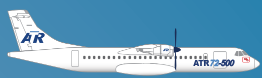
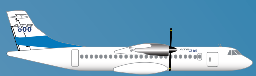
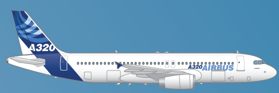
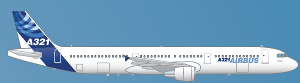
avation PLC

ANNUAL REPORT

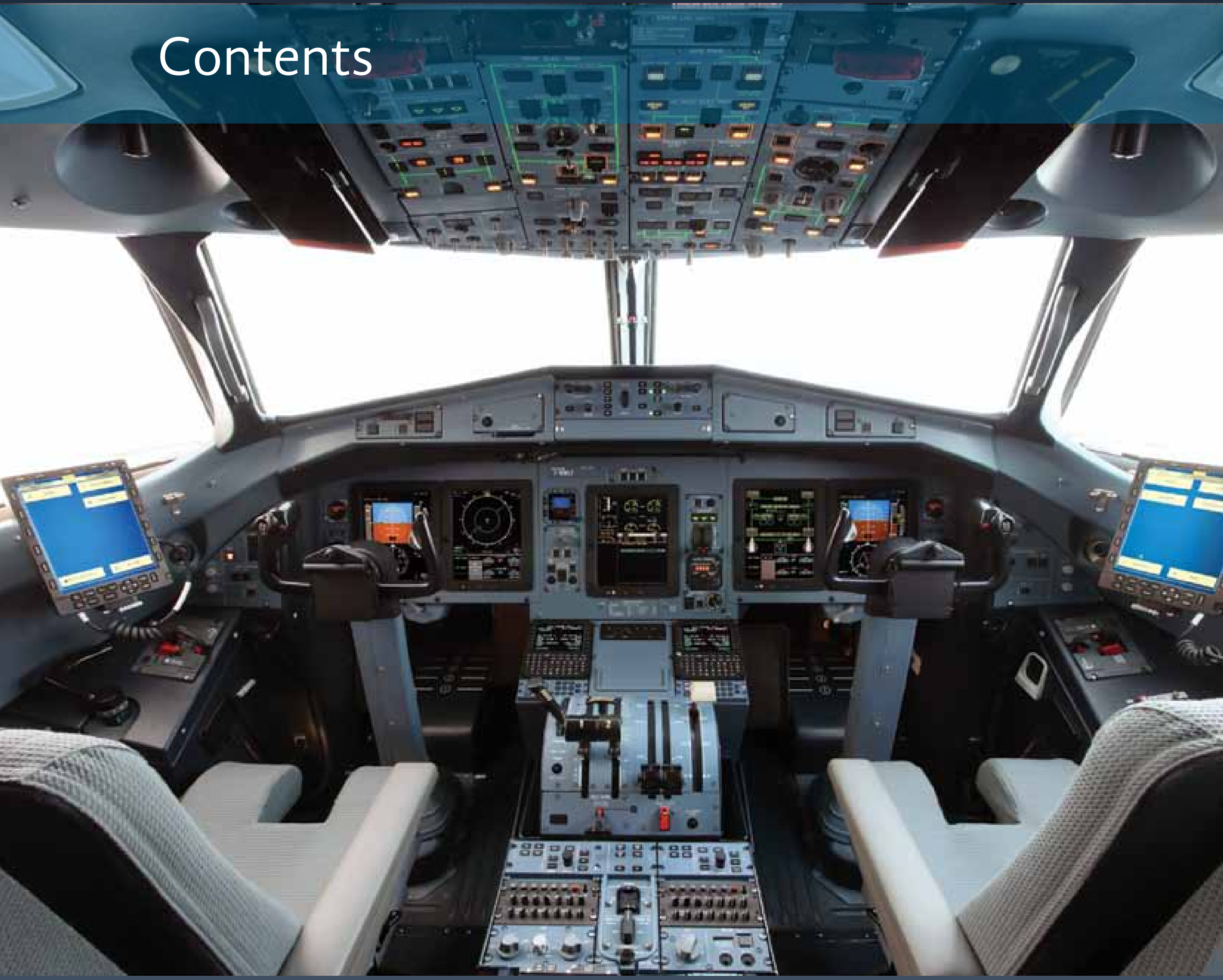
2013

Our Fleet

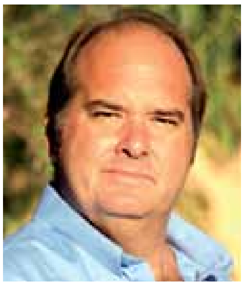
(AS AT 30 JUNE 2013)

Aircraft Type		In Operation	Ordered	Options
Fokker 100		5	-	-
ATR 72-500		6	-	-
ATR 72-600		6	10	10
Airbus A320-200		3	-	-
Airbus A321-200		3	-	-
Total		23	10	10

Contents



Chairman's Statement



On behalf of your Board of Directors, I present to you the audited financial statements for Avation PLC and its subsidiaries for the year ended 30th June 2013 and to inform you of the progress that the Avation Group has made.

The highlights are:

- Earnings per share increased by 88% to 23.25 US cents;
- Fleet value increased to US$347 million;
- EBITDA increased by 46% to US$38.3 million;
- Revenue increased by 22% to US$42.7 million;
- Dividends increased by 10% to 1.78 US cents per share;
- Consolidated net profit after tax increased by 110% to US$10.5 million;
- Delivery of six new ATR 72-600 aircraft, an Airbus A321 and an Airbus A320;
- Number of aircraft in fleet increased to 23 from 15;

Your Board is pleased to report that in respect of the year ended 30 June 2013 the consolidated net profit after tax was US$10,515,901 (2012: US$5,009,457) on revenues of US$42,739,991 (2012: US$35,001,218) with earnings per share of 23.25 US cents (2012: 12.36 US cents). Total returns comprise income from cash yield from aircraft lease payments plus the net asset value (capital) realisable from the sale of the aircraft after repayment of associated debt obligations.

In the period to 30 June 2013, the Group delivered six new ATR 72-600 aircraft, acquired an Airbus A321 and, pursuant to a finance lease, an Airbus A320. Avation is scheduled to deliver eight ATR 72-600 before the end of FY2014 and an additional two ATR 72-600 in the second half of calendar year 2014.

The Avation fleet of 23 aircraft has an average age and lease term of 8.7 years and 5.7 years respectively with a current customer base of airlines in Australia, Europe and North America. The Company has also recently announced the securing of Fiji Airways as a new airline customer for a new aircraft in 2014.

Avation's fleet is diverse, comprising the new ATR aircraft and other aircraft including Airbus A321 and A320 along with a small number of older aircraft. Avation targets continual fleet renewal and financial management to ensure the retention of asset values and maximisation of earnings.

As of June 30th, total assets increased by US$147,274,204 to US$394,383,300. Corresponding liabilities increased by US$131,212,593 to US$296,146,941 resulting in net assets at year end of US$98,236,359.

In the period to 30 June 2013, the Company secured committed debt funding of over US$100 million covering aircraft deliveries to January 2014 from traditional aircraft financing banks and other institutional lenders. Debt facilities are primarily asset based and matched to the leases in terms of currency, term and loan servicing ensuring there is no "through lease term" re-financing risk. The Company believes that it can obtain access to the necessary debt for the future purchase of aircraft. Access to funding nevertheless remains a risk, which is common to all businesses that are capital intensive. Specific aviation based industry risks are also present and include the creditworthiness of client airlines.

Chairman's Statement

The Company has been significantly cash generative this financial year. The EBITDA increased by 46% to US$38,329,167. Purchasing aircraft typically requires a mixture of senior debt, a junior debt tier and equity which may be self generated. The directors seek to minimize the cost of funds and hence may seek to refinance existing debt facilities. The Company continues to evaluate the state of both debt and equity along with choice of market for equity capital, in the context of its ongoing requirements.

The Directors believe they have demonstrated that the Group has a sustainable business model and are committed to develop the Avation business as a differentiated aircraft operating lease business to provide constant and defined internal rates of return, cash yields and predictive capital returns from investment in the narrow body and regional aircraft market and more particularly in the Australian and South East Asian sector.

Our business provides for continued and sustainable growth in 2014 and beyond. The outlook for calendar year 2014 is 43% growth in the fleet contracted by way of committed deliveries.

Avation continues to actively evaluate further aircraft acquisition investment opportunities. As a result, the Company is well advanced with respect the funding of its 2014 deliveries and is developing formalised capital funding programmes to provide a diversified funding base with access to both debt and equity markets.

Whilst the business is engaged in funding the continued aggressive asset growth of the fleet, your Board overwhelmingly recognises the importance of rewarding shareholders and is recommending to shareholders a final dividend payment of 1.78 US cents per share. Accordingly, the Company hopes to maintain a progressive dividend policy going forward. The record date for this final dividend will be announced in the meeting materials for the upcoming annual general meeting.

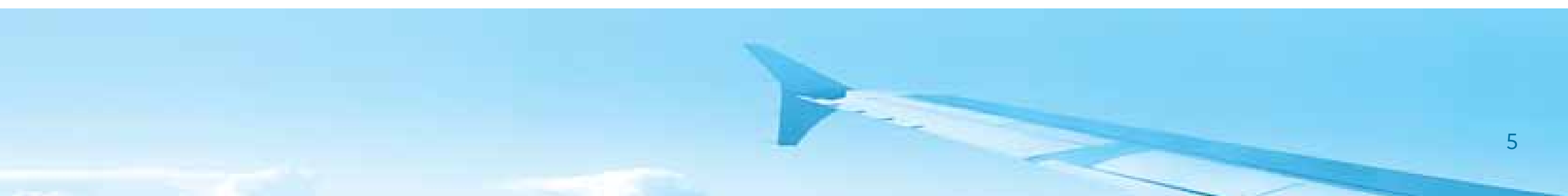
My colleagues and I are committed to continue working tirelessly to build your Company into a respected, profitable, diversified and cash generative aircraft leasing business. The Board would like to thank you – the shareholders for your continued support and goodwill and look forward to the future with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

Robert Jeffries Chatfield,

Chairman

Singapore

27th of August 2013



About Avation PLC

Photo: Tom Bukowski

COMMERCIAL PASSENGER AIRCRAFT LEASING SPECIALISTS

Avation PLC is a commercial passenger aircraft leasing company that was incorporated in England and Wales in 2006 listed on the Main List of the London Stock Exchange (LSE: AVAP).

Avation manages a fleet of 23 aircraft which it leases, through its subsidiaries, to airlines including US Airways in the United States, Thomas Cook in the UK and Virgin Australia. The company's fleet includes Airbus 320 family aircraft as well as Fokker 100s and ATR 72s.

SPECIALIST MANAGEMENT TEAM

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

STRONG GROWTH PLATFORM

Under the Australian Regional Airline Network (ARAN) agreement, Avation has agreed to supply up to 20 ATR 72 aircraft to Virgin Australia Regional Airlines who will operate the aircraft in eastern Australia. As of June 2013, Avation is leasing 12 aircraft to Virgin Australia under the ARAN agreement, giving the company room to expand its fleet with guaranteed custom for its aircraft.

Ten further ATR 72 aircraft have been ordered, with three expected to be delivered in 2013 and a further seven to be delivered in 2014.

Avation's management is also continuing to look to expand the company's fleet beyond the acquisition of ATR 72 aircraft and will select aircraft that provide both customer satisfaction and financial growth for the company.

FINANCIAL GROWTH

Coinciding with the expected delivery of the ATR 72s and potential acquisitions of other aircraft, Avation will continue to grow in terms of the size and quality of its managed fleet and the financial returns it generates.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Company Overview

Group Structure

AVATION PLC
UK Co. No. 5872328

Registered Office: Cheyne House, Crown Court, 61-63 Cheapside, London EC2V 6AX

Date Of Incorporation: England & Wales, 11 July 2006, admitted on LSE, on 6 October 2010

F100 PTY LTD (100%)
Registered Office:
Barringtons House
283 Rokeby Road
Subiaco WA 6008

Date of Incorporation:
Victoria, Australia,
15 November 2006

CAPITAL LEASE AVIATION PLC (62.07%)
Registered Office:
Cheyne House,
Crown Court,
61-63 Cheapside,
London EC2V 6AX

Date Of Incorporation:
England & Wales,
6 June 2007

MSN 1607 PTE LTD (100%)
Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
22 May 2013

CAPITAL LEASE MALTA LIMITED (100%)
Registered Office:
Suite 2, Tower Business Centre
Ground Floor, Tower Street, Swatar
Birkirkara BKR 4013
Malta

Date Of Incorporation:
Malta,
20 June 2008

CAPITAL LEASE AVIATION (S) PTE LTD (100%)
Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
30 November 2011

AVATION.NET INC (99.96%)
Registered Office:
Corporation Trust Center
1209 Orange Street
Wimington USA

Date Of Incorporation:
Delaware, USA,
18 January 2000

AVATION.NET INC SINGAPORE BRANCH (100%)
Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
2 October 2007

MSN 429 LEASECO LIMITED (100%)
Registered Office:
Cheyne House,
Crown Court,
61-63 Cheapside,
London EC2V 6AX

Date Of Incorporation:
England & Wales,
11 December 2012

MSN 429 LIMITED (100%)
Registered Office:
Cheyne House,
Crown Court,
61-63 Cheapside,
London EC2V 6AX

Date Of Incorporation:
England & Wales,
24 March 2010

AVATION EASTERN FLEET PTE LTD (100%)
Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
8 February 2011

AIRFRAME LEASING (S) PTE LTD (100%)
Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
12 May 2011

100%

AVATION EASTERN FLEET II PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
12 January 2012

100%

AIRFRAME LEASING (S) II PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
13 January 2012

100%

AVATION EASTERN FLEET III PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
18 February 2013

100%

AIRFRAME LEASING (S) III PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
19 February 2013

100%

AVATION EASTERN FLEET IV PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
18 April 2013

100%

AIRFRAME LEASING (S) IV PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
18 April 2013

100%

MSN 1922 PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
26 March 2013

100%

F100 FLEET PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
18 June 2013

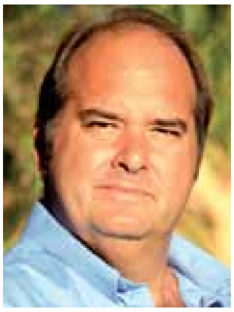
100%

F100 LEASING PTE LTD

Registered Office:
510 Thomson Road
#12-04 SLF Building
Singapore 298135

Date Of Incorporation:
Singapore,
18 June 2013

Board of Directors



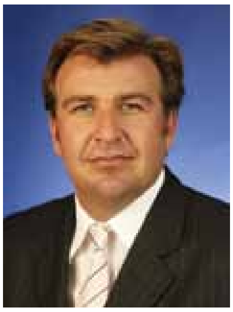
Jeff Chatfield
Chairman

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

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

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.



