958
Deferred lease income	1,496	1,579	-	-
	11,271	**9,768**	**1,163**	**958**

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

Other payables due to subsidiaries includes interest bearing payables of $3.48 million (2014: $Nil million) which are unsecured, payable upon demand and bear interest at 5.5% to 6.0% per annum.

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

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

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Pound sterling	130	136	102	91
Australian dollar	13	6	13	6
Euro	14	81	-	76
Singapore dollar	504	92	136	16

26 LOANS AND BORROWINGS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Secured borrowings	324,671	253,706	10,500	12,055
Junior secured borrowings	4,928	20,952	-	-
Related party borrowings (a), (b)	2,000	6,500	2,000	2,000
Unsecured 7.5% notes due 2020	96,496	-	-	-
	428,095	**281,158**	**12,500**	**14,055**
Less: current portion of borrowings	(51,584)	(62,173)	(3,546)	(3,416)
	376,511	**218,985**	**8,954**	**10,639**

	Maturity		Weighted average interest rate per annum	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	%	%
Secured borrowings	2015-2027	2014-2026	4.3%	4.9%
Junior secured borrowings	2020-2024	2020-2023	6.3%	6.4%
Related party borrowings (a)	2015	-	8.0%	9.8%
Unsecured 7.5% notes due 2020 (b)	2020	-	7.5%	-

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

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

(a) Borrowings from related parties are as follows:

i. Interest bearing unsecured loan due to an entity over which a director has significant influence of US$2 million (2014: US$2 million). The loan is repayable by December 2015. Interest is charged at 8% (2014: 10%) per annum.

ii. Interest bearing unsecured loan due to an entity over which a director has significant influence of US$ NIL (2014: US$4.5 million). The loan was repaid during the year. Interest was charged at 9.75% (2014: 9.75%) per annum.

26 LOANS AND BORROWINGS (continued)

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

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

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

An entity over which a director has significant influence has subscribed to US$5 million of the May 2015 series of the unsecured Notes.

The carrying amounts of borrowings approximate fair value.

27 MAINTENANCE RESERVES

	Group	
	2015	**2014**
	US$'000s	US$'000s
Balance at 1 July	-	-
Contributions	825	-
Balance at 30 June	**825**	**–**

The Group also holds letters of credit for $7.3 million (2014: $3.0 million) as security for lessees' obligations under operating leases for the maintenance of aircraft.

28 DERIVATIVE FINANCIAL INSTRUMENTS

	Contract / notional amount		Fair value	
Group	**2015**	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Interest rate swap	15,031	-	229	-

The Group pays a fixed rate of interest of 2.3% per annum and receives floating rate interest equal to 3-month LIBOR under the interest rate swap contract. The swap contract matures on 30 May 2026.

29 DEFERRED TAX LIABILITIES

Recognised deferred tax liabilities are attributable to the following:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Property, plant and equipment	6,847	6,464	493	624
Other items	-	(42)	-	-
	6,847	**6,422**	**493**	**624**

Movements in temporary differences are as follows:

Group	**Property, plant and equipment** US$'000s	**Other items** US$'000s	**Total** US$'000s
Balance at 1 July 2014	6,464	(42)	6,422
Recognised in profit or loss			
- Continuing operations	812	42	854
- Discontinued operations	(429)	-	(429)
Balance at 30 June 2015	**6,847**	**-**	**6,847**
Balance at 1 July 2013	5,197	(9)	5,188
Recognised in profit or loss			
- Continuing operations	1,476	(33)	1,443
- Discontinued operations	(209)	-	(209)
Balance at 30 June 2014	**6,464**	**(42)**	**6,422**

Company	**Property, plant and equipment** US$'000s	**Other items** US$'000s	**Total** US$'000s
Balance at 1 July 2014	624	-	624
- Recognised in profit or loss	(131)	-	(131)
Balance at 30 June 2015	**493**	**-**	**493**
Balance at 1 July 2013	367	-	367
- Recognised in profit or loss	257	-	257
Balance at 30 June 2014	**624**	**-**	**624**

30 SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	2015		2014	
	No of shares	US$'000s	No of shares	US$'000s
Allotted, called up and fully paid				
Ordinary shares of 1 penny each:				
At 1 July	49,604,639	891	48,822,960	878
Issue of shares	6,059,088	100	781,679	13
At 30 June	**55,663,727**	**991**	**49,604,639**	**891**

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

(i) On 3 July 2014, the Company issued 3,000,000 ordinary shares of 1 penny each at 140 pence each following a private placement exercise raising gross proceeds of GBP4.2 million (equivalent to US$7.19 million).