Bryant Mclarty
Non-Executive Director

Mr Mclarty was appointed a Director of the company in 2007. He has extensive managerial experience in corporate strategy and management, with a practical working knowledge of the securities and equity markets. He currently is Chairman of ASX listed, Australian biotechnology company, PharmAust Limited. Mr Mclarty is also the Managing Director of Mac Equity Partners, an Australian based company providing specialised expertise in the areas of stockbroking and strategic corporate services to wholesale clients. He has held numerous managerial, executive and non-executive director roles in private, public unlisted and listed companies. Mr Mclarty is a member of the Australian Institute of Company Directors and has also completed the AICD Company Directors course.

Strategy

Photo: Jean-Guy Aldegon

The Company's strategy is to continue to expand the Group's aircraft leasing business by:

- *"Capitalising on continued growth in the aircraft leasing market by acquiring additional aircraft:"* the Company intends to exploit the current growth in the aircraft leasing market by acquiring additional aircraft. The Company will adopt a flexible approach to the age and type of aircraft it purchases and this will depend principally on the requirements of its growing customer base. The Company is continuously evaluating potential opportunities for growth in its portfolio of aircraft, in particular by maintaining communications with airlines, aircraft owners and manufacturers.
- *"Leasing aircraft to both regional and international airlines:"* the Directors expect the Group's customer base to comprise both regional and global airline companies. The Group's customer base will not be restricted to a particular geography or type of customer.

Aircraft Demand and the Global Commercial Aircraft Fleet

Demand for new aircraft is derived from both traffic growth and replacement of older equipment. Historically, demand for growth has been driven by economic growth and market maturity, market liberalization and the adoption of new business models.

Aircraft replacement is related to the relative operating economics of old and new aircraft, fuel prices, technological improvements and the demand for conversions of passenger aircraft to freighters.

Growth Drivers

The world fleet is expected to grow steadily as airlines continue to develop service offerings to accommodate the world's rapidly growing demand for air travel. Key elements that are currently driving growth in demand for both new and used aircraft include:

- High rates of economic growth and increasing propensity to travel in emerging markets;
- Liberalisation of air service between and within countries; and
- Stimulation of traffic from growing Low Cost Carriers offering lower fares.

Replacement Drivers

The requirement to replace older aircraft that are retired or converted to freighter configuration also forms a substantial driver of aircraft demand, particularly in large mature regions.

Report of the Directors

Photo: Peer Johnson

The directors have the pleasure in presenting their report and financial statements for the financial year ended 30 June 2013.

Principal activities and business review

The principal activities of the Group are the holding of investments, involved in the owning and leasing of aircraft. The Company also owns and leases aircraft in its own right.

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

The full business review including KPI's can be found in the Chairman's statement on page 4. The Group has not sought to review environmental matters nor social and community issues.

Results and dividends

The consolidated statement of comprehensive income for the period is set out on page 20. The directors have proposed to pay a 1.78 US cents final dividend.

Directors and their interests

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

The Company	**Direct interest** (in name of director and nominee)		**Deemed interest**	
Ordinary Shares of £0.01 each	**30 June 2013**	**1 July 2012**	**30 June 2013**	**1 July 2012**
Robert Jeffries Chatfield	1	1	8,855,365	7,039,490
Andrew Baudinette (resigned on 3 December 2012)	1	1	670,000	670,000
Bryant James Mclarty	117,300	117,300	-	-
Roderick Douglas Mahoney	158,138	110,000	-	-

Report of the Directors

Significant Shareholdings

	Ordinary shares	Percentage
Fitel Nominees Limited	8,009,352	16.40%
HSBC Client Holdings Nominee (UK) Limited	6,034,384	12.36%
State Street Nominees Limited	3,188,237	6.53%
Chase Nominees Limited	3,120,000	6.39%
Lynchwood Nominees Limited	2,678,748	5.49%

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.

Combined code

The company has no requirement to comply with the Combined Code.

Creditors Payment Policy

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

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

On average, trade creditors at the year end represented 50 days' purchases.

Statement as to disclosure of information to auditors

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

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

Auditors

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

On behalf of the board

Robert Jeffries Chatfield
Director

27th of August 2013

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with Part 15 Chapter 6 of the Companies Act 2006. 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.

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:

Group	Salaries and fees	Bonuses	Expenses allowances	Taxable benefits	Total 2013	Total 2012
	US$	US$	US$	US$	US$	US$
Executive directors						
Robert Jeffries Chatfield	266,185	-	-	659	266,844	249,808
Roderick Douglas Mahoney	146,906	31,496	-	-	178,402	114,650
Non-executive directors						
Andrew Baudinette (resigned on 3 December 2012)	102,538	-	-	2,910	105,448	222,929
Bryant James Mclarty	31,500	-	-	-	31,500	33,694
	547,129	31,496	-	3,569	582,194	621,081

Service contracts

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

The service contracts of the directors are as follows:

	Date of contract	Unexpired term	Notice period	Compensation payable on early termination
Robert Jeffries Chatfield	29 April 2013	4 months	4 months	-
Roderick Douglas Mahoney	16 December 2011	4 weeks	4 weeks	-
Bryant James Mclarty	28 November 2007	1 month	1 month	-

Directors’ Remuneration Report

Photo: Oliver Koslowski

Share options and warrants

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

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

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

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

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

Director’s name	Date granted	Warrant price	Balance at beginning of year	Granted during the year	Exercised/ expired during the year	Balance at end of year
Robert Jeffries Chatfield *	2 Dec 2010	67.5 p	200,000	-	(200,000)	-
Robert Jeffries Chatfield *	12 Dec 2011	110.5 p	400,000	-	-	400,000
Bryant James Mclarty	2 Dec 2010	67.5 p	50,000	-	(50,000)	-
Bryant James Mclarty	12 Dec 2011	110.5 p	200,000	-	-	200,000

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

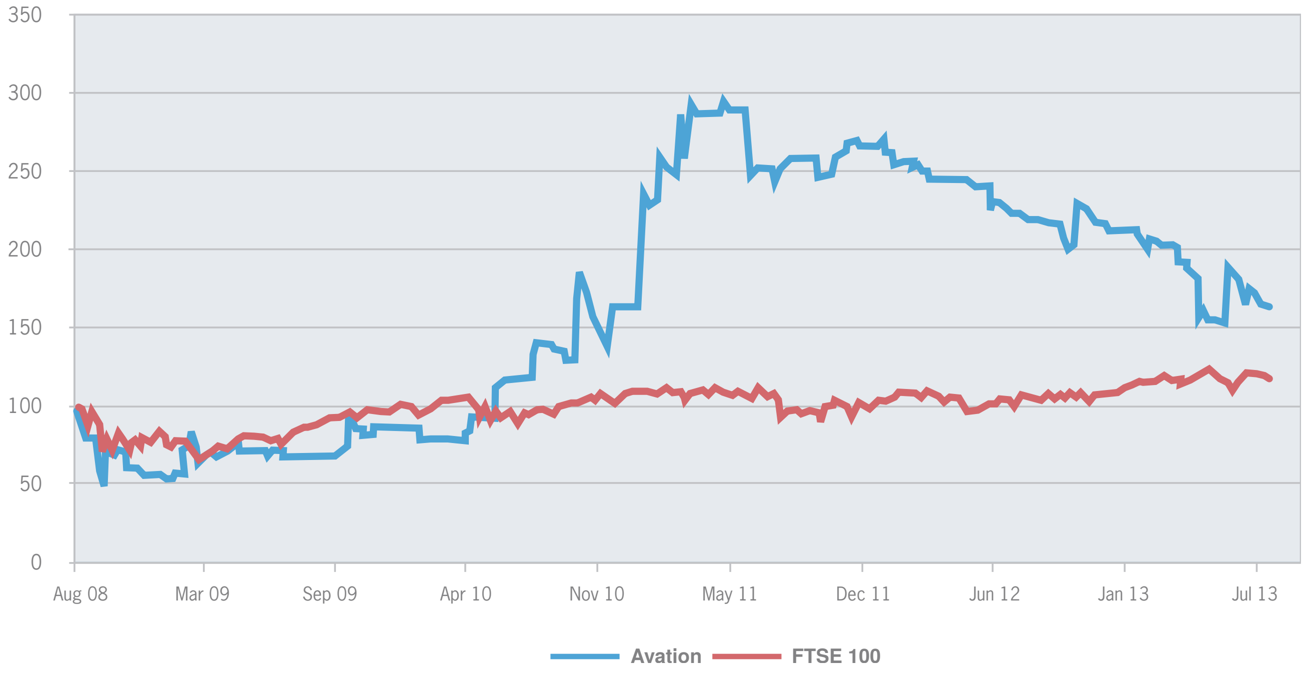
On 21 February 2013, Robert Jeffries Chatfield via Epsom Assets Limited exercised 60,510 warrants at the exercise price of 67.5p. The market price on that day of exercise was 86.0p.

On 11 March 2013, Bryant James Mclarty exercised 50,000 warrants, at the exercise price of 67.5p. The market price on that day of exercise was 84.5p.

Directors' Remuneration Report

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 over the last five years. 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.



On behalf of the Board

Robert Jeffries Chatfield
Director

27th August 2013

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 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;
- state whether in preparation of the Company and the Group financial statements, the Company and the Group has complied with IFRS as adopted by the European Union, and, in respect of the Company as applied in accordance with the provisions of the Companies Act 2006, subject to any material departures disclosed and explained in the Group financial statements;
- the Directors are required under the Standard Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of Companies Act 2006.
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Report of the Auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVATION PLC

We have audited the financial statements of Avation PLC for the year ended 30 June 2013 which comprise the Consolidated Statement of Comprehensive Income, the Company Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 17 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 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. 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 2013 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; 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.

Kingston Smith LLP

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

Devonshire House
60 Goswell Road
London
EC1M 7AD

3rd September 2013

avation PLC

Financial Statements

For the financial year ended 30 June 2013

Registered Number: 5872328 (England & Wales)

AVATION PLC

REGISTERED NUMBER: 05872328 (ENGLAND & WALES)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Continuing operations	Note	2013 US$	2012 US$
Revenue	8	42,739,991	35,001,218
Cost of sales		(822,887)	(1,129,525)
Gross profit		41,917,104	33,871,693
Other income	9	1,846,538	120,079
Other operating expenses	10	(13,236,614)	(14,601,919)
Expenses			
- Administrative expenses		(3,564,798)	(3,474,177)
- Finance expenses	11	(12,992,553)	(7,842,062)
Profit before taxation	13	13,969,677	8,073,614
Taxation	14	(2,004,684)	(1,710,080)
Profit from continuing operations for the year		11,964,993	6,363,534
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Revaluation (loss) / gain on property, plant and equipment, net of tax		(1,780,368)	(5,569,535)
		(1,780,368)	(5,569,535)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		603	(1,007)
		603	(1,007)
Other comprehensive income for the year, net of tax		(1,779,765)	(5,570,542)
Total comprehensive income for the year		10,185,228	792,992
Profit attributable to:			
Equity holders of the parent		10,515,901	5,009,457
Non-controlling interest		1,449,092	1,354,077
		11,964,993	6,363,534
Total comprehensive income attributable to:			
Equity holders of the parent		9,365,487	1,172,549
Non-controlling interest		819,741	(379,557)
		10,185,228	792,992
Earnings per share	15		
- Basic – continuing and total operations		23.25 cents	12.36 cents
- Fully diluted – continuing and total operations		23.25 cents	12.31 cents

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2013 US$	2012 US$
Profit for the year	2,328,931	1,277,309
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation gains on property, plant and equipment, net of tax	2,839,584	-
Other comprehensive income for the year, net of tax	2,839,584	-
Total comprehensive income for the year	5,168,515	1,277,309

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2013

	Note	30 June 2013 US$	30 June 2012 US$	1 July 2011 US$
ASSETS				
Current assets:				
Cash and cash equivalents		19,623,244	9,094,470	9,012,916
Trade and other receivables	16	6,337,909	9,021,165	12,116,192
Prepayments	17	1,094,380	465,183	-
Inventories	18	438	14,316	3,117
Total current assets		27,055,971	18,595,134	21,132,225
Non-current assets:				
Trade and other receivables	16	9,300,261	8,437,828	-
Prepayments	17	8,442,671	3,829,823	-
Property, plant and equipment	20	347,200,389	213,862,303	135,621,485
Goodwill	21	2,384,008	2,384,008	2,384,008
Total non-current assets		367,327,329	228,513,962	138,005,493
Total assets		394,383,300	247,109,096	159,137,718
LIABILITIES AND EQUITY				
Current liabilities:				
Trade and other payables	22	12,088,802	5,073,257	5,376,057
Deferred lease income	23	207,132	91,379	-
Provision for taxation		986,556	519,083	62,067
Loans and borrowings	24	24,243,718	19,553,681	15,802,427
Short-term provisions	25	3,757,081	2,969,169	4,564,855
Total current liabilities		41,283,289	28,206,569	25,805,406
Non-current liabilities:				
Trade and other payables	22	9,088,610	6,064,744	1,508,902
Deferred lease income	23	1,381,260	731,037	-
Loans and borrowings	24	239,205,865	123,988,798	44,996,626
Deferred tax liabilities	26	5,187,917	5,943,200	7,724,794
Total non-current liabilities		254,863,652	136,727,779	54,230,322
Equity attributable to shareholders:				
Share capital	27	878,137	779,618	720,917
Treasury shares	27	(214,498)	-	-
Share premium		29,809,334	23,047,234	17,365,391
Assets revaluation reserve		10,158,496	11,309,284	15,145,567
Capital redemption reserve		11,564	11,564	11,564
Warrant reserve		103,565	192,946	119,143
Capital reserve		2,530,212	2,530,212	-
Foreign currency translation reserve		(251)	(625)	-
Retained earnings		37,949,162	28,113,618	23,742,715
		81,225,721	65,983,851	57,105,297
Non-controlling interest		17,010,638	16,190,897	21,996,693
		98,236,359	82,174,748	79,101,990
Total liabilities and equity		394,383,300	247,109,096	159,137,718

Approved by the Board and authorised for issue on 27th of August 2013

R Chatfield

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Robert Jeffries Chatfield
Director

AVATION PLC

REGISTERED NUMBER: 05872328 (ENGLAND & WALES)

COMPANY BALANCE SHEET
AS AT 30 JUNE 2013

	Note	30 June 2013 US$	30 June 2012 US$	1 July 2011 US$
ASSETS				
Current assets:				
Cash and cash equivalents		3,406,322	1,182,305	5,302,540
Trade and other receivables	16	19,096,712	10,356,165	9,549,503
Total current assets		22,503,034	11,538,470	14,852,043
Non-current assets:				
Trade and other receivables	16	9,264,244	8,437,828	-
Investment in subsidiaries	19	5,239,692	5,239,530	2,605,218
Property, plant and equipment	20	20,171,641	8,191,670	8,643,420
Total non-current assets		34,675,577	21,869,028	11,248,638
Total assets		57,178,611	33,407,498	26,100,681
LIABILITIES AND EQUITY				
Current liabilities:				
Trade and other payables	22	3,840,760	1,273,107	1,157,398
Provision for taxation		-	-	-
Loans and borrowings	24	1,415,411	2,108,683	2,006,050
Total current liabilities		5,256,171	3,381,790	3,163,448
Non-current liabilities:				
Trade and other payables	22	2,071,487	2,650,604	-
Loan and borrowings	24	12,054,807	675,346	2,784,028
Deferred tax liabilities	26	366,533	315,043	221,592
Total non-current liabilities		14,492,827	3,640,993	3,005,620
Capital and reserves:				
Share capital	27	878,137	779,618	720,917
Treasury shares	27	(214,498)	-	-
Share premium		29,809,334	23,047,234	17,365,391
Assets revaluation reserve		2,873,147	33,563	33,563
Capital redemption reserve		11,564	11,564	11,564
Warrant reserve		103,565	192,946	119,143
Retained earnings		3,968,364	2,319,790	1,681,035
Net equity		37,429,613	26,384,715	19,931,613
Total liabilities and equity		57,178,611	33,407,498	26,100,681

Approved by the Board and authorised for issue on 27th of August 2013

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Robert Jeffries Chatfield
Director

AVATION PLC

REGISTERED NUMBER: 05872328 (ENGLAND & WALES)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Group	Share capital US$	Treasury share US$	Share premium US$	Assets revaluation reserve US$	Capital Redemption reserve US$	Warrant Reserve US$	Capital reserve US$	Foreign currency translation reserve US$	Retained earnings US$	Total US$	Non-Controlling Interest US$	Total Equity US$
Balance at 1 July-2012- In previous presentational Currency (GBP)	423,745	-	14,192,267	5,465,206	7,000	120,779	1,636,511	2,515,434	17,790,185	42,151,127	10,369,929	52,521,056
Balance at 1 July 2012- in current presentational currency (US$)	779,618	-	23,047,234	11,309,284	11,564	192,946	2,530,212	(625)	28,113,618	65,983,851	16,190,897	82,174,748
Profit for the year	-	-	-	-	-	-	-		10,515,901	10,515,901	1,449,092	11,964,993
Other comprehensive income	-	-	-	(1,150,788)	-	-	-	374	-	(1,150,414)	(629,351)	(1,779,765)
Total comprehensive income	-	-	-	(1,150,788)	-	-	-	374	10,515,901	9,365,487	819,741	10,185,228
Dividend related to 2012 paid	-	-	-	-	-	-	-	-	(745,618)	(745,618)	-	(745,618)
Purchase of treasury shares	-	(214,498)	-	-	-	-	-	-	-	(214,498)	-	(214,498)
Increase in issued share capital	98,519	-	7,100,985	-	-	(24,120)	-	-	-	7,175,384	-	7,175,384
Share issue expenses	-	-	(338,885)	-	-	-	-	-	-	(338,885)	-	(338,885)
Warrant expenses	-	-	-	-	-	(65,261)	-	-	65,261	-	-	-
Balance at 30 June 2013	878,137	(214,498)	29,809,334	10,158,496	11,564	103,565	2,530,212	(251)	37,949,162	81,225,721	17,010,638	98,236,359

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Share capital US$	Share premium US$	Assets revaluation reserve US$	Capital Redemption reserve US$	Warrant Reserve US$	Capital reserve US$	Foreign currency translation reserve US$	Retained earnings US$	Total US$	Non-Controlling Interest US$	Total Equity US$
Group											
Balance at 1 July 2011	720,917	17,365,391	15,145,567	11,564	119,143	–	_	23,742,715	57,105,297	21,996,693	79,101,990
Profit for the year	–	–	–	–	–	–	–	5,009,457	5,009,457	1,354,077	6,363,534
Other comprehensive income	–	–	(3,836,283)	–	–	–	(625)	–	(3,836,908)	(1,733,634)	(5,570,542)
Total comprehensive income	–	–	(3,836,283)	–	–	–	(625)	5,009,457	1,172,549	(379,557)	792,992
Dividend related to 2011 paid	–	–	–	–	–	–	–	(638,554)	(638,554)	–	(638,554)
Dividend of subsidiary paid to minority shareholders	–	–	–	–	–	–	–	–	–	(261,716)	(261,716)
Increase in issued share capital	58,701	5,948,563	–	–	(29,762)	–	–	–	5,977,502	–	5,977,502
Acquisition of ordinary shares in subsidiary	–	–	–	–	–	–	–	–	–	(5,164,523)	(5,164,523)
Share issue expenses	–	(266,720)	–	–	–	–	–	–	(266,720)	–	(266,720)
Capital expenses	–	–	–	–	–	2,530,212	–	–	2,530,212	–	2,530,212
Warrant expenses	–	–	–	–	103,565	–	–	–	103,565	–	103,565
Balance at 30 June 2012	779,618	23,047,234	11,309,284	11,564	192,946	2,530,212	(625)	28,113,618	65,983,851	16,190,897	82,174,748

During the last financial year, the Company increased its share holding in its subsidiary, Capital Lease Aviation PLC from 51.18% to 62.07%. The consideration for the acquisition of the CLA shares is through the allotment of 1,647,781 new ordinary shares.

The dividend paid during the year was for 1.04p (2012: 1p) per share.

AVATION PLC

REGISTERED NUMBER: 05872328 (ENGLAND & WALES)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Share capital US$	Treasury Share US$	Share premium US$	Asset Revaluation Reserve US$	Capital redemption Reserve US$	Warrant Reserve US$	Retained earnings US$	Total US$
Company								
Balance at 1 July 2012- In previous presentational currency (GBP)	423,745	–	14,192,267	22,158	7,000	120,779	2,031,677	16,797,626
Balance at 1 July 2012 - In current presentational currency (US$)	779,618	–	23,047,234	33,563	11,564	192,946	2,319,790	26,384,715
Profit for the year	–	–	–	–	–	–	2,328,931	2,328,931
Other comprehensive income	–	–	–	2,839,584	–	–	–	2,839,584
Total comprehensive income	–	–	–	2,839,584	–	–	2,328,931	5,168,515
Dividend relating to 2012 paid	–	–	–	–	–	–	(745,618)	(745,618)
Purchase of treasury shares	–	(214,498)	–	–	–	–	–	(214,498)
Increase of issued share capital	98,519		7,100,985	–	–	(24,120)	–	7,175,384
Share issue expenses	–	–	(338,885)	–	–	–	–	(338,885)
Warrant expenses	–	–	–	–	–	(65,261)	65,261	–
Balance at 30 June 2013	878,137	(214,498)	29,809,334	2,873,147	11,564	103,565	3,968,364	37,429,613
Balance at 1 July 2011	720,917	–	17,365,391	33,563	11,564	119,143	1,681,035	19,931,613
Profit for the year	–	–	–	–	–	–	1,277,309	1,277,309
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	1,277,309	1,277,309
Dividend relating to 2011 paid	–	–	–	–	–	–	(638,554)	(638,554)
Increase of issued share capital	58,701	–	5,948,563	–	–	(29,762)	–	5,977,502
Share issue expenses	–	–	(266,720)	–	–	–	–	(266,720)
Warrant expenses	–	–	–	–	–	103,565	–	103,565
Balance at 30 June 2012	779,618	–	23,047,234	33,563	11,564	192,946	2,319,790	26,384,715

The dividend paid during the year was for 1.04p (2012: 1p) per share.

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	2013 US$	2012 US$
Cash flows from operating activities:		
Profit before taxation	13,969,677	8,073,614
Adjustments for:		
Depreciation expense	11,366,937	10,299,139
Claim on maintenance reserve	1,860,732	1,991,753
Impairment loss on property plant and equipment	8,945	1,569,532
Amortisation of loan premium	904,658	356,827
Amortisation of interest expense on deposit collected	570,267	6,663
Loss on disposal of subsidiary	-	627,565
Warrant expense	-	103,535
Interest expense	11,517,628	7,478,572
Finance income	(582,844)	(21,137)
Interest income	(28,727)	(94,470)
Operating profit before working capital changes	39,587,273	30,391,593
Movement in working capital:		
Trade and other receivables and prepayments	(4,868,068)	(7,183,814)
Inventories	13,878	(11,199)
Deferred lease income	765,976	822,416
Trade and other payables	3,044,789	8,250,757
Short-term provisions	(1,072,820)	(1,034,835)
Cash from operations	37,471,028	31,234,918
Interest paid	(11,093,273)	(7,478,572)
Interest received	28,727	94,470
Corporation tax paid	(999,556)	(472,882)
Net cash from operating activities	25,406,926	23,377,934
Cash flows from investing activities:		
Cash inflow/(outflow) from disposal of a subsidiary – See Note A	1,125,032	(199,839)
Purchase of property, plant and equipment	(134,087,044)	(73,277,102)
Net cash used in investing activities	(132,962,012)	(73,476,941)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	6,836,498	3,076,471
Dividends paid	(745,618)	(638,554)
Repurchase of treasury shares	(214,498)	-
Proceeds from borrowings	140,263,472	67,569,065
Repayment of borrowings	(23,882,635)	(17,360,286)
Capital element of finance lease repayments	(4,173,733)	(2,465,353)
Net cash used in financing activities	118,083,486	50,181,343
Effects of exchange rates on cash and cash equivalents	374	(782)
Net increase in cash and cash equivalents	10,528,774	81,554
Cash and cash equivalents at beginning of financial year	9,094,470	9,012,916
Cash and cash equivalents at end of financial year	19,623,244	9,094,470

AVATION PLC
REGISTERED NUMBER: 05872328 (ENGLAND & WALES)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Note A – Disposal of a subsidiary, Capital Lease Australian Portfolio One Pty. Ltd.:

The aggregate cash inflows arising from the disposal of Capital Lease Australian Portfolio One Pty. Ltd. during the previous year were:

	US$
Cash	199,839
Trade and other receivables	1,864,684
Property, plant and equipment	10,695,308
Trade and other payables	(4,004,378)
Borrowings	(3,735,866)
Provisions	(2,552,604)
Income tax payable	(514,547)
Identifiable net assets disposed	1,952,436
Loss on disposal	(627,565)
Cash proceeds from disposal	1,324,871
Less: cash and cash equivalents in subsidiary disposed	(199,839)
Net cash inflow on disposal, received during the year ended 30 June 2013	1,125,032

Cash and cash equivalents in the consolidated cash flow statement are denominated in the following currencies:

	2013 US$	**2012 US$**
Pounds Sterling	2,898,583	57,276
United States Dollars	16,552,547	8,844,306
Australian Dollars	19,708	16,761
Euro	10,992	1,656
Singapore Dollars	141,414	174,471
	19,623,244	9,094,470
Interest earning balances	17,881,829	8,119,998

The rate of interest for the cash on interest earning accounts is at 1.0% to 4.5% (2012:1.0% to 4.5%) per annum. These approximate the weighted effective interest rate.