(ii) On 24 September 2014, the Company issued 273,027 ordinary shares of 1 penny each at 164 pence each as consideration for the acquisition of 2,184,216 ordinary shares in its subsidiary, Capital Lease Aviation PLC.

(iii) On 20 November 2014, the Company issued 2,786,061 ordinary shares of 1 penny each at 155 pence each as consideration for the acquisition of 21,065,334 ordinary shares in its subsidiary, Capital Lease Aviation PLC.

(b) Treasury shares

	2015		2014	
	No of treasury shares	US$'000s	No of treasury shares	US$'000s
At 1 July	450,000	682	150,000	214
Acquired during the financial year	-	-	300,000	468
At 30 June	**450,000**	**682**	**450,000**	**682**

31 SHARE BASED PAYMENTS

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

Each share warrant converts into one ordinary share of Avation PLC on exercise. No amounts are paid or are payable by the recipient on receipt of the warrant. The warrants carry neither rights to dividends nor voting rights.

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

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

Movement in warrants during the financial year

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

	2015		2014	
	No.	WAEP	No.	WAEP
Outstanding at 1 July	1,240,000	110.0p	800,000	110.5p
- Granted	2,180,000	150.0p	1,240,000	110.0p
- Exercised	-	-	(400,000)	110.5p
- Lapsed/cancelled	-	-	(400,000)	-
Outstanding at 30 June	**3,420,000**	**136.0p**	**1,240,000**	**110.0p**
Exercisable at 30 June	**414,000**	**110.0p**	**-**	**-**

The weighted average fair value of warrants granted during the financial year was 14.96 pence (2014: 1.06 pence). The charge recognised in profit or loss in respect of share based payments is $0.3 million (2014: $NIL).

No warrants were exercised in the year ended 2015. The weighted average share price at the date of exercise of the warrants exercised during 2014 was 110.5 pence.

All warrants are settled in cash.

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

Warrant series granted on	Expiry date	Exercise price	Number of warrants 2015	Number of warrants 2014
20 November 2013	21 Nov 2016	110.0p	1,370,000	1,240,000
8 December 2014	9 Dec 2017	153.0p	2,050,000	-

31 SHARE-BASED PAYMENTS (continued)

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

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

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

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

31 SHARE-BASED PAYMENTS (continued)

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

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

32 OTHER RESERVES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Capital redemption reserve	12	12	12	12
Warrant reserve	288	-	288	-
Fair value reserve	(229)	-	-	-
Foreign currency translation reserve	(21)	-	-	-
	50	**12**	**300**	**12**

Movements in other reserves are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000s	US$'000s	US$'000s	US$'000s
Warrant reserve:				
Beginning of the financial year	-	104	-	104
Employee share warrant scheme:				
- Value of employee services	288	-	288	-
- Issue of shares	-	(52)	-	(52)
- Warrants expired	-	(52)	-	(52)
End of the financial year	**288**	**-**	**288**	**-**
Fair value reserve:				
Beginning of the financial year	-	-	-	-
Fair value loss	(229)	-	-	-
End of the financial year	**(229)**	**-**	**-**	**-**
Foreign currency translation reserve:				
Beginning of the financial year	-	(1)	-	-
Currency translation differences arising from consolidation of foreign subsidiaries	(23)	2	-	-
Less: non-controlling interests	2	(1)	-	-
End of the financial year	**(21)**	**-**	**-**	**-**

33 NON-CONTROLLING INTERESTS

Summarised financial information in respect of the Group's subsidiary Capital Lease Aviation PLC, which has material non-controlling interests, is set out below. No other non-controlling interests are material.