AVATION PLC

REGISTERED NUMBER: 05872328 (ENGLAND & WALES)

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	2013 US$	2012 US$
Cash flows from operating activities:		
Profit before taxation	2,393,473	1,377,865
Adjustments for:		
Dividend income	-	(428,283)
Depreciation	444,025	453,636
Warrant expense	-	103,565
Interest income	(24,793)	(89,293)
Interest expense	339,434	303,293
Operating cash flows before working capital changes	3,152,139	1,720,783
Movement in working capital:		
Trade and other receivables	(9,566,963)	(8,816,207)
Trade and other payables	1,965,622	2,749,459
Cash used in operations	(4,449,202)	(4,345,965)
Interest received	24,793	89,293
Interest paid	(329,571)	(293,430)
Corporation tax paid	-	(114)
Net cash used in operating activities	(4,753,980)	(4,550,216)
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	6,978,357	-
Purchase of property, plant and equipment	(2,862,769)	(1,886)
Investment in subsidiaries	(162)	(1)
Net cash from (used in) investing activities	4,115,426	(1,887)
Cash flows from financing activities:		
Net proceeds from issuance of ordinary shares	6,836,498	3,076,471
Dividends paid	(745,618)	(638,554)
Repurchase of treasury shares	(214,498)	-
Capital element of finance lease repayments	(3,013,811)	(2,006,049)
Net cash from financing activities	2,862,571	431,868
Net increase (decrease) in cash and cash equivalents	2,224,017	(4,120,235)
Cash and cash equivalents at beginning of financial year	1,182,305	5,302,540
Cash and cash equivalents at end of financial year	3,406,322	1,182,305

Cash and cash equivalents in the cash flow statement are denominated in the following currencies:

	2013 US$	2012 US$
Pounds Sterling	2,788,225	42,784
United States dollars	616,577	1,134,638
Singapore dollars	1,520	4,883
	3,406,322	1,182,305

The rate of interest for the cash on interest earning accounts is at 1.0% (2012:1.0%) per annum. These approximate the weighted effective interest rate.

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 Report of the Directors, the principal activities of the Company and its subsidiaries are the holding of investments involved in owning and leasing of aircraft. The Company also owns and leases aircraft in its own right.

2 STATEMENT OF COMPLIANCE

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented in United States Dollars, rounded to the nearest Dollar. The year end exchange rate for Pounds Sterling to United States Dollars is 1.5216. There has been a change in accounting policy regarding the change in presentational currency from Pounds Sterling to United States Dollars which has been applied as disclosed in Note 34.

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

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

(b) BASIS OF CONSOLIDATION - The consolidated financial statements comprise the financial statements of Avation PLC and its subsidiaries as at 30 June 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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 interest
- 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 other comprehensive income to profit or loss.

(c) BUSINESS COMBINATIONS

Business combinations from 1 July 2009

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 interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed 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 by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Business combinations prior to 1 July 2009

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(d) INTEREST IN JOINT VENTURE – A Joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control (ie when the strategic financial and operating policy decision relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accruals basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

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

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

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

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

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

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

(g) PROPERTY, PLANT AND EQUIPMENT – All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, Aircraft are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. However, these aircraft have been reviewed for impairment. Revaluations have not been carried out in the period on the ATR fleet which is less than two years old.

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:

Aircraft	-	30 years
Furniture and equipment	-	3 years

The 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.

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

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

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

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

(k) 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.

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

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

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

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

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

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

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

The loan facility fees added to the cost of the assets are amortised over 30 years, which is the life of the assets.

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

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

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

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

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

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

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

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

With effect from 1 April 2011 the Company migrated its business to become Singapore resident for tax purposes.

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

There has been a change in accounting policy and has been applied as disclosed in Note 34.

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

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

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

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

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

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

The Group regularly revalues its aircraft using independent valuers valuations. During the financial year, the Group revalued its older aircraft using independent valuers valuations and the carrying amount of the aircraft is reduced to its recoverable value. Impairment losses were recognised as an expense immediately.

(iii) Maintenance reserve claim

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

(iv) Income taxes

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

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

The directors have considered whether this company, which was set up during the previous year and which forms part of a financing structure to facilitate the acquisition of certain new aircraft, should be consolidated as a subsidiary undertaking. Although the ultimate shareholder of the SPE is a trust, the directors consider that Avation PLC has the power to control the day to day activities of the SPE and indeed does so in practice through one of its wholly owned subsidiary undertakings. Furthermore, Avation PLC is entitled to the benefits and exposed to the risks of the activities of the SPE, which are entirely consistent with the ongoing major operations of the Avation Group, and are conducted on behalf of the Group according to the Group's specific business needs. Accordingly the directors consider that the SPE is controlled by the Group and have consolidated it 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 2013

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)
IAS 12 Income Taxes (Amendment) – Deferred Taxes : Recovery of Underlying Assets	1 January 2013
IAS 19 Employee Benefits (Revised)	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 January 2013
IFRS 9 Financial Instruments – Classification and Measurement	1 January 2013
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interest with Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Annual improvements to IFRS (2009-2011) cycle	Various

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

b) Standards in effect in 2013

The following new and amended standards, and interpretations are mandatory for the first time for the financial year beginning 1 July 2012 and have been implemented by the group, but not currently relevant to the group (although they may affect the accounting for future transactions and events):

- Amendment to IAS 1, Financial statement presentation' regarding other comprehensive income, effective date 1 July 2012

The following are mandatory for the first time for this financial year but not currently relevant to the group (although they may affect the accounting for future transactions and events):

- Amendment to IAS 12, 'Income taxes' on deferred tax, effective date 1 January 2012

6. FINANCIAL RISK MANAGEMENT

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

(i) Airline Industry Risks

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

(ii) Credit risk

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

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

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

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

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

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

	Group	
	2013	**2012**
	US$	**US$**
Australia	3,945,275	906,297
United Kingdom	-	187,000
Others	588,975	2,391,644
	4,534,250	3,484,941

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

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

The Group's trade receivable not past due include receivables amounting to US$3,258,279 (2012: US$2,172,471).

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

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

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

	Group	
	2013	2012
	US$	US$
Past due < 3 months	1,244,907	254,736
Past due 3 to 6 months	31,064	1,021,936
Past due over 6 months	-	35,798
	1,275,971	1,312,470

(iii) Interest rate risk

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

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

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

(iv) Foreign currency risk

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

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

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

Group

2013	Pounds Sterling US$	United States dollars US$	Australian Dollars US$	Euro US$	Singapore Dollars US$	Total US$
Cash and cash equivalents	2,898,583	16,552,547	19,708	10,992	141,414	19,623,244
Trade and other receivables	35,027	15,394,983	18,630	6,735	182,795	15,638,170
Prepayments	–	9,537,051	–	–	–	9,537,051
Loans and borrowings	–	(263,449,583)	–	–	–	(263,449,583)
Deferred lease income	–	(1,588,392)	–	–	–	(1,588,392)
Other financial liabilities	(45,263)	(20,992,115)	(47,768)	(9,322)	(82,944)	(21,177,412)
Currency exposure	2,888,347	(244,545,509)	(9,430)	8,405	241,265	(241,416,922)

2012	Pounds Sterling US$	United States dollars US$	Australian Dollars US$	Euro US$	Singapore Dollars US$	Total US$
Cash and cash equivalents	57,276	8,844,306	16,761	1,656	174,471	9,094,470
Trade and other receivables	385,611	16,927,409	5,795	81,466	58,712	17,458,993
Prepayments	–	4,295,006	–	–	–	4,295,006
Loans and borrowings	–	(143,542,479)	–	–	–	(143,542,479)
Deferred lease income	–	(822,416)	–	–	–	(822,416)
Other financial liabilities	(189,114)	(10,222,396)	(11,279)	(8,194)	(707,018)	(11,138,001)
Currency exposure	253,773	(124,520,570)	11,277	74,928	(473,835)	(124,654,427)

Company

2013	Pounds Sterling US$	United States dollars US$	Australian Dollars US$	Euro US$	Singapore Dollars US$	Total US$
Cash and cash equivalents	2,788,225	616,577	–	–	1,520	3,406,322
Trade and other receivables	838,120	27,368,533	4,573	88,767	60,963	28,360,956
Loans and borrowings	–	(13,470,218)	–	–	–	(13,470,218)
Other financial liabilities	(109,159)	(5,637,524)	(25,750)	(43,125)	(96,689)	(5,912,247)
Currency exposure	3,517,186	8,877,368	(21,177)	45,642	(34,206)	12,384,813
2012						
Cash and cash equivalents	42,784	1,134,638	–	–	4,883	1,182,305
Trade and other receivables	377,537	18,321,392	5,795	80,878	8,391	18,793,993
Loans and borrowings	–	(2,784,029)	–	–	–	(2,784,029)
Other financial liabilities	(112,582)	(3,626,172)	(6,734)	(2,177)	(176,046)	(3,923,711)
Currency exposure	307,739	13,045,829	(939)	78,701	(162,772)	13,268,558

If the foreign currencies changes against the United States Dollars by 10% (2012: 10%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Increase/(Decrease)		Increase/(Decrease)	
Group	2013 Profit after tax US$	2013 Equity US$	2012 Profit after tax US$	2012 Equity US$
GBP against US$				
- strengthen	288,835	–	25,377	–
- weakened	(288,835)	–	(25,377)	–
AUD against US$				
- strengthen	(943)	–	1,128	–
- weakened	943	–	(1,128)	–
Euro against US$				
- strengthen	840	–	7,493	–
- weakened	(840)	–	(7,493)	–
SGD against US$				
- strengthen	24,126	–	(47,383)	–
- weakened	(24,126)	–	47,383	–

Company	Increase/(Decrease) 2013 Profit after tax US$	2013 Equity US$	Increase/(Decrease) 2012 Profit after tax US$	2012 Equity US$
GBP against US$				
- strengthen	351,719	–	30,774	–
- weakened	(351,719)	–	(30,774)	–
AUD against US$				
- strengthen	(2,118)	–	(94)	–
- weakened	2,118	–	94	–
Euro against US$				
- strengthen	4,564	–	7,870	–
- weakened	(4,564)	–	(7,870)	–
SGD against US$				
- strengthen	(3,421)	–	(16,277)	–
- weakened	3,421	–	16,277	–

(v) Liquidity risk

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

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

Group	Less than 1 year US$	Between 1 and 2 years US$	Between 2 and 5 years US$	Over 5 years US$
2013				
Trade and other payables	12,088,802	–	–	9,088,610
Deferred lease income	207,132	207,132	569,836	604,292
Loans and borrowings	37,226,802	76,988,555	76,306,940	119,298,930
	49,522,736	77,195,687	76,876,776	128,991,832
2012				
Trade and other payables	5,073,257	–	–	6,064,744
Deferred lease income	91,379	97,950	293,844	339,243
Loans and borrowings	24,829,489	15,996,884	43,612,984	83,211,529
	29,994,125	16,094,834	43,906,828	89,615,516

Company	Less than 1 year US$	Between 1 and 2 years US$	Between 2 and 5 years US$	Over 5 years US$
2013				
Trade and other payables	3,840,760	–	2,071,487	–
Loans and borrowings	1,992,615	1,992,615	11,645,742	–
	5,833,375	1,992,615	13,717,229	–
2012				
Trade and other payables	1,273,107	2,650,604	–	–
Loans and borrowings	2,849,997	–	–	–
	4,123,104	2,650,604	–	–

(vi) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain 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 payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

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

	Group		Company	
	2013 US$	2012 US$	2013 US$	2012 US$
Net debt	265,003,751	145,586,010	15,976,143	5,525,435
Total equity	98,236,359	82,174,748	37,429,613	26,384,715
Total capital	363,240,110	227,760,758	53,405,756	31,910,150
Gearing ratio	73%	64%	30%	17%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2013 and 30 June 2012.

(vii) Fair value of financial assets and financial liabilities

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

7 RELATED PARTY TRANSACTIONS

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

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

(a) Compensation of directors and key management personnel

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

	Group		**Company**	
	2013	**2012**	**2013**	**2012**
	US$	**US$**	**US$**	**US$**
Key management of the Group				
- Directors' fee paid to directors of the Company	81,983	240,211	81,983	125,561
- Directors' fee paid to directors of subsidiaries	471,045	512,185	–	–
- Superannuation paid for a director of subsidiaries	20,600	40,484	–	–
- Salaries paid to directors of the Company	306,433	184,915	41,643	–

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

	Group	
	2013	**2012**
	US$	**US$**
Aggregate emoluments	266,844	249,808

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

(b) Significant related party transactions:

Related Party	Nature of Relationship	Description of Transaction		Group Income/ (Expense) US$	Company Income/ (Expense) US$
Virgin Australia Regional Airlines Pty. Ltd. (formerly known as Skywest Airlines (Australia) Pty. Ltd.)	A director of the Company was also a director of Virgin Australia Regional Airlines Pty. Ltd.	Sales of goods	2013	411,403	–
			2012	313,724	–
		Maintenance rent	2013	1,993,142	–
			2012	2,003,097	–
		Rental income	2013	23,456,496	–
			2012	19,775,453	–
		Service fee income	2013	12,510	–
			2012	57,367	–
CaptiveVision Capital Limited	A director of the Company was also a director of CaptiveVision Capital Limited	Interest income	2013	526	526
			2012	67,942	67,942
		Interest expense paid	2013	–	–
			2012	(4,491)	–
Takeoff Asset Management Pte. Ltd. (formerly known Takeoff Services Pte. Ltd.)	A director of the Company is also a director of Takeoff Asset Management Pte. Ltd.	Sales of goods	2013	–	–
			2012	1,477	–
		Interest income	2013	14,312	14,312
			2012	19,471	19,471
		Service fee paid	2013	–	–
			2012	(255,421)	(255,421)
F11305 Pte. Ltd.	A director of the Company was also a director of F11305 Pte. Ltd.	Sales of goods	2013	–	–
			2012	15,000	–
		Rental income	2013	314,176	314,176
			2012	361,503	361,503

Related Party	Nature of Relationship	Description of Transaction		Group Income/(Expense) US$	Company Income/(Expense) US$
Skywest Airlines (Singapore) Pte. Ltd.	A director of the Company was also a director of Skywest Airlines (Singapore) Pte. Ltd.	Sales of goods	2013	1,524	–
			2012	7,369	–
		Service fee income	2013	4,914	–
			2012	119,165	–
		Disposed of 100% interest in Capital Lease Australian Portfolio One Pty. Ltd.	2013	–	–
			2012	1,324,871	–
		Service fee paid	2013	–	–
			2012	(3,220)	(3,220)
		Consulting fee paid	2013	(309,058)	(231,120)
			2012	(373,191)	(30,365)
		Expenses rebilled paid	2013	(147,516)	(35,365)
			2012	(52,068)	(25,827)
Giant Mix Investments Ltd.	An ex-director of the Company is a director of Giant Mix Investments Ltd.	Interest income	2013	998	–
			2012	767	–
		Service fee paid	2013	–	–
			2012	(16,099)	(16,099)
Loeb Aron & Company Ltd.	A director of a subsidiary company is a director of Loeb Aron & Company Ltd.	Service fee paid	2013	(7,048)	(7,048)
			2012	(19,306)	(19,306)
Fleet Solution Consulting Pte. Ltd.	A director of a subsidiary company is a director of Fleet Solution Consulting Pte. Ltd.	Advance fee paid	2013	–	–
			2012	(76,366)	(51,366)
		Interest expense paid	2013	(205,388)	(199,939)
			2012	(141,394)	(110,769)
Epsom Assets Limited	A director of the Company is also a director of Epsom Assets Limited	Interest expense paid	2013	(24,842)	–
			2012	–	–
Director	Director of a subsidiary company	Interest expense paid	2013	(58,094)	–
			2012	–	–

(c) Significant related party balances:

Related Party	Nature of Relationship	Description of Transaction		Group Amount owed by related parties/(to related parties) US$	Company Amount owed by related parties/(to related parties) US$
Virgin Australia Regional Airlines Pty. Ltd. (formerly known as Skywest Airlines (Australia) Pty. Ltd.)	A director of the Company was also a director of Virgin Australia Regional Airlines Pty. Ltd.	Trade Receivables	2013	–	–
			2012	2,829,670	–
		Accrued income	2013	–	–
			2012	161,640	–
		Deferred income	2013	–	–
			2012	(1,377,395)	–
		Deposit collected - non-current	2013	–	–
			2012	(3,984,140)	–
CaptiveVision Capital Limited	A director of the Company was also a director of CaptiveVision Capital Limited	Non-trade receivables	2013	–	–
			2012	168,393	168,393
Capital Lease Australian Portfolio One Pty. Ltd.	A director of the Company was also a director of Capital Lease Australian Portfolio One Pty. Ltd.	Non-trade receivables	2013	–	–
			2012	315	315
Takeoff Asset Management Pte. Ltd. (formerly known Takeoff Services Pte. Ltd.)	A director of the Company is also a director of Takeoff Asset Management Pte. Ltd.	Interest bearing loan receivables. The loan is unsecured, repayable upon demand. Interest is charged at 5% per annum.	2013	232,554	232,554
			2012	331,686	331,686
		Interest receivables	2013	34,345	34,345
			2012	20,036	20,036
F11305 Pte. Ltd.	A director of the Company was also a director of F11305 Pte. Ltd.	Trade Receivables	2013	–	–
			2012	31,373	31,373
		Deferred income	2013	–	–
			2012	(14,641)	(14,641)
		Deposit collected - non-current	2013	–	–
			2012	(70,741)	(70,741)

Related Party	Nature of Relationship	Description of Transaction		Group Amount owed by related parties/(to related parties) US$	Company Amount owed by related parties/(to related parties) US$
Skywest Airlines (Singapore) Pte. Ltd.	A director of the Company was also a director of Skywest Airlines (Singapore) Pte. Ltd.	Non-trade receivables	2013	–	–
			2012	4,207,602	–
		Non-trade payables	2013	–	–
			2012	(456,497)	(114,707)
Skywest Airlines Pte. Ltd. (formerly known as Skywest Airlines Ltd)	A director of the Company was also a director of Skywest Airlines Pte. Ltd.	Non-trade payables	2013	–	–
			2012	(63,707)	(643)
Giant Mix Investments Ltd.	An ex-director of the Company is a director of Giant Mix Investments Ltd.	Advances	2013	–	–
			2012	30,839	–
Fleet Solution Consulting Pte. Ltd.	A director of a subsidiary company is a director of Fleet Solution Consulting Pte. Ltd.	Interest bearing loan. The loan is unsecured, repayable upon demand. Interest is charged at 9.75% per annum.	2013	(1,200,000)	–
			2012	–	–
		Interest bearing loan. The loan is unsecured, repayable upon demand. Interest is charged at 10% per annum.	2013	(1,000,000)	–
			2012	–	–
		Interest payables	2013	(17,194)	(9,863)
			2012	–	–
		Interest bearing loan - non-current The loan is unsecured, repayable by October 2014. Interest is charged at 10% per annum.	2013	(2,000,000)	(2,000,000)
			2012	(2,009,863)	(2,009,863)

Related Party	Nature of Relationship	Description of Transaction		Group Amount owed by related parties/(to related parties) US$	Company Amount owed by related parties/(to related parties) US$
Epsom Assets Limited	A director of the Company is also a director of Epsom Assets Limited	Interest bearing loan. The loan is unsecured, repayable upon demand. Interest is charged at 9.75% per annum.	2013	(3,000,000)	–
			2012	–	–
		Interest payables	2013	(12,021)	–
			2012	–	–
Director	Director of a subsidiary company	Interest bearing loan. The loan is unsecured, repayable upon demand. Interest is charged at 9.75% per annum.	2013	(800,000)	–
			2012	–	–
		Interest payables	2013	(6,050)	–
			2012	–	–

(d) Significant transactions and balances between the Company and its subsidiaries:

Subsidiaries	Description of Transaction		Income/(Expense) US$	Amount owed by subsidiaries/(to subsidiaries) US$
F100 Pty. Ltd.	Trade receivables	2013	–	455,720
		2012	–	–
	Non-trade receivables	2013	–	–
		2012	–	347,057
	Non-trade payables	2013	–	(243,785)
		2012	–	–
	Management and service fee income	2013	655,720	–
		2012	316,782	–
MSN 429 Leaseco Limited.	Non-trade receivables	2013	–	695,484
		2012	–	–
	Sale of aircraft	2013	6,978,357	–
		2012	–	–
MSN 429 Limited	Trade receivables	2013	–	–
		2012	–	187,000
	Non-trade receivables	2013	–	–
		2012	–	138
	Non-trade payables	2013	–	(803,033)
		2012	–	–
	Deferred income	2013	–	–
		2012	–	(187,000)
	Deposit collected - non-current	2013	–	–
		2012	–	(570,000)
	Rental income	2013	1,250,956	–
		2012	2,230,612	–
Capital Lease Aviation PLC	Non-trade receivables	2013	–	1,626
		2012	–	428,281
	Dividend income	2013	–	–
		2012	428,281	–
Capital Lease Aviation (S) Pte. Ltd.	Trade payables	2013	–	(55,258)
		2012	–	(55,055)

Subsidiaries	Description of Transaction		Income/(Expense) US$	Amount owed by subsidiaries/(to subsidiaries) US$
Avation.net Inc	Non-trade receivables	2013	–	239,524
		2012	–	106,512
	Interest bearing loan receivables. The loan is unsecured, repayable upon demand. Interest is charged at 1% per month.	2013	–	35,000
		2012	–	200,000
	Interest receivables	2013	–	11,218
		2012	–	1,250
	Non-trade payables	2013	–	(9,118)
		2012	–	–
	Interest income	2013	9,955	–
		2012	1,250	–
	Service fee expense	2013	(30,913)	–
		2012	–	–
Avation Airframe Holding Pte. Ltd.	Non-trade receivables	2013	–	13,825,510
		2012	–	7,033,657
Avation Eastern Fleet Pte. Ltd.	Non-trade receivables	2013	–	–
		2012	–	1,063,546
	Non-trade payables	2013	–	(33,803)
		2012	–	–
Avation Eastern Fleet II Pte. Ltd.	Non-trade receivables	2013	–	675,130
		2012	–	405,053
Avation Eastern Fleet III Pte. Ltd.	Non-trade receivables	2013	–	1,476,862
		2012	–	–
Avation Eastern Fleet IV Pte. Ltd.	Non-trade receivables	2013	–	1,115,542
		2012	–	–
Airframe Leasing (S) Pte. Ltd.	Non-trade receivables	2013	–	4,704
		2012	–	1,572
Airframe Leasing (S) II Pte. Ltd.	Non-trade payables	2013	–	(695,737)
		2012	–	(398,427)

Subsidiaries	Description of Transaction		Income/(Expense) US$	Amount owed by subsidiaries/(to subsidiaries) US$
Airframe Leasing (S) III Pte. Ltd.	Non-trade receivables	2013	–	1,666
		2012	–	–
Airframe Leasing (S) IV Pte. Ltd.	Non-trade receivables	2013	–	316
		2012	–	–
MSN 1922 Pte. Ltd.	Non-trade payables	2013	–	(326,367)
		2012	–	–
	Deferred income	2013	–	(98,600)
		2012	–	–
	Rental income	2013	423,400	–
		2012	–	–
MSN 1607 Pte. Ltd.	Non-trade receivables	2013	–	474
		2012	–	–

8 REVENUE

	Group	
	2013	**2012**
	US$	**US$**
Rental income	39,513,196	31,356,956
Maintenance rent revenue	1,993,142	2,003,097
Management and service income	381,409	325,515
Sales of finished goods	852,244	1,315,650
	42,739,991	35,001,218

9 OTHER INCOME

	Group	
	2013	**2012**
	US$	**US$**
Interest income	28,727	94,470
Foreign currency exchange adjustment gain	34,079	-
Software licence repurchase by aircraft manufacturer	1,075,420	-
Finance income from the discounting of non-current deposits to present value	582,844	21,137
Others	125,468	4,472
	1,846,538	120,079

10 OTHER OPERATING EXPENSES

	Group	
	2013	**2012**
	US$	**US$**
Claim on maintenance reserve expense	1,860,732	1,991,753
Depreciation of property, plant and equipment	11,366,937	10,299,139
Impairment loss on property plant and equipment	8,945	1,569,532
Loss on disposal of a subsidiary (1)	-	627,565
Foreign currency exchange adjustment loss	-	113,930
	13,236,614	14,601,919

(1) On 28 June 2012, the Company disposed of its 100% interest in Capital Lease Australian Portfolio One Pty. Ltd. for a cash consideration of US$1,324,871. The carrying amounts of identifiable net assets disposed of were US$1,952,436 at 28 June 2012, resulting in a loss on disposal of US$627,565.