	Group	
	2015	**2014**
	US$'000s	US$'000s
Current assets	15,347	6,229
Non-current assets	74,848	86,058
Current liabilities	10,538	31,695
Non-current liabilities	35,377	13,530
Equity attributable to the Company	42,823	32,401
Non-controlling interests	1,457	14,661
Revenue	11,164	11,711
Expenses	(9,080)	(8,751)
Taxation	(220)	(2)
Profit from continuing operations	1,864	2,958
Loss from discontinued operations	(1,196)	(498)
Total profit	**668**	**2,460**
Profit attributable to owners of the Company	419	1,509
Profit attributable to the non-controlling interests	249	951
Total profit	**668**	**2,460**
Total comprehensive income attributable to owners of the Company	398	1,510
Total comprehensive income attributable to non-controlling interests	247	952
Total comprehensive income for the year	**645**	**2,462**
Net cash inflow from operating activities	6,784	8,348
Net cash inflow (outflow) from investing activities	1,108	(2)
Net cash outflow from financing activities	(1,598)	(7,941)
Net cash inflow	**6,294**	**405**

34 CAPITAL COMMITMENTS

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

	Group	
	2015	**2014**
	US$'000s	US$'000s
Property, plant and equipment	292,232	201,842

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

In addition to the aircraft which the group has committed to purchasing, the group holds options to purchase an additional 5 aircraft at agreed prices. The options are held in the statement of financial position at cost as it is not possible to place a reliable estimate on their fair values. Uncertainties exist over the finance to exercise the options and the market price of the aircraft at the time of delivery, given aircraft are non-financial assets with no indexed market and long lead times. There is no open market on which to trade the options, accordingly it is not considered appropriate to recognise any potential gain on these options arising from potential increases in aircraft values over and above the option price.

35 OPERATING LEASE COMMITMENTS

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

	Group	
	2015	**2014**
	US$'000s	US$'000s
Within one year	58,154	49,521
In the second to fifth years inclusive	193,946	175,181
More than five years	115,926	111,266

The Group holds cash deposits of $10.4 million (2014: $9.1 million) and letters of credit for $2.3 million (2014: $1.3 million) as security for lessees' obligations under operating leases.

36 SEGMENT INFORMATION

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

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

(a) Segment reporting policy

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

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

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

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

(b) Business segments

During the year ended 30 June 2015, the Group was organised into two main business segments which are aircraft leasing and business procurement.

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

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

36 SEGMENT INFORMATION (continued)

(c) Geographical analysis

2015	**Europe**	**North America**	**Australia and Oceania**	**Asia**	**Total**
	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Lease income from continuing activities	11,682	-	40,405	4,845	56,932
Capital expenditure and valuation movements	18,371	-	18,009	73,793	110,173
Net book value - aircraft	74,764	-	287,050	71,996	433,810
Total assets	127,040	-	291,028	168,114	586,182

2014	**Europe**	**North America**	**Australia and Oceania**	**Asia**	**Total**
	US$'000s	US$'000s	US$'000s	US$'000s	US$'000s
Lease income from continuing activities	11,700	-	36,991	-	48,691
Capital expenditure and valuation movements	-	-	36,096	35,680	71,776
Net book value - aircraft	79,216	6,841	281,208	-	367,265
Total assets	96,653	6,841	307,695	4,439	415,628

During the year, certain customers accounted for more than 10% of the Group's total revenues. There is one customer based in the Australia and Oceania geographical area that accounts for US$38.3 million (67%) of the Group's total revenues from continuing operations. There is one customer based in the European geographical area accounts for US$7.5 million (13%) of the Group's total revenue.

37 CONTINGENT LIABILITIES

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

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

(b) Guarantees

	Group	
	2015	**2014**
	US$'000s	US$'000s
Guarantees	426,095	274,658

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

38 DIVIDEND

	2015	**2014**
	US$'000s	US$'000s
Declared and paid during the financial year		
Dividends on ordinary shares		
- Final exempt (one-tier) dividend for 2014: 2.01 US cents (2013: 1.78 US cents) per share	1,119	867
Proposed but not recognised as a liability as at 30 June		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting		
- Final exempt (one-tier) dividend for 2015: Nil US cents (2014: 2.01 US cents) per share	-	988

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

39 ULTIMATE HOLDING COMPANY

No party controls the Company.

40 SUBSEQUENT EVENTS

Subsequent to the financial year end, the directors of the Company declared a 3 US cents interim dividend for the financial year ending 30 June 2015. The interim dividend was paid to the shareholders of the Company on 28 September 2015.

41 COMPARATIVE INFORMATION

The Company has amended the presentation of its financial statements in the current financial year to provide greater clarity. Certain comparatives amounts have been reclassified to conform to the current year presentation. The comparative statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

42 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2015 were authorised for issue by the Board of Directors on 15 October 2015.

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ATR 72-600 aircraft at production facility

ANNUAL REPORT **2015**

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