11 FINANCE EXPENSES

	Group	
	2013	**2012**
	US$	**US$**
Interest expense on borrowings	11,517,628	7,478,572
Amortisation of loan premium	904,658	356,827
Amortisation of deferred lease expense	570,267	6,663
	12,992,553	7,842,062

12 STAFF COSTS

	Group	
	2013	**2012**
	US$	**US$**
Directors' fee paid to directors of the Company	81,983	240,211
Directors' fee paid to directors of the subsidiaries	471,045	512,185
Wages and salaries	652,613	184,915
Employer's contribution to defined contribution plans including superannuation	20,600	40,484
Warrant expense	-	103,565
	1,226,241	1,081,360

13 PROFIT BEFORE TAXATION

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

	2013	**2012**
	US$	**US$**
Claim on maintenance reserve expense – Group	1,860,732	1,991,753
Depreciation of property, plant and equipment – Group	11,104,963	10,299,139
Foreign currency exchange adjustment gain – Group	34,079	-
Auditors' remuneration for audit services		
- Company	41,844	31,678
- Subsidiaries	48,691	44,349
Auditors' remuneration for non-audit services		
- Corporate taxation – Company	-	3,564
- Corporate taxation – Subsidiaries	10,651	10,454

14 TAXATION

	Group	
	2013	**2012**
	US$	**US$**
Current tax expense		
- United Kingdom	42,657	91,873
- Overseas	1,405,792	1,321,033
(Over)/Under provision in prior years tax expense		
- United Kingdom	-	2,088
- Overseas	4,699	(9,725)
Deferred tax expense – United Kingdom	25,575	10,942
Deferred tax expense – overseas	524,903	263,297
Under provision in prior years deferred tax expense - overseas	-	12,180
Other tax – overseas – current	1,058	18,392
	2,004,684	1,710,080

The standard rate of current tax for the period based on the Singapore standard rate of corporation tax is 17% (2012: 17%). The current tax expense for the period is less than 17% (2012: 17%) for the reasons set out in the following reconciliation:

	Group	
	2013	**2012**
	US$	**US$**
Profit before income tax	13,969,677	8,073,614
Tax calculated at tax rate of 17% (2012: 17%)	2,374,845	1,372,514
Effects of:		
Under provision in prior years tax expense – Overseas	5,517	-
Non-taxable items	151,862	(139,999)
Capital allowances and other temporary differences	(1,462,506)	(829,062)
Different tax rates of other countries	383,430	1,009,453
Adjustment to tax charge in respect of previous periods	-	(7,637)
Total income tax expense	1,453,148	1,405,269

15 EARNINGS PER SHARE

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

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

	Group	
	2013 US$	**2012 US$**
Net profit attributable to equity holders of the Company	10,515,901	5,009,457
Weighted average number of ordinary shares	45,236,493	40,515,436
Basic earnings per share	23.25 cents	12.36 cents

(b) Diluted earnings per share

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

For warrants, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share option less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. None of the warrants in existence are dilutive as their exercise price is greater that the weighted average share price. No adjustment is made to the net profit.

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

	Group	
	2013 US$	**2012 US$**
Net profit attributable to equity holders of the Company	10,515,901	5,009,457
Weighted average number of ordinary shares	45,236,493	40,515,436
Adjustment for:		
- Warrants	-	165,337
Weighted average number of ordinary shares	45,236,493	40,680,773
Diluted earnings per share	23.25 cents	12.31 cents

16 TRADE AND OTHER RECEIVABLES

Current	Group 2013 US$	Group 2012 US$	Company 2013 US$	Company 2012 US$
Trade receivables	4,534,250	623,898	195,965	–
Trade receivables - subsidiaries (See Note 7d)	–	–	455,720	187,000
Trade receivables – related party (See Note 7c)	–	2,861,043	–	31,373
Non-trade receivables	99,743	27,414	35,343	15,698
Non-trade receivables -subsidiaries (See Note 7d)	–	–	18,036,838	9,385,816
Non-trade receivables – related parties (See Note 7c)	–	4,376,310	–	168,708
Interest bearing loan receivable - subsidiaries (See Note 7d)	–	–	35,000	200,000
Interest receivable – subsidiaries (See Note 7d)	–	–	11,218	1,250
Interest bearing loan receivable – related party (See Note 7c)	232,554	331,686	232,554	331,686
Interest receivable – related party (See Note 7c)	34,345	20,036	34,345	20,036
Prepaid expense	1,288,586	588,299	59,729	14,598
Advances – related party (See Note 7c)	–	30,839	–	–
Accrued income	148,431	–	–	–
Accrued income – related party (See Note 7c)	–	161,640	–	–
	6,337,909	9,021,165	19,096,712	10,356,165

Non-current	Group 2013 US$	Group 2012 US$	Company 2013 US$	Company 2012 US$
Deposit for aircraft	9,300,261	8,437,828	9,264,244	8,437,828

The amounts due from subsidiaries and related parties are unsecured, interest-free and payable on demand unless otherwise stated.

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

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	US$	**US$**	**US$**	**US$**
Pounds Sterling	35,027	385,611	838,120	377,537
United States dollars	15,394,983	16,927,409	27,368,533	18,321,392
Australian dollars	18,630	5,795	4,573	5,795
Euro	6,735	81,466	88,767	80,878
Singapore dollars	182,795	58,712	60,963	8,391
	15,638,170	17,458,993	28,360,956	18,793,993

17 PREPAYMENTS

Prepayments represent loan premiums on amounts due to outside parties and are amortised over 10 years.

18 INVENTORIES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	US$	**US$**	**US$**	**US$**
Finished goods, at cost	438	14,316	–	–

The cost of inventories recognised as an expense and included in the cost of sales amounts to US$822,887 (2012: US$1,129,526).

19 INVESTMENT IN SUBSIDIARIES

	Company	
	2013	**2012**
	US$	**US$**
Unquoted equity shares, at cost	2,505,319	2,505,157
Quoted equity shares, at cost	2,734,373	2,734,373
	5,239,692	5,239,530
Quoted equity shares, at market value	15,828,404	16,015,998

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

Details of the subsidiaries are as follows:

Name of Company	Principal activities	Country of Incorporation/ operations	Company's cost of investment 2013 US$	2012 US$	Group's effective equity interest 2013 %	2012 %
The subsidiaries held directly by the Company:						
Avation.net Inc (a)	Procurement	United States of America	2,505,066	2,505,066	99.96	99.96
Capital Lease Aviation PLC (b)	Leasing of aircraft	United Kingdom	2,734,373	2,734,373	62.07	62.07
F100 Pty. Ltd. (c)	Leasing of aircraft	Australia	10	10	100.00	100.00
MSN 429 Limited (b)	Leasing of aircraft	United Kingdom	(g)	2	(g)	100.00
Avation Eastern Fleet Pte. Ltd. (e)	Leasing of aircraft	Singapore	78	78	100.00	100.00
Avation Eastern Fleet II Pte. Ltd. (a)	Leasing of aircraft	Singapore	1	1	100.00	100.00
Avation Airframe Holding Pte. Ltd. (e)	Leasing of aircraft	Singapore	-	-	-	-
Avation Eastern Fleet III Pte. Ltd. (e)	Leasing of aircraft	Singapore	1	-	100.00	-
Avation Eastern Fleet IV Pte. Ltd. (e)	Leasing of aircraft	Singapore	1	-	100.00	-
MSN 1922 Pte. Ltd. (e)	Leasing of aircraft	Singapore	1	-	100.00	-
MSN 429 Leaseco Limited (b)	Leasing of aircraft	United Kingdom/ Singapore	160	-	100.00	-
F100 Fleet Pte. Ltd. (f)	Leasing of aircraft	Singapore	1	-	100.00	-

Name of Company	Principal activities	Country of Incorporation/ operations	Company's cost of investment		Group's effective equity interest	
			2013	2012	2013	2012
			US$	US$	%	%
The subsidiaries held by Capital Lease Aviation PLC:						
Capital Lease Malta Ltd (d)	Leasing of aircraft	Malta	–	–	62.07	62.07
Capital Lease (S) Pte. Ltd. (a)	Leasing of aircraft	Singapore	–	–	62.07	62.07
MSN 1607 Pte. Ltd. (f)	Leasing of aircraft	Singapore	–	–	62.07	--
The subsidiary held by Avation Eastern Fleet Pte. Ltd.:						
Airframe Leasing (S) Pte. Ltd. (e)	Leasing of aircraft	Singapore	–	–	100.00	100.00
The subsidiary held by Avation Eastern Fleet II Pte. Ltd.:						
Airframe Leasing (S) II Pte. Ltd. (a)	Leasing of aircraft	Singapore	–	–	100.00	100.00
The subsidiary held by Avation Eastern Fleet III Pte. Ltd.:						
Airframe Leasing (S) III Pte. Ltd. (e)	Leasing of aircraft	Singapore	–	–	100.00	--
The subsidiary held by Avation Eastern Fleet IV Pte. Ltd.:						
Airframe Leasing (S) IV Pte. Ltd. (e)	Leasing of aircraft	Singapore	–	–	100.00	--
The subsidiary held by MSN 429 Leaseco Limited:						
MSN 429 Limited (b)	Leasing of aircraft	United Kingdom	–	(g)	100.00	--
The subsidiary held by F100 Fleet Pte. Ltd.:						
F100 Leasing Pte. Ltd. (f)	Leasing of aircraft	Singapore	–	–	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 Kingston Smith LLP, London, United Kingdom for consolidation purposes
(g) MSN 429 Limited was held directly by Avation PLC in 2012 and the shareholding was transferred to MSN 429 Leaseco Limited in 2013.

20 PROPERTY, PLANT AND EQUIPMENT

Group 2013	Furniture and equipment US$	Aircraft US$	Total US$
Cost or valuation:			
At beginning of year	14,922	243,234,348	243,249,270
Additions	5,198	147,781,846	147,787,044
Revaluation surplus	-	3,595,484	3,595,484
At end of year	20,120	394,611,678	394,631,798
Representing:			
Cost	20,120	217,015,882	217,036,002
Valuation	-	177,595,796	177,595,796
	20,120	394,611,678	394,631,798
Accumulated depreciation:			
At beginning of year	7,529	29,379,438	29,386,967
Depreciation for the year	4,882	11,362,055	11,366,937
Increase in revaluation	-	(26,646)	(26,646)
Impairment loss	-	6,704,151	6,704,151
At end of year	12,411	47,418,998	47,431,409
Net book value:			
At beginning of year	7,393	213,854,910	213,862,303
At end of year	7,709	347,192,680	347,200,389

Group 2012	Furniture and equipment US$	Aircraft US$	Total US$
Cost or valuation:			
At beginning of year	12,076	156,671,886	156,683,962
Additions	2,846	108,274,256	108,277,102
Disposal of subsidiary	–	(21,711,794)	(21,711,794)
At end of year	14,922	243,234,348	243,249,270
Representing:			
Cost	14,922	108,274,256	108,289,178
Valuation	–	134,960,092	134,960,092
	14,922	243,234,348	243,249,270
Accumulated depreciation:			
At beginning of year	3,557	21,058,920	21,062,477
Depreciation for the year	3,972	10,295,167	10,299,139
Impairment loss	–	8,792,880	8,792,880
Disposal of subsidiary	–	(10,767,529)	(10,767,529)
At end of year	7,529	29,379,438	29,386,967
Net book value:			
At beginning of year	8,519	135,612,966	135,621,485
At end of year	7,393	213,854,910	213,862,303

Company 2013	Furniture and equipment US$	Aircraft US$	Total US$
Cost or valuation:			
At beginning of year	1,886	9,077,560	9,079,446
Additions	1,953	16,560,816	16,562,769
Disposal	-	(7,999,120)	(7,999,120)
Revaluation surplus	-	2,812,938	2,812,938
At end of year	3,839	20,452,194	20,456,033
Representing:			
Cost	3,839	-	3,839
Valuation	-	20,452,194	20,452,194
	3,839	20,452,194	20,456,033
Accumulated depreciation:			
At beginning of year	419	887,357	887,776
Depreciation for the year	1,280	442,745	444,025
Disposal	-	(1,020,763)	(1,020,763)
Increase in revaluation surplus	-	(26,646)	(26,646)
At end of year	1,699	282,693	284,392
Net book value:			
At beginning of year	1,467	8,190,203	8,191,670
At end of year	2,140	20,169,501	20,171,641

Company 2012	Furniture and equipment US$	Aircraft US$	Total US$
Cost or valuation:			
At beginning of year	–	9,077,560	9,077,560
Additions	1,886	–	1,886
At end of year	1,886	9,077,560	9,079,446
Representing:			
Cost	1,886	–	1,886
Valuation	–	9,077,560	9,077,560
	1,886	9,077,560	9,079,446
Accumulated depreciation:			
At beginning of year	–	434,140	434,140
Depreciation for the year	419	453,217	453,636
At end of year	419	887,357	887,776
Net book value:			
At beginning of year	–	8,643,420	8,643,420
At end of year	1,467	8,190,203	8,191,670

Assets held on trust

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

Assets held under finance lease

During the financial year, the Group acquired aircraft with an aggregated cost of US$16,560,816 (2012: US$37,000,000) and the Company acquired aircraft with an aggregated cost of US$16,560,816 (2012: US$Nil) by means of finance leases respectively.

The carrying amount of aircraft held under finance leases at the end of the reporting period was US$54,768,779 (2012: US$43,664,897).

Assets pledged as security

In addition to assets held under finance leases, the Group's aircraft with carrying values of US$ 261,655,019 (2012: US$170,972,560) are mortgaged to secure the Group's borrowings (Note 24).

The Group's property, plant and equipment include borrowing costs from bank loans specifically used for purchase of aircraft. During the financial year, the borrowing costs capitalised as cost of property, plant and equipment amount to US$210,000 (2012: US$Nil).

The Group's older aircraft were revalued either at January 2013 or June 2013 by independent valuers, on the basis of lease encumbered value and the carrying value of the aircraft is reduced to its recoverable value. Impairment losses were recognised as an expense immediately.

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

	Group	
	2013	**2012**
	US$	**US$**
Cost	374,204,306	226,422,460
Accumulated depreciation	(35,200,649)	(22,219,075)
Net carrying value	339,003,657	204,203,385

21 GOODWILL ON CONSOLIDATION

	Group	
	2013	**2012**
	US$	**US$**
Cost:		
Balance at beginning and at end of year	2,384,008	2,384,008

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 Avation.net Inc has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management covering the next financial year.

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.

22 TRADE AND OTHER PAYABLES

	Group		Company	
Current	**2013**	**2012**	**2013**	**2012**
	US$	**US$**	**US$**	**US$**
Trade payables	1,532,786	660,252	1,467,964	444,484
Trade payables – subsidiaries (See Note 7d)	–	–	55,258	55,055
Non-trade payables	334,138	487,326	–	–
Non-trade payables - subsidiaries (See Note 7d)	–	–	2,111,843	398,427
Non-trade payables - related parties (See Note 7c)	–	520,204	–	115,350
Interest bearing loan – related parties (See Note 7c)	6,000,000	–	–	–
Interest payable – related parties (See Note 7c)	35,265	–	9,863	–
Deferred income	3,426,841	750,000	14,641	–
Deferred income – subsidiaries (See Note 7d)	–	–	98,600	187,000
Deferred income – related parties (See Note 7c)	–	1,392,036	–	14,641
Accrued expenses	759,772	1,263,439	82,591	58,150
	12,088,802	5,073,257	3,840,760	1,273,107

	Group		Company	
Non-current	**2013**	**2012**	**2013**	**2012**
	US$	**US$**	**US$**	**US$**
Deposits collected	7,088,610	–	71,487	–
Deposit collected – subsidiary (See Note 7d)	–	–	–	570,000
Deposit collected - related party (See Note 7c)	–	4,054,881	–	70,741
Interest bearing loan – related party (See Note 7c)	2,000,000	2,009,863	2,000,000	2,009,863
	9,088,610	6,064,744	2,071,487	2,650,604

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

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

The deposits collected were from customers in respect of aircraft lease commitments, and have been discounted to their present value at a current pre-tax rate that reflect the risks specific to these deposits. These deposits will be refunded at the end of the lease terms.

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

	Group		Company	
	2013 US$	2012 US$	2013 US$	2012 US$
Pound sterling	45,263	189,114	109,159	112,582
United states dollars	20,992,115	10,222,396	5,637,524	3,626,172
Australian dollars	47,768	11,279	25,750	6,734
Euro	9,322	8,194	43,125	2,177
Singapore dollars	82,944	707,018	96,689	176,046
	21,177,412	11,138,001	5,912,247	3,923,711

23 DEFERRED LEASE INCOME

The deferred lease income is the difference between the present value and the principal amount of the deposits received from a customer. The deferred lease income is amortised through the statement of comprehensive income on a straight line basis over the lease term.

24 LOAN AND BORROWINGS

		Group		Company	
	Maturity	**2013**	**2012**	**2013**	**2012**
		US$	**US$**	**US$**	**US$**
Secured borrowing I	2013	–	1,067,487	–	–
Secured borrowing II	2012	–	292,627	–	–
Secured borrowing III	2013	61,994	779,136	–	–
Secured borrowings IV	2013	–	2,518,182	–	–
Secured borrowings V	2015	13,413,580	15,820,988	–	–
Secured borrowings VI	2015	14,265,625	16,703,125	–	–
Secured borrowings VII	2013	199,488	1,351,040	–	–
Secured borrowings VIII	2021	13,992,973	15,341,083	–	–
Junior Secured borrowings VIII	2021	1,452,374	1,348,056	–	–
Secured borrowings IX	2021	13,971,988	15,318,230	–	–
Junior Secured borrowings IX	2021	1,466,544	1,363,111	–	–
Secured borrowings X	2021	14,465,556	15,834,975	–	–
Junior Secured borrowings X	2021	1,485,223	1,382,958	–	–
Secured borrowings XI	2021	14,375,678	15,736,579	–	–
Junior Secured borrowings XI	2021	1,461,781	1,360,177	–	–
Secured borrowings XII	2022	16,113,572	–	–	–
Junior Secured borrowings XII	2022	1,389,385	–	–	–
Secured borrowings XIII	2022	16,059,469	–	–	–
Junior Secured borrowings XIII	2022	1,381,587	–	–	–
Secured borrowings XIV	2022	16,461,482	–	–	–
Junior Secured borrowings XIV	2022	1,383,914	–	–	–
Secured borrowings XV	2022	16,370,627	–	–	–
Junior Secured borrowings XV	2022	1,373,429	–	–	–
Secured borrowings XVI	2023	14,719,145	–	–	–
Junior Secured borrowings XVI	2023	1,311,076	–	–	–
Secured borrowings XVII	2023	15,090,579	–	–	–
Junior Secured borrowings XVII	2023	1,331,522	–	–	–
Secured borrowings XVIII	2014	6,000,000	–	–	–
Secured borrowings XIX	2018	17,000,000	–	–	–
Obligations under finance lease		46,850,992	37,324,725	13,470,218	2,784,029
Total		263,449,583	143,542,479	13,470,218	2,784,029
Less: current portion of loan borrowings		(24,243,718)	(19,553,681)	(1,415,411)	(2,108,683)
		239,205,865	123,988,798	12,054,807	675,346

Obligations under finance lease

	Group		Company	
	2013	**2012**	**2013**	**2012**
	US$	**US$**	**US$**	**US$**
Future minimum lease payments				
Within one year	6,468,612	6,675,996	1,992,612	2,199,996
After more than one year but within 5 years	31,542,346	18,585,528	13,638,346	681,528
More than 5 years	33,001,700	37,477,700	–	–
	71,012,658	62,739,224	15,630,958	2,881,524
Less: Finance charges	(24,161,666)	(25,414,499)	(2,160,740)	(97,495)
Present value of minimum lease payments	46,850,992	37,324,725	13,470,218	2,784,029
The present value of minimum lease payments is analysed as follows:				
Within one year	2,694,958	3,268,605	1,415,411	2,108,683
After more than one year but within 5 years	18,635,952	6,716,586	12,054,807	675,346
More than 5 years	25,520,082	27,339,534	–	–
Balance at end of year	46,850,992	37,324,725	13,470,218	2,784,029

1) Secured borrowing I is secured by fixed and floating charges over all aircraft purchased by its subsidiary, F100 Pty. Ltd. ("F100"). The borrowing has been repaid during the year.

2) Secured borrowing II is secured by fixed and floating charges over all aircraft purchased by its subsidiary, F100 Pty. Ltd. The borrowing has been repaid during the year.

3) Secured borrowing III is secured by fixed and floating charges over all aircraft purchased by its subsidiary, F100 Pty. Ltd.

4) Secured borrowing IV is secured by the aircraft of its subsidiary, Capital Lease Aviation PLC ("CLA") and a charge over CLA's bank account into which lease payments relating to the aircraft are received. The borrowing has been repaid during the year.

5) Secured borrowing V is secured by the aircraft of its subsidiary, Capital Lease Malta Ltd ("CLM"), a charge over the shares in CLM and a charge over CLM's bank accounts into which lease payments relating to the aircraft are received.

6) Secured borrowing VI is secured by the aircraft of its subsidiary, CLM, a charge over the shares in CLM and a charge over the shares in CLM and a charge over CLM's bank accounts into which lease payments relating to the aircraft are received.

7) Secured borrowing VII is secured by fixed and floating charges over all aircraft purchased by its subsidiary, F100 Pty. Ltd.

8) Secured borrowing VIII – XV, the Group entered into Type A loan facilities with an institution to partially finance the purchase of aircraft. The loans are secured by the following:

   (a) Aircraft mortgages in respect of the aircraft purchased with the proceeds of Type A loan Loan Facilities (the "Aircraft")
   (b) Security assignments of the Group's right under the leases and other contractual documents relating to the Aircraft
   (c) A charge over the bank accounts into which lease payments relating to the Aircraft are received;
   (d) A charge over the entire issued share capital of Avation Eastern Fleet Pte. Ltd. (a subsidiary)

   Each advance under a Type A Loan Facility is a separate 10 year loan whose term matches the term of the lease of the Aircraft purchased with the proceeds of such loan. The security given by the Group in respect of each such loan is for a term also matching the term of the loan and lease of the corresponding Aircraft.

   The Group may not deal with any Aircraft nor the associated assets and rights relating to each such Aircraft without the consent of the institution under the Type A Loan Facility, save to the extent that such transaction would enable the Group to repay the loan relating to the Aircraft.

   The above charges also apply to junior secured borrowing VIII – XV but such lenders' rights under the security are sub-ordinated to and rank behind those of the lender under the Type A Loan Facility.

9) Secured borrowing XVI, the Group entered into Type B Loan Facilities with a financial institution to partially finance the purchase of aircraft. The loans are secured by the following:

   (a) Aircraft mortgages in respect of the aircraft purchased with the proceeds of Type B Loan Facilities (the "Aircraft")
   (b) Security assignments of the Group's right under the leases and other contractual documents relating to the Aircraft
   (c) A charge over its bank accounts into which lease payments relating to the Aircraft are received;
   (d) A charge over the entire issued share capital of Airframe Leasing (S) III Pte. Ltd. (a subsidiary)

   Each advance under the Type B Loan Facility is a separate 10 year loan whose term matches the term of the lease of the Aircraft purchased with the proceeds of such loan. The security given by the Group in respect of each such loan is for a term also matching the term of the loan and lease of the corresponding Aircraft.

   The Group may not deal with any Aircraft nor the associated assets and rights relating to each such Aircraft without the consent of the financial institution under the Type B Loan Facility, save to the extent that such transaction would enable the Group to repay the loan relating to the Aircraft.

   The above charges also the junior secured borrowing XVI but such lenders' rights under the security are sub-ordinated to and rank behind those of the lender under the Type B Loan Facility.

10) The Group entered into Type C Loan Facilities with an institution to partially finance the purchase of aircraft. Secured borrowing XVII is secured by the following:

   (a) Aircraft mortgages in respect of the aircraft purchased with the proceeds of Type C Loan Facilities (the "Aircraft")
   (b) Security assignments of the Group's right under the leases and other contractual documents relating to the Aircraft
   (c) A charge over its bank accounts into which lease payments relating to the Aircraft are received;
   (d) A charge over the entire issued share capital of Airframe Leasing (S) IV Pte. Ltd. (a subsidiary)

   Each advance under the Type C Loan Facility is a separate 10 year loan whose term matches the term of the lease of the Aircraft purchased with the proceeds of such loan. The security given by the Group in respect of each such loan is for a term also matching the term of the loan and lease of the corresponding Aircraft.

   The Group may not deal with any Aircraft nor the associated assets and rights relating to each such Aircraft without the consent of the institution under the Type C Loan Facility, save to the extent that such transaction would enable the Group to repay the loan relating to the Aircraft.

   The above charges also apply to junior secured borrowing XVII but such lenders' rights under the security are sub-ordinated to and rank behind those of the lender under the Type C Loan Facility.

11) Secured borrowing XVIII is secured by a first priority mortgage on the aircraft of its subsidiary, MSN 429 Leaseco Limited, security assignments of the subsidiary's rights under the leases and other contractual documents relating to the aircraft.

12) Secured borrowing XIX is secured by a first ranking mortgage on the aircraft of its subsidiary, MSN 1607 Pte. Ltd., security assignments in favour of the lender of the subsidiary' rights under the leases and other contractual documents relating to the aircraft and a charge over its bank accounts into which lease payments relating to the Aircraft are received.

The average interest rates for the outside party borrowings range from 3.24% to 8.25% per annum (2012: 4% to 9.90% per annum).

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

25 SHORT-TERM PROVISIONS

	Group	
	2013	**2012**
	US$	**US$**
Maintenance reserve claim	3,757,081	2,969,169

	Group	
	2013	**2012**
	US$	**US$**
Movement in provision for maintenance provisions claim is as follows:		
Balance at beginning of financial year	2,969,169	4,564,855
Provision made during the financial year	1,860,732	2,976,564
Provision used during the financial year	(1,072,820)	(2,019,646)
Disposal of a subsidiary	–	(2,552,604)
Balance at end of financial year	3,757,081	2,969,169

A provision of US$1,860,732 (2012: US$2,976,564) was made during the year ended 30 June 2013. This provision is based on maintaining a sufficient balance to match expected drawdowns of reserves over the lease period of the aircraft.

There were drawdowns totalling US$1,072,820 (2012: US$2,019,646) on the reserves for the year ended 30 June 2013.

26 DEFERRED TAX LIABILITIES

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

Group	Assets 2013 US$	Liabilities 2013 US$	Net 2013 US$
Property, plant and equipment	–	5,197,011	5,197,011
Other items	–	(9,094)	(9,094)
Tax losses carried forward	–	–	–
Tax (assets)/ liabilities	–	5,187,917	5,187,917
Set off tax	–	–	–
Net tax (assets)/ liabilities	–	5,187,917	5,187,917

	Assets 2012 US$	Liabilities 2012 US$	Net 2012 US$
Property, plant and equipment	–	5,268,872	5,268,872
Other items	–	644,964	644,964
Tax losses carried forward	–	29,364	29,364
Tax assets	–	5,943,200	5,943,200
Set off tax	–	–	–
Net tax (assets)/ liabilities	–	5,943,200	5,943,200

Movement in temporary differences during the financial year:

Group	Balance 1 July 2012 US$	Recognised in profit and loss US$	Recognised in equity US$	Balance 30 June 2013 US$
Property, plant and equipment	5,268,872	1,220,582	(1,292,443)	5,197,011
Other items	644,964	(654,058)	–	(9,094)
Tax losses carried forward	29,364	(29,364)	–	–
	5,943,200	537,160	(1,292,443)	5,187,917

Movement in temporary differences during the last financial year:

Group	Balance 1 July 2011 US$	Recognised in profit and loss US$	Recognised in equity US$	Balance 30 June 2012 US$
Property, plant and equipment	5,562,765	134,648	(428,541)	5,268,872
Other items	1,080,785	(435,821)	–	644,964
Tax losses carried forward	(152,091)	181,455	–	29,364
	6,491,459	(119,718)	(428,541)	5,943,200

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

Company	Assets 2013 US$	Liabilities 2013 US$	Net 2013 US$
Property, plant and equipment	–	366,533	366,533
Other items	–	–	–
Tax losses carried forward	–	–	–
Tax assets	–	366,533	366,533
Set off tax	–	–	–
Net tax (assets)/ liabilities	–	366,533	366,533

	Assets 2012 US$	Liabilities 2012 US$	Net 2012 US$
Property, plant and equipment	–	315,043	315,043
Other items	–	–	–
Tax losses carried forward	–	–	–
Tax assets	–	315,043	315,043
Set off tax	–	–	–
Net tax (assets)/ liabilities	–	315,043	315,043

Movement in temporary differences during the financial year:

Company	Balance 1 July 2012 US$	Recognised in profit and loss US$	Recognised in equity US$	Balance 30 June 2013 US$
Property, plant and equipment	315,043	51,490	--	366,533

Movement in temporary differences during the last financial year:

Company	Balance 1 July 2011 US$	Recognised in profit and loss US$	Recognised in equity US$	Balance 30 June 2012 US$
Property, plant and equipment	221,592	93,451	–	315,043

27 SHARE CAPITAL AND TREASURY SHARES

a) Share capital

	2013 No of shares	2013 US$	2012 No of shares	2012 US$
Allotted, called up and fully paid ordinary shares of 1 penny each:				
At 1 July	42,374,463	779,618	38,607,220	720,917
Issue of shares	6,448,497	98,519	3,767,243	58,701
At 30 June	48,822,960	878,137	42,374,463	779,618

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.

a) On 5 July 2012, the Company issued 2,000,000 ordinary shares of 1 penny each at 100 pence following a private placement exercise raising gross proceeds of US$3,129,200.

b) On 21 February 2013, the Company issued 60,510 ordinary shares of 1 penny each at 67.50 pence following the exercise of warrants by a warrant holder raising gross proceeds of US$62,769.

c) On 11 March 2013, the Company issued 50,000 ordinary shares of 1 penny each at 67.50 pence following the exercise of warrants by a warrant holder raising gross proceeds of US$50,335.

d) On 24 May 2013, the company issued 4,337,987 ordinary share of 1 penny each at 60 pence following an open offer raising gross proceeds of US$3,933,079.

b) Treasury shares

	2013 No of treasury shares	2013 US$	2012 No of treasury shares	2012 US$
At 1 July	–	–	–	–
Acquired during the year	150,000	214,498	–	–
At 30 June	150,000	214,498	–	–

On 9 January 2013, the Company acquired 150,000 of its shares at a price of 88 pence per ordinary share representing approximately 0.34% of the Company's issued ordinary share capital at that time. The total amount paid to acquire the shares was US$214,498 and this was presented as a component within shareholders' equity.

28 SHARE-BASED PAYMENTS

Share options and warrants

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

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

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

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

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

Warrant series signed on	Balance at beginning of year	Granted during the year	Exercised during the year	Expired/ Cancelled	Balance at end of year	Expiry date	Exercise price	Fair value at grant date
(1) 02 Dec 2010	475,000	–	(110,510)	(364,490)	–	1 Dec 2012	67.5 p	13.63 p
(2) 14 Dec 2011	800,000	–	–	–	800,000	11 Dec 2013	110.5 p	8.17 p

The weighted average fair value of the warrants granted during the last financial year was 8.17 pence. The value of the warrants granted during the last financial year was US$103,565.

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

Inputs into the model	**Warrant series signed on 14 December 2011**
Grant date share price	110.5 pence
Exercise price	110.5 pence
Expected volatility	20%
Warrant life	2 years
Dividend yield	0.91%
Risk free interest rate	0.35%

The Company issued a total of 800,000 warrants during the last financial year at 110.5 pence when the then market price was 110.5 pence.

29 CAPITAL COMMITMENTS

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

	Group	
	2013	**2012**
	US$	**US$**
Property, plant and equipment	175,229,908	155,231,420

The above capital commitments represent amounts due under contracts entered into by the group to purchase aircraft after exercising options. 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 10 aircraft at agreed prices. The options are held in the balance sheet 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 and the Group has no history of exercising options and selling the asset shortly after, 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.

30 OPERATING LEASES

a) Leases as Lessor

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

	Group	
	2013	**2012**
	US$	**US$**
Within one year	46,841,352	29,523,884
In the second to fifth years inclusive	138,519,513	71,577,536
More than five years	114,490,041	58,099,805

b) Contingencies

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

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

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

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

Any unclaimed balance that F100 Pty. Ltd. holds at the end of the lease is not refundable to the lessees.

During the financial year ended 30 June 2013, the Group had received US$1,993,142 (2012: US$2,003,097) in maintenance rent.

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

The Company's subsidiary, MSN 1607 Pte. Ltd. has acquired an aircraft during the year together with a contingent liability to pay amounts to the lessee dependent upon the return condition of the aircraft at the end of the lease term. It would only become payable by the subsidiary to the lessee in the event that the aircraft is returned at lease-end/redelivery at the end of the lease in April 2018 in a full life condition. Management is of the view that the return condition of the aircraft will be at half life condition. A reliable estimate of the future payment obligation at half life condition cannot be made and hence a provision not made.

31 SEGMENT INFORMATION

a) Segment reporting policy

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

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

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

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

b) Primary reporting segment – business segments

During the year ended 30 June 2013, the Group was organised into two main business segments which are aircraft leasing and business procurement.

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

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

c) Second reporting segment – geographical segments

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

Group Financial year ended 30 June 2013	**Revenue US$**	**Capital expenditure and valuation movements US$**	**Total assets US$**
Australia	31,464,032	128,897,926	258,760,998
United States	1,560,000	–	8,197,159
Denmark	9,000,000	–	60,667,000
Germany	275,000	22,479,404	23,194,344
Malta	–	–	1,163,056
United Kingdom	46,466	–	20,114,934
Other	394,493	5,198	22,285,809
	42,739,991	151,382,528	394,383,300

Group Financial year ended 30 June 2012	**Revenue US$**	**Capital expenditure and valuation movements US$**	**Total assets US$**
Australia	22,678,216	108,274,256	141,951,757
United States	2,224,663	–	8,841,444
Denmark	9,000,000	–	65,092,000
Malta	–	–	935,955
United Kingdom	141,731	–	18,295,803
Other	956,608	2,846	11,992,137
	35,001,218	108,277,102	247,109,096

Group Financial year ended 30 June 2013	**Net book value Aircraft US$**
Australia	255,939,738
Denmark	60,667,000
Germany	22,388,817
United States	8,197,125
	347,192,680

Group Financial year ended 30 June 2012	**Net book value Aircraft US$**
Australia	139,921,910
Denmark	65,092,000
United States	8,841,000
	213,854,910

During the year, certain customers accounted for greater than 10% of the Group's total revenues. There is one customer that accounts for US$31,411,894 (73%) of the Group's total revenues. These revenues were based in the Australia operating segment. There is one customer that accounts for US$9,000,000 (21%) of the Group's total revenue. These revenues were based in the Denmark segment.

32 CONTINGENT LIABILITIES

	Group	
	2013	**2012**
	US$	**US$**
Guarantees	216,598,591	106,217,754

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

33 ULTIMATE HOLDING COMPANY

No party controls the Company.

34 CHANGES IN ACCOUNTING POLICIES

Items included in the financial statements of the Company for the financial period ended 30 June 2012 were measured and presented using the Pound Sterling (£). During the current financial period ended 30 June 2013, United States Dollars (US$) was adopted as the Company's presentational currency.

The Company determined that using US$ as its presentational currency best reflected the economic substance of the underlying events and circumstances relevant to the Company as it is the functional currency of the Group.

This change of accounting policy requires items in the financial statements, including comparative figures to be measured and presented in US$.

In year 2012, the foreign translation reserve was £2.5m arose from translating subsidiaries whose presentational currency was US$ in to £, and now the Group accounts are presented in US$ that this reserve has been eliminated.

The financial effects arising from the re-measurement process are adjusted retrospectively against the accumulated profits of an earlier period reported in the financial statements. A summary of the significant accounts for the year ended 30 June 2012 and 1 July 2011 financial statements before and after restatement is as follows:

	Group		Group	
	As re-stated 30 June 2012	As reported 30 June 2012	As re-stated 1 July 2011	As reported 1 July 2011
	US$	£	US$	£
Current assets	18,595,134	11,901,503	21,132,225	13,171,112
Non-current assets	228,513,962	146,230,400	138,005,493	86,220,731
Total assets	247,109,096	158,131,903	159,137,718	99,391,843
Current liabilities	28,206,569	18,056,674	25,805,406	16,085,904
Non-current liabilities	136,727,779	87,554,173	54,230,322	33,845,341
Capital and reserves	82,174,748	52,521,056	79,101,990	49,460,598
	247,109,096	158,131,903	159,137,718	99,391,843
Total profits	6,363,534	4,161,210	7,362,878	5,056,726
Earnings per share				
- Basic	12.36 cents	8.16 pence	16.77 cents	11.95 pence
- Fully diluted	12.31 cents	8.13 pence	16.61 cents	11.84 pence

	Company		Company	
	As re-stated 30 June 2012	As reported 30 June 2012	As re-stated 1 July 2011	As reported 1 July 2011
	US$	£	US$	£
Current assets	11,538,470	7,389,232	14,852,043	9,272,137
Non-current assets	21,869,028	13,905,790	11,248,638	7,094,954
Total assets	33,407,498	21,295,022	26,100,681	16,367,091
Current liabilities	3,381,790	2,165,704	3,163,448	1,972,273
Non-current liabilities	3,640,993	2,331,692	3,005,620	1,876,409
Capital and reserves	26,384,715	16,797,626	19,931,613	12,518,409
	33,407,498	21,295,022	26,100,681	16,367,091
Total profits	1,277,309	963,896	1,370,916	1,288,382

As required by IAS1, the Company and the Group have disclosed the changes in their balance sheet arising from the prior year adjustments due to the change in accounting policy.

35 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company and the consolidated financial statements of the Group for the financial period ended 30 June 2013 were authorised for issue by the Board of Directors on 26 August 2013.

Register of Top 20 Shareholders

(AS AT 05 SEPTEMBER 2013)

Name of Shareholder	Holding (Number of shares)
Fitel Nominees Limited	9,009,352
HSBC Client Holdings Nominee (UK) Limited	8,788,140
State Street Nominees Limited	3,188,237
Chase Nominees Limited	3,120,000
Apollo Nominees Ltd	2,036,756
HSBC Global Custody Nominee (UK) Limited	1,646,250
Credit Suisse Securities (Europe) Limited	1,583,244
Fitel Nominees Limited	1,356,967
Lynchwood Nominees Limited	1,305,772
Loeb Aron & Company Ltd	920,000
Fitel Nominees Limited	824,450
Fitel Nominees Limited	676,519
HSBC Global Custody Nominee (UK) Limited	582,859
W H Ireland Nominees Limited	541,836
The Corporation Of Lloyds	480,922
Barclayshare Nominees Limited	478,957
Hargreave Hale Nominees Limited	440,000
L R Nominees Limited	404,682
Jim Nominees Limited	367,210
HSBC Client Holdings Nominee (UK) Limited	362,700

ATR-72 aircraft under construction at the Avions de Transport Régional plant at Toulouse Airport at Blagnac, France

avation PLC

ANNUAL REPORT 2013

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London Stock Exchange
LISTED
STANDARD
SHARES

